UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 31, 2021

☐ **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 0-23071

THE CHILDRENS PLACE, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**31-1241495** (I.R.S. Employer Identification Number)
500 Plaza Drive **Secaucus, New Jersey** (Address of Principal Executive Offices)	**07094** (Zip Code)

(201) 558-2400

(Registrant’s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: **Common Stock, $0.10 par value**

Trading Symbol: **PLCE**

Name of each exchange on which registered**: Nasdaq Global Select Market**

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 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 o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer (Do not check if a smaller reporting company)	o	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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 number of shares outstanding of the registrant’s common stock with a par value of $0.10 per share, as of August 25, 2021 was 14,721,208 shares.

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

FOR THE PERIOD ENDED JULY 31, 2021

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PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	July 31, 2021	January 30, 2021	August 1, 2020
	(unaudited)		(unaudited)
	(in thousands, except par value)		
ASSETS			
Current assets:			
Cash and cash equivalents	$ 63,982	$ 63,548	$ 36,119
Accounts receivable	38,864	39,534	29,634
Inventories	461,391	388,141	381,022
Prepaid expenses and other current assets	45,011	55,860	23,085
Total current assets	609,248	547,083	469,860
Long-term assets:			
Property and equipment, net	165,558	181,801	200,963
Right-of-use assets	235,208	283,624	319,796
Tradenames, net	72,092	72,492	72,892
Deferred income taxes	36,362	45,579	91,926
Other assets	9,980	9,548	12,502
Total assets	$ 1,128,448	$ 1,140,127	$ 1,167,939
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Current liabilities:			
Revolving loan	$ 199,837	$ 169,778	$ 250,818
Accounts payable	227,579	252,124	279,014
Current lease liabilities	109,991	174,585	160,932
Income taxes payable	4,536	5,508	5,666
Accrued expenses and other current liabilities	130,452	116,504	113,112
Total current liabilities	672,395	718,499	809,542
Long-term liabilities:			
Long-term debt	74,209	75,346	—
Long-term lease liabilities	174,718	214,173	254,187
Other tax liabilities	6,350	6,304	6,811
Income taxes payable	14,939	14,939	17,589
Other long-term liabilities	17,652	17,489	18,295
Total liabilities	960,263	1,046,750	1,106,424
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY:			
Preferred stock, $1.00 par value, 1,000 shares authorized, 0 shares issued and outstanding	—	—	—
Common stock, $0.10 par value, 100,000 shares authorized; 14,831, 14,641, and 14,637 issued; 14,772, 14,584, and 14,585 outstanding	1,483	1,464	1,464
Additional paid-in capital	164,290	148,519	138,350
Treasury stock, at cost (59, 57, and 52)	(3,304)	(3,164)	(3,025)
Deferred compensation	3,304	3,164	3,025
Accumulated other comprehensive loss	(13,285)	(13,816)	(14,437)
Retained earnings (deficit)	15,697	(42,790)	(63,862)
Total stockholders' equity	168,185	93,377	61,515
Total liabilities and stockholders' equity	$ 1,128,448	$ 1,140,127	$ 1,167,939

See accompanying notes to these consolidated financial statements.

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
	(in thousands, except earnings per share)			
Net sales	$ 413,855	$ 368,923	$ 849,336	$ 624,130
Cost of sales (exclusive of depreciation and amortization)	245,994	301,843	493,269	576,723
Gross profit	167,861	67,080	356,067	47,407
Selling, general, and administrative expenses	115,620	114,312	222,358	212,803
Depreciation and amortization	14,392	16,708	29,953	34,596
Asset impairment charges	—	544	—	37,635
Operating income (loss)	37,849	(64,484)	103,756	(237,627)
Interest expense	(4,700)	(2,647)	(9,114)	(4,536)
Interest income	4	8	7	57
Income (loss) before benefit for income taxes	33,153	(67,123)	94,649	(242,106)
Provision (benefit) for income taxes	9,058	(20,484)	25,349	(80,657)
Net income (loss)	$ 24,095	$ (46,639)	$ 69,300	$ (161,449)
Earnings (loss) per common share				
Basic	$ 1.63	$ (3.19)	$ 4.71	$ (11.04)
Diluted	$ 1.60	$ (3.19)	$ 4.61	$ (11.04)
Weighted average common shares outstanding				
Basic	14,780	14,634	14,725	14,623
Diluted	15,062	14,634	15,032	14,623

See accompanying notes to these consolidated financial statements.

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
	(in thousands)			
Net income (loss)	$ 24,095	$ (46,639)	$ 69,300	$ (161,449)
Other comprehensive income (loss):				
Foreign currency translation adjustment	(355)	431	531	(1,092)
Change in fair value of cash flow hedges, net of income taxes	—	45	—	200
Other comprehensive income (loss)	(355)	476	531	(892)
Total comprehensive income (loss)	$ 23,740	$ (46,163)	$ 69,831	$ (162,341)

See accompanying notes to these consolidated financial statements.

THE CHILDREN’S PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS’ EQUITY

(Unaudited)

Thirteen Weeks Ended July 31, 2021

(in thousands, except dividends per share)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deferred Compensation	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Value	Total Stockholders’ Equity
BALANCE, May 1, 2021	14,693	$ 1,469	$ 155,908	$ 3,234	$ 563	$ (12,930)	(58)	$ (3,234)	$145,010
Vesting of stock awards	255	26	(26)						—
Stock-based compensation			10,526						10,526
Purchase and retirement of shares	(117)	(12)	(2,118)		(8,961)				(11,091)
Change in cumulative translation adjustment						(355)			(355)
Deferral of common stock into deferred compensation plan				70			(1)	(70)	—
Net income					24,095				24,095
BALANCE, July 31, 2021	14,831	1,483	164,290	3,304	15,697	(13,285)	(59)	(3,304)	168,185

Twenty-six Weeks Ended July 31, 2021

(in thousands, except dividends per share)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deferred Compensation	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Value	Total Stockholders’ Equity
BALANCE, January 30, 2021	14,641	$ 1,464	$ 148,519	$ 3,165	$ (42,790)	$ (13,816)	(57)	$ (3,165)	$93,377
Vesting of stock awards	336	34	(34)						—
Stock-based compensation			18,442						18,442
Purchase and retirement of shares	(146)	(15)	(2,637)		(10,813)				(13,465)
Change in cumulative translation adjustment						531			531
Deferral of common stock into deferred compensation plan				139			(2)	(139)	—
Net income					69,300				69,300
BALANCE, July 31, 2021	14,831	$ 1,483	$ 164,290	$ 3,304	$ 15,697	$ (13,285)	(59)	$ (3,304)	$ 168,185

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

Thirteen Weeks Ended August 1, 2020

(in thousands, except dividends per share)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deferred Compensation	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Value	Total Stockholders' Equity
BALANCE, May 2, 2020	14,581	$ 1,458	$ 135,328	$ 3,025	$ (16,838)	$ (14,913)	(52)	$ (3,025)	$ 105,035
Vesting of stock awards	86	9	(9)						—
Stock-based compensation			3,528						3,528
Purchase and retirement of shares	(30)	(3)	(497)		(385)				(885)
Change in cumulative translation adjustment						431			431
Change in fair value of cash flow hedges, net of income taxes						45			45
Deferral of common stock into deferred compensation plan				—			—	—	—
Net income (loss)					(46,639)				(46,639)
BALANCE, August 1, 2020	14,637	$ 1,464	$ 138,350	$ 3,025	$ (63,862)	$ (14,437)	(52)	$ (3,025)	$ 61,515

Twenty-six Weeks Ended August 1, 2020

(in thousands, except dividends per share)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deferred Compensation	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Value	Total Stockholders' Equity
BALANCE, February 1, 2020	14,762	$ 1,476	$ 139,041	$ 2,956	$ 108,215	$ (13,545)	(51)	$ (2,956)	$ 235,187
Vesting of stock awards	167	17	(17)						—
Stock-based compensation			4,113						4,113
Purchase and retirement of shares	(292)	(29)	(4,787)		(10,628)				(15,444)
Change in cumulative translation adjustment						(1,092)			(1,092)
Change in fair value of cash flow hedges, net of income taxes						200			200
Deferral of common stock into deferred compensation plan				69			(1)	(69)	—
Net income (loss)					(161,449)				(161,449)
BALANCE, August 1, 2020	14,637	$ 1,464	$ 138,350	$ 3,025	$ (63,862)	$ (14,437)	(52)	$ (3,025)	$ 61,515

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Twenty-six Weeks Ended	
	July 31, 2021	August 1, 2020
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 69,300	$ (161,449)
Reconciliation of net income (loss) to net cash used in operating activities:		
Non-cash portion of operating lease expense	52,075	57,345
Depreciation and amortization	29,953	34,596
Non-cash stock-based compensation	18,442	4,113
Deferred income tax (benefit)	9,390	(79,031)
Asset impairment charges	—	37,635
Other non-cash changes, net	743	199
Changes in operating assets and liabilities:		
Inventories	(74,406)	(53,644)
Accounts receivable and other assets	520	4,635
Prepaid expenses and other current assets	(847)	4,367
Income taxes payable, net of prepayments	12,056	(6,136)
Accounts payable and other current liabilities	(13,090)	93,634
Other long-term liabilities	139	(395)
Lease liabilities	(107,572)	(19,073)
Net cash used in operating activities	(3,297)	(83,204)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(13,496)	(14,268)
Change in deferred compensation plan	31	159
Net cash used in investing activities	(13,465)	(14,109)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase and retirement of common stock, including shares surrendered for tax withholdings and transaction costs	(13,465)	(15,444)
Borrowings under revolving credit facility	386,343	218,278
Repayments under revolving credit facility	(356,284)	(138,269)
Payment of debt issuance costs	(358)	—
Net cash provided by financing activities	16,236	64,565
Effect of exchange rate changes on cash and cash equivalents	960	380
Net increase in cash and cash equivalents	434	(32,368)
Cash and cash equivalents, beginning of period	63,548	68,487
Cash and cash equivalents, end of period	$ 63,982	$ 36,119

See accompanying notes to these consolidated financial statements.

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Twenty-six Weeks Ended	
	July 31, 2021	August 1, 2020
	(in thousands)	
OTHER CASH FLOW INFORMATION:		
Net cash paid during the period for income taxes	$ 3,793	$ 4,406
Cash paid during the period for interest	4,645	4,023
Decrease in accrued capital expenditures	(1,145)	(2,060)

See accompanying notes to these consolidated financial statements.

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

Description of Business

The Children's Place, Inc. and subsidiaries (collectively, the "Company") is the largest pure-play children's specialty apparel retailer in North America. The Company provides apparel, footwear, accessories, and other items for children. The Company designs, contracts to manufacture, sells at retail and wholesale, and licenses to sell trend right, high-quality merchandise predominately at value prices, primarily under our proprietary "The Children's Place", "Place", "Baby Place", and "Gymboree" brand names.

The Company classifies its business into two segments: The Children's Place U.S. and The Children's Place International. Included in The Children's Place U.S. segment are the Company's U.S. and Puerto Rico-based stores and revenue from its U.S.-based wholesale business. Included in The Children's Place International segment are its Canadian-based stores, revenue from the Company's Canadian-based wholesale business, as well as revenue from international franchisees. Each segment includes an e-commerce business located at *www.childrensplace.com* and *www.gymboree.com*.

Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the consolidated financial position of the Company as of July 31, 2021 and August 1, 2020, the results of its consolidated operations for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020, consolidated comprehensive income (loss) for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020, consolidated cash flows for the twenty-six weeks ended July 31, 2021 and August 1, 2020, and consolidated stockholders' equity for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020. The consolidated financial position as of January 30, 2021 was derived from audited financial statements. Due to the seasonal nature of the Company's business, the results of operations for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020 are not necessarily indicative of operating results for a full fiscal year. These consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

In December 2019, there was an outbreak of a new strain of coronavirus ("COVID-19") that began in Wuhan, China and has since spread to the other regions of the world. In March 2020, the World Health Organization declared COVID-19 a global pandemic, and the President of the United States declared a national emergency. Federal, state, and local governments and health officials mandated and continue to mandate various restrictions, including closures of businesses and other activities, travel restrictions, restrictions on public gatherings, stay at home orders and advisories, quarantining of people who may have been exposed to the virus, and the adoption of remote or hybrid learning models for schools. The COVID-19 pandemic has significantly negatively affected the global economy, significantly disrupted global supply chains, and created significant disruption of the financial and retail markets, including a significant disruption in consumer demand for children's clothing and accessories. As such, the comparability of the Company's operating results has been affected by significant adverse impacts related to the COVID-19 pandemic.

Terms that are commonly used in the Company's notes to consolidated financial statements are defined as follows:

- *Second Quarter 2021 — The thirteen weeks ended July 31, 2021*
- *Second Quarter 2020 — The thirteen weeks ended August 1, 2020*
- *Year-To-Date 2021 — The twenty-six weeks ended July 31, 2021*
- *Year-To-Date 2020 — The twenty-six weeks ended August 1, 2020*
- *FASB — Financial Accounting Standards Board*

- *SEC — U.S. Securities and Exchange Commission*
- *U.S. GAAP — Generally Accepted Accounting Principles in the United States*
- *FASB ASC — FASB Accounting Standards Codification, which serves as the source for authoritative U.S. GAAP, except that rules and interpretive releases by the SEC are also sources of authoritative U.S. GAAP for SEC registrants*

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated. As of July 31, 2021 and August 1, 2020, the Company did not have any investments in unconsolidated affiliates. FASB ASC 810—*Consolidation* is considered when determining whether an entity is subject to consolidation.

Fiscal Year

The Company’s fiscal year is a 52-week or 53-week period ending on the Saturday on or nearest to January 31.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and amounts of revenues and expenses reported during the period. Actual results could differ from the assumptions used and estimates made by management, which could have a material impact on the Company’s financial position or results of operations. Significant estimates inherent in the preparation of the consolidated financial statements include: reserves for the realizability of inventory; reserves for litigation and other contingencies; useful lives and impairments of long-lived assets; fair value measurements; accounting for income taxes and related uncertain tax positions; insurance reserves; intangible assets; valuation of stock-based compensation awards and related estimated forfeiture rates, among others.

Reclassifications

Certain reclassifications have been made to prior periods' financial statements to conform to the current period's presentation.

Inventories

Inventories, which consist primarily of finished goods, are stated at the lower of cost or net realizable value, with cost determined on an average cost basis. The Company capitalizes certain buying, design, and supply chain costs in inventory, and these costs are reflected within cost of sales as the inventories are sold. Inventory shrinkage is estimated in interim periods based upon the historical results of physical inventory counts in the context of current year facts and circumstances.

Impairment of Long-Lived Assets

The Company periodically reviews its long-lived assets when events indicate that their carrying value may not be recoverable. Such events include historical trends or projected trends of cash flow losses or a future expectation that the Company will sell or dispose of an asset significantly before the end of its previously estimated useful life. In reviewing for impairment, the Company groups its long-lived assets at the lowest possible level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

The Company reviews all stores that have reached comparable sales status, or sooner if circumstances should dictate, on at least an annual basis. The Company believes waiting this period of time allows a store to reach a maturity level where a more comprehensive analysis of financial performance can be performed. For each store that shows indications of impairment, the Company performs a recoverability test comparing estimated undiscounted future cash flows to the carrying value of the related long-lived assets. If the undiscounted cash flows are less than the related net book value of the long-lived assets, they are written down to their fair market value. The Company primarily uses discounted future cash flows directly associated with those assets to determine fair market value of long-lived assets and right-of-use (“ROU”) assets. In evaluating future cash flows, the Company considers external and internal factors. External factors comprise the local environment in which the store resides, including mall traffic, competition, and their effect on sales trends, as well as macroeconomic factors, such as global pandemics. Internal factors include the Company’s ability to gauge the fashion taste of its customers, control variable costs such as cost of sales and payroll, and in certain cases, its ability to renegotiate lease costs.

Stock-based Compensation

The Company generally grants time-vesting stock awards (“Deferred Awards”) and performance-based stock awards (“Performance Awards”) to employees at management levels. The Company also grants Deferred Awards to its non-employee directors. Deferred Awards are granted in the form of restricted stock units that require each recipient to complete a service period. Deferred Awards generally vest ratably over three years, except for those granted to non-employee directors, which generally vest after one year. Performance Awards are granted in the form of restricted stock units which have performance criteria that must be achieved for the awards to vest (the “Target Shares”) in addition to a service period requirement. For Performance Awards, an employee may earn from 0% to 300% of their Target Shares based on the terms of the award and the Company’s achievement of certain performance goals established at the beginning of the applicable performance period. The Performance Awards cliff vest, if earned, after completion of the applicable performance period, which is generally three years. The fair value of Deferred Awards and Performance Awards granted is based on the closing price of our common stock on the grant date.

Stock-based compensation expense is recognized ratably over the related service period, reduced for estimated forfeitures of those awards not expected to vest due to employee turnover. Stock-based compensation expense, as it relates to Performance Awards, is also adjusted based on the probability that the performance criteria will be achieved.

Deferred Compensation Plan

The Company has a deferred compensation plan (the “Deferred Compensation Plan”), which is a nonqualified plan, for eligible senior level employees. Under the Deferred Compensation Plan, a participant may elect to defer up to 80% of his or her base salary and/or up to 100% of his or her bonus to be earned for the year following the year in which the deferral election is made. The Deferred Compensation Plan also permits members of the Board of Directors to elect to defer payment of all or a portion of their retainer and other fees to be earned for the year following the year in which a deferral election is made. In addition, eligible employees and directors of the Company may also elect to defer payment of any shares of Company stock that are earned with respect to stock-based awards. Directors may elect to have all or a certain portion of their fees earned for their service on the Board invested in shares of the Company’s common stock. Such elections are irrevocable. The Company is not required to contribute to the Deferred Compensation Plan, but at its sole discretion, can make additional contributions on behalf of the participants. Deferred amounts are not subject to forfeiture and are deemed invested among investment funds offered under the Deferred Compensation Plan, as directed by each participant. Payments of deferred amounts (as adjusted for earnings and losses) are payable following separation from service or at a date or dates elected by the participant at the time the deferral is elected. Payments of deferred amounts are generally made in either a lump sum or in annual installments over a period not exceeding 15 years. All deferred amounts are payable in the form in which they were made, except for Board of Directors fees invested in shares of the Company’s common stock, which will be settled in shares of Company common stock. Earlier distributions are not permitted except in the case of an unforeseen hardship.

The Company has established a rabbi trust that serves as an investment to shadow the Deferred Compensation Plan liability. The assets of the rabbi trust are general assets of the Company and, as such, would be subject to the claims of creditors in the event of bankruptcy or insolvency. Investments of the rabbi trust consist of mutual funds and Company common stock. The Deferred Compensation Plan liability, excluding Company common stock, is included within other long-term liabilities, and changes in the balance, except those relating to payments, are recognized as compensation expense within selling, general, and administrative expenses. The value of the mutual funds is included in other assets and related earnings and losses are recognized as investment income or loss, which is included within selling, general, and administrative expenses. Company stock deferrals are included within the equity section of the Company’s consolidated balance sheet as treasury stock and as a deferred compensation liability. Deferred stock is recorded at fair market value at the time of deferral, and any subsequent changes in fair market value are not recognized.

Fair Value Measurement and Financial Instruments

FASB ASC 820—*Fair Value Measurement* provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities.

This topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-level hierarchy, which encourages an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the hierarchy are defined as follows:

- Level 1 - inputs to the valuation techniques that are quoted prices in active markets for identical assets or liabilities
- Level 2 - inputs to the valuation techniques that are other than quoted prices, but are observable for the assets or liabilities, either directly or indirectly
- Level 3 - inputs to the valuation techniques that are unobservable for the assets or liabilities

The Company’s cash and cash equivalents, accounts receivable, assets of the Company’s Deferred Compensation Plan, accounts payable, and revolving loan are all short-term in nature. As such, their carrying amounts approximate fair value and fall within Level 1 of the fair value hierarchy. The Company stock included in the Deferred Compensation Plan is not subject to fair value measurement.

The Company's derivative assets and liabilities include foreign exchange forward contracts that are measured at fair value using observable market inputs such as forward rates, our credit risk, and our counterparties' credit risks. Based on these inputs, our derivative assets and liabilities are classified within Level 2 of the fair value hierarchy.

The Company's assets measured at fair value on a nonrecurring basis include long-lived assets, such as intangible assets, fixed assets, and ROU assets. The Company reviews the carrying amounts of such assets when events indicate that their carrying amounts may not be recoverable. Any resulting asset impairment would require that the asset be recorded at its fair value. The resulting fair value measurements of the assets are considered to fall within Level 3 of the fair value hierarchy.

Recently Issued Accounting Standards

Adopted in Fiscal 2021

In December 2019, the FASB issued guidance related to the accounting for income taxes. The guidance aims to simplify the accounting for income taxes by removing certain exceptions to the general principles within the current guidance and by clarifying and amending the current guidance. The guidance is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2020. We adopted this guidance in the First Quarter 2021. This adoption did not have a material impact on our consolidated financial statements.

2. REVENUES

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

The following table presents our revenues disaggregated by geography:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Net sales:	(in thousands)			
South	$ 164,630	$ 146,345	$ 330,368	$ 244,281
Northeast	84,954	82,937	179,976	134,767
West	59,854	55,314	122,077	92,576
Midwest	48,088	40,270	108,892	77,503
International and other	56,329	44,057	108,023	75,003
Total net sales	$ 413,855	$ 368,923	$ 849,336	$ 624,130

The Company recognizes revenue, including shipping and handling fees billed to customers, upon purchase at the Company's retail stores or when received by the customer if the product was purchased via e-commerce, net of coupon redemptions and anticipated sales returns. The Company deferred approximately $9.5 million and $5.7 million as of July 31, 2021 and August 1, 2020, respectively, based upon estimated time of delivery, at which point control passes to the customer, and is recorded in accrued expenses and other current liabilities. Sales tax collected from customers is excluded from revenue.

For the sale of goods with a right of return, the Company recognizes revenue for the consideration it expects to be entitled to and calculates an allowance for estimated sales returns based upon the Company's sales return experience. Adjustments to the allowance for estimated sales returns in subsequent periods are generally not material based on historical data, thereby reducing the uncertainty inherent in such estimates. The allowance for estimated sales returns, which is recorded in accrued expenses and other current liabilities, was approximately $3.1 million and $1.3 million as of July 31, 2021 and August 1, 2020, respectively.

The Company's private label credit card is issued to our customers for use exclusively at The Children's Place stores and online at *www.childrensplace.com* and *www.gymboree.com*, and credit is extended to such customers by a third-party financial institution on a non-recourse basis to the Company. The private label credit card includes multiple performance obligations for the Company, including marketing and promoting the program on behalf of the bank and the operation of the loyalty rewards program. Included in the agreement with the third-party financial institution was an upfront bonus paid to the Company. The upfront bonus is recognized as revenue and allocated between brand and reward obligations. As the license of the Company's brand is the predominant item in the performance obligation, the amount allocated to the brand obligation is recognized on a straight-line basis over the initial term. The amount allocated to the reward obligation is recognized on a point-in-time basis as redemptions under the loyalty program occur.

In measuring revenue and determining the consideration the Company is entitled to as part of a contract with a customer, the Company takes into account the related elements of variable consideration, such as additional bonuses, including profit-sharing, over the life of the program. Similar to the upfront bonus, the usage-based royalties and bonuses are recognized as revenue and allocated between the brand and reward obligations. The amount allocated to the brand obligation is recognized on a straight-line basis over the initial term. The amount allocated to the reward obligation is recognized on a point-in-time basis as redemptions under the loyalty program occur. In addition, the annual profit-sharing amount is estimated and recognized quarterly within an annual period when earned. The additional bonuses are amortized over the contract term based on anticipated progress against future targets and level of risk associated with achieving the targets.

The Company has a points-based customer loyalty program in which customers earn points based on purchases and other promotional activities. These points can be redeemed for coupons to discount future purchases. A contract liability is estimated based on the standalone selling price of benefits earned by customers through the program and the related redemption experience under the program. The value of each point earned is recorded as deferred revenue and is included within accrued expenses and other current liabilities. The total contract liabilities related to this program were $7.1 million and $3.3 million as of July 31, 2021 and August 1, 2020, respectively.

The Company's policy with respect to gift cards is to record revenue as and when the gift cards are redeemed for merchandise. The Company recognizes gift card breakage income in proportion to the pattern of rights exercised by the customer when the Company expects to be entitled to breakage and the Company determines that it does not have a legal obligation to remit the value of the unredeemed gift card to the relevant jurisdiction as unclaimed or abandoned property and is recorded within net sales. Prior to their redemption, gift cards are recorded as a liability, included within accrued expenses and other current liabilities. The total contract liability related to gift cards issued was $12.8 million and $13.6 million as of July 31, 2021 and August 1, 2020, respectively. The liability is estimated based on expected breakage that considers historical patterns of redemption. The following table provides the reconciliation of the contract liability related to gift cards:

	Contract Liability (in thousands)
Balance at January 30, 2021	$ 13,634
Gift cards sold	10,344
Gift cards redeemed	(9,803)
Gift card breakage	(1,350)
Balance at July 31, 2021	12,825

The Company has an international program of territorial agreements with franchisees. The Company generates revenues from the franchisees from the sale of product and, in certain cases, sales royalties. The Company records net sales and cost of goods sold on the sale of product to franchisees when the franchisee takes ownership of the product. The Company records net sales for royalties when the applicable franchisee sells the product to their customers. Under certain agreements, the Company receives a fee from each franchisee for exclusive territorial rights and based on the opening of new stores. The Company records these territorial fees as deferred revenue and amortizes the fee into net sales over the life of the territorial agreement.

3. LEASES

The Company has operating leases for retail stores, corporate offices, distribution facilities, and certain equipment. Our leases have remaining lease terms ranging from less than 1 year up to 9 years, some of which may include options to extend the leases for up to five years, and some of which may include options to terminate the lease early.

The lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For operating leases, the ROU asset is initially and subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, less any accrued lease payments and unamortized lease incentives. For finance leases, the ROU asset is initially measured at cost and subsequently amortized using the straight-line method generally from the lease commencement date to the earlier of the end of its useful life or the end of the lease term.

The discount rate is the rate implicit in the lease unless that rate cannot be readily determined. In that case, the Company is required to use its incremental borrowing rate. The discount rate for a lease is determined based on the information available at lease commencement. In general, the Company accounts for the underlying leased asset and applies a discount rate at the lease level. However, there are certain non-real estate leases for which the Company utilizes the portfolio method by aggregating similar leased assets based on the underlying lease term.

The Company has made an accounting policy election by class of underlying asset to not apply the recognition requirements of FASB ASC 842—*Leases* (“Topic 842”) to leases with an initial term of 12 months or less. Leases with an initial lease term of 12 months or less are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components. The Company has elected a policy to account for lease and non-lease components as a single component for all asset classes.

In certain leases, the Company has the right to exercise lease renewal options. Renewal option periods are included in the measurement of lease ROU assets and lease liabilities where the exercise is reasonably certain to occur.

As of the periods presented, the Company’s finance leases were not material to the consolidated balance sheets, consolidated statements of operations, or consolidated statements of cash flows.

The Company has certain lease agreements structured with both a fixed base rent and a contingent rent based on a percentage of sales over contractual levels, others with only contingent rent based on a percentage of sales, and some with a fixed base rent adjusted periodically for inflation or changes in fair market value of the underlying real estate. Contingent rent is recognized as sales occur. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company records all occupancy costs in cost of sales, except administrative office buildings, which are recorded in selling, general, and administrative expenses.

In April 2020, the FASB staff released guidance regarding rent concessions related to the effects of the COVID-19 pandemic to allow for a temporary practical expedient (the “COVID-19 expedient”) to account for rent concessions as though enforceable rights and obligations for those concessions existed in the lease agreements. The election is available for concessions related to the effects of the COVID-19 pandemic that result in the total payments required by the modified contract being substantially the same as or less than total payments required by the original contract.

Upon the temporary closure of the Company’s store fleet in March 2020, the Company began negotiating for concessions of certain rent payments for the time the stores were impacted. While more than 99% of our stores have reopened, these discussions and negotiations have remained ongoing and were substantially completed at the end of Second Quarter 2021. For the lease concessions that have been agreed upon and executed, the Company did not reassess each existing contract to determine whether enforceable rights and obligations for concessions existed and elected not to apply the lease modification guidance in ASC 842 to those contracts that shared similar characteristics. Rather, the Company accounts for COVID-19 lease concessions as reductions to variable lease cost.

The following components of lease expense are included in the Company’s consolidated statements of operations.

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
	(in thousands)			
Operating lease cost	$ 24,272	$ 39,042	$ 50,030	$ 79,194
Variable lease cost (1)	10,847	8,692	14,221	19,825
Total lease cost	$ 35,119	$ 47,734	$ 64,251	$ 99,019

(1) Includes short term leases with lease periods of less than 12 months as well as lease abatements accounted for as reductions to variable lease costs under the COVID-19 expedient of approximately $2.3 million and $10.3 million during the Second Quarter 2021 and Year-To-Date 2021, respectively.

As of July 31, 2021, the weighted-average remaining operating lease term was 4.3 years, and the weighted-average discount rate for operating leases was 5.3%.

Cash paid for amounts included in the measurement of operating lease liabilities during Year-To-Date 2021 was approximately $107.6 million.

ROU assets obtained in exchange for new operating lease liabilities were approximately $6.1 million during Year-To-Date 2021.

As of July 31, 2021, the maturities of lease liabilities were as follows:

	July 31, 2021 (in thousands)
Remainder of 2021	$ 82,045
2022	72,304
2023	49,041
2024	27,693
2025	18,549
Thereafter	50,872
Total lease payments (1)	$ 300,504
Less: imputed interest	$ (15,795)
Present value of lease liabilities	$ 284,709

(1) For leases in which the Company applied the COVID-19 expedient, it did not remeasure its ROU assets and lease liabilities for rent concessions specific to Fiscal 2021 and beyond. These amounts will be recognized as variable rent costs in future periods in the amount of $27.0 million.

4. INTANGIBLE ASSETS

On April 4, 2019, the Company acquired certain intellectual property and related assets (the "Gymboree Assets") of Gymboree Group, Inc. and related entities, which included the worldwide rights to the names "Gymboree" and "Crazy 8" and other intellectual property, including trademarks, domain names, copyrights, and customer databases. These intangible assets, inclusive of acquisition costs, are recorded in the long-term assets section of the consolidated balance sheets.

The Company's intangible assets include both indefinite and finite assets. Intangible assets with indefinite lives consist primarily of trademarks and acquired trade names, which are tested for impairment annually or whenever circumstances indicate that a decline in value may have occurred. The Company estimates the fair value of these intangible assets based on an income approach using the relief-from-royalty method. The Company's finite-lived intangible assets consist primarily of customer lists and other acquisition-related assets. Finite-lived intangible assets are amortized over their estimated useful economic lives and are reviewed for impairment when factors indicate that an impairment may have occurred. The Company recognizes an impairment charge when the estimated fair value of the intangible asset is less than its carrying value.

The Company's intangible assets were as follows:

		July 31, 2021		
	Useful life	Gross amount	Accumulated amortization	Net amount
			(in thousands)	
Gymboree tradename(1)	Indefinite	$ 69,953	$ —	$ 69,953
Crazy 8 tradename(1)	5 years	4,000	(1,861)	2,139
Customer databases(2)	3 years	3,000	(2,328)	672
Total intangibles, net		$ 76,953	$ (4,189)	$ 72,764

		January 30, 2021		
	Useful life	Gross amount	Accumulated amortization	Net amount
			(in thousands)	
Gymboree tradename(1)	Indefinite	$ 69,953	$ —	$ 69,953
Crazy 8 tradename(1)	5 years	4,000	(1,461)	2,539
Customer databases(2)	3 years	3,000	(1,827)	1,173
Total intangibles, net		$ 76,953	$ (3,288)	$ 73,665

	Useful life	August 1, 2020 Gross amount	Accumulated amortization	Net amount
		(in thousands)		
Gymboree tradename[1]	Indefinite	$ 69,953	$ —	$ 69,953
Crazy 8 tradename[1]	5 years	4,000	(1,061)	2,939
Customer databases[2]	3 years	3,000	(1,327)	1,673
Total intangibles, net		$ 76,953	$ (2,388)	$ 74,565

(1) Included within Tradenames, net in the consolidated balance sheets.

(2) Included within Other assets in the consolidated balance sheets.

5. STOCKHOLDERS' EQUITY

Share Repurchase Program

In March 2018, the Board of Directors authorized a $250 million share repurchase program (the "2018 Share Repurchase Program"). As of July 31, 2021, there was approximately $79.5 million remaining on the 2018 Share Repurchase Program. Under this program, the Company may repurchase shares on the open market at current market prices at the time of purchase or in privately negotiated transactions. The timing and actual number of shares repurchased under a program will depend on a variety of factors, including price, corporate and regulatory requirements, and other market and business conditions. The Company may suspend or discontinue the program at any time and may thereafter reinstitute purchases, all without prior announcement. In March 2020, the Company suspended share repurchases, other than to satisfy withholding tax requirements of equity award recipients, due to the COVID-19 pandemic.

Pursuant to the Company's practice, including due to restrictions imposed by the Company's insider trading policy during black-out periods, the Company withholds and repurchases shares of vesting stock awards and makes payments to taxing authorities as required by law to satisfy the withholding tax requirements of all equity award recipients. The Company's payment of the withholding taxes in exchange for the surrendered shares constitutes a repurchase of its common stock. The Company also acquires shares of its common stock in conjunction with liabilities owed under the Company's Deferred Compensation Plan, which are held in treasury.

The following table summarizes the Company's share repurchases:

	Twenty-six Weeks Ended July 31, 2021 Shares	Value	August 1, 2020 Shares	Value
	(in thousands)			
Share repurchases related to:				
2018 Share Repurchase Program	147	$ 13,465	292	$ 15,444
Shares acquired and held in treasury under Deferred Compensation Plan	1.8	$ 139	1.1	$ 69

In accordance with the FASB ASC 505—*Equity*, the par value of the shares retired is charged against common stock and the remaining purchase price is allocated between additional paid-in capital and retained earnings. The portion charged against additional paid-in capital is determined using a pro-rata allocation based on total shares outstanding. Related to all shares retired during Year-To-Date 2021 and Year-To-Date 2020, approximately $10.8 million and $10.6 million respectively, were charged to retained earnings.

Dividends

In March 2020, the Company announced it had temporarily suspended its dividend payments due to the COVID-19 pandemic.

Future declarations of quarterly dividends and the establishment of future record and payment dates are subject to approval by the Company's Board of Directors based on a number of factors, including business and market conditions, the Company's financial performance, and other investment priorities.

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6. STOCK-BASED COMPENSATION

The following table summarizes the Company's stock-based compensation expense:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
	(In thousands)			
Deferred Awards	$ 3,188	$ 3,193	$ 6,766	$ 7,507
Performance Awards	7,338	335	11,676	(3,394)
Total stock-based compensation expense [1]	$ 10,526	$ 3,528	$ 18,442	$ 4,113

(1) A portion of stock-based compensation is included in cost of sales. Approximately $0.8 million and $0.9 million during the Second Quarter 2021 and the Second Quarter 2020, respectively, were included in cost of sales. During Year-To-Date 2021 and Year-To-Date 2020, approximately $1.7 million and $1.6 million, respectively, were included within cost of sales (exclusive of depreciation and amortization). All other stock-based compensation is included in selling, general, and administrative expenses.

The Company recognized a tax benefit related to stock-based compensation expense of approximately $4.8 million and $1.1 million during Year-To-Date 2021 and Year-To-Date 2020, respectively.

Changes in the Company's Unvested Stock Awards During Year-To-Date 2021

Deferred Awards

	Number of Shares	Weighted Average Grant Date Fair Value
	(in thousands)	
Unvested Deferred Awards, beginning of period	550	$ 55.43
Granted	143	75.76
Vested	(217)	86.18
Forfeited	(3)	97.00
Unvested Deferred Awards, end of period	473	$ 47.12

Total unrecognized stock-based compensation expense related to unvested Deferred Awards approximated $20.4 million as of July 31, 2021, which will be recognized over a weighted average period of approximately 2.0 years.

Performance Awards

	Number of Shares [1]	Weighted Average Grant Date Fair Value
	(in thousands)	
Unvested Performance Awards, beginning of period	350	$ 74.37
Granted	144	73.73
Shares earned in excess of (below) target	(22)	65.34
Vested shares, including shares earned	(118)	95.61
Forfeited	(1)	108.21
Unvested Performance Awards, at end of period	353	$ 67.50

(1) For those awards in which the performance period is complete, the number of unvested shares is based on actual shares that will vest upon completion of the service period.

For those awards in which the performance period is not yet complete, the number of unvested shares in the table above is based on the participants earning their Target Shares at 100%. However, the cumulative expense recognized reflects changes in the probability that the performance criteria will be achieved as they occur. Based on the current number of Performance Awards expected to be earned, total unrecognized stock-based compensation expense related to unvested Performance Awards approximated $14.7 million as of July 31, 2021, which will be recognized over a weighted average period of approximately 2.3 years.

7. EARNINGS PER COMMON SHARE

The following table reconciles net income (loss) and share amounts utilized to calculate basic and diluted earnings (loss) per common share:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
	(in thousands)			
Net income (loss)	$ 24,095	$ (46,639)	$ 69,300	$ (161,449)
Basic weighted average common shares	14,780	14,634	14,725	14,623
Dilutive effect of stock awards	282	—	307	—
Diluted weighted average common shares	15,062	14,634	15,032	14,623

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

	July 31, 2021	January 30, 2021	August 1, 2020
	(in thousands)		
Property and equipment:			
Land and land improvements	$ 3,403	$ 3,403	$ 3,403
Building and improvements	36,045	36,133	35,927
Material handling equipment	61,649	58,034	56,748
Leasehold improvements	214,229	216,989	228,183
Store fixtures and equipment	224,238	226,404	235,386
Capitalized software	313,371	296,967	288,934
Construction in progress	5,339	15,211	15,620
	858,274	853,141	864,201
Less accumulated depreciation and amortization	(692,716)	(671,340)	(663,238)
Property and equipment, net	$ 165,558	$ 181,801	$ 200,963

At July 31, 2021, the Company reviewed its store related long-lived assets for indicators of impairment, and performed a recoverability test if indicators were identified. Based on the results of the analysis performed, the Company was not required to record an asset impairment charge for the Second Quarter 2021. During Year-To-Date 2021, the Company was not required to record an asset impairment charge.

At August 1, 2020, the Company performed impairment testing on 824 stores with a total net book value of approximately $46.8 million. During the Second Quarter 2020, the Company recorded asset impairment charges of $0.5 million primarily for six stores. During Year-To-Date 2020, the Company recorded asset impairment charges of $37.6 million, inclusive of ROU assets, primarily for 418 stores. These charges were related to underperforming stores identified in our ongoing store portfolio evaluation primarily as a result of decreased net revenues and cash flow projections resulting from the COVID-19 disruption.

9. DEBT

Revolving Credit Facility

The Company and certain of its subsidiaries maintain an asset-based revolving credit facility (the “ABL Credit Facility”) with Wells Fargo Bank, National Association (“Wells Fargo”), Bank of America, N.A., HSBC Business Credit (USA) Inc., and JPMorgan Chase Bank, N.A., as lenders (collectively, the “Lenders”) and Wells Fargo, as Administrative Agent, Collateral Agent, and Swing Line Lender.

The ABL Credit Facility, which expires in May 2024, consists of a $360 million asset-based revolving credit facility that was increased from $325 million as a result of finalizing an amendment with the Lenders on April 24, 2020 to secure the Company an additional $35 million available under the accordion feature for a period of one year. The ABL Credit Facility includes a $25 million Canadian sublimit and a $50 million sublimit for standby and documentary letters of credit. On October 5, 2020, the Company further amended the ABL Credit Facility to provide for certain changes that permitted the issuance of an $80 million term loan (the “Term Loan”) on that date and align certain terms of the ABL Credit Facility to those of the Term Loan. The Term Loan is discussed in more detail below. On April 23, 2021, the Company and its Lenders extended the $35 million of additional availability for an additional year until April 23, 2022.

Borrowings outstanding under the ABL Credit Facility bear interest, at the Company’s option, at:

(i) the prime rate, plus a margin of 1.75% to 1.88% based on the amount of the Company’s average excess availability under the facility; or

(ii) the London InterBank Offered Rate, or “LIBOR”, for an interest period of one, two, three, or six months, as selected by the Company, plus a margin of: a) 2.50% to 2.75% and b) 1.00%, based on the amount of the Company’s average excess availability under the facility.

The Company is charged a fee of 0.25% on the unused portion of the commitments. Letter of credit fees range from 1.25% to 1.38% for commercial letters of credit and from 2.00% to 2.25% for standby letters of credit. Letter of credit fees are determined based on the amount of the Company’s average excess availability under the facility. The amount available for loans and letters of credit under the ABL Credit Facility is determined by a borrowing base consisting of certain credit card receivables and certain trade receivables, certain inventory, and the fair market value of certain real estate, subject to certain reserves.

The outstanding obligations under the ABL Credit Facility may be accelerated upon the occurrence of certain events, including, among others, non-payment, breach of covenants, the institution of insolvency proceedings, defaults under other material indebtedness, and a change of control, subject, in the case of certain defaults, to the expiration of applicable grace periods. The Company is not subject to any early termination fees.

The ABL Credit Facility contains covenants, which include conditions on stock buybacks and the payment of cash dividends or similar payments. These covenants also limit the ability of the Company and its subsidiaries to incur certain liens, to incur certain indebtedness, to make certain investments, acquisitions, or dispositions or to change the nature of its business.

Credit extended under the ABL Credit Facility is secured by a first priority security interest in substantially all of the Company’s U.S. and Canadian assets, excluding intellectual property, software, equipment, and fixtures. In connection with the Term Loan, the Lenders under the ABL Credit Facility entered into an intercreditor agreement with the Term Loan lender and were granted a second priority security interest in the Term Loan collateral, which includes the Company’s intellectual property, certain furniture, fixtures and equipment, and pledges of subsidiary capital stock.

As of July 31, 2021 the Company has capitalized an aggregate of approximately $6.3 million in deferred financing costs related to the ABL Credit Facility. The unamortized balance of deferred financing costs as of July 31, 2021 was approximately $1.2 million. Unamortized deferred financing costs are amortized over the remaining term of the ABL Credit Facility.

The table below presents the components of the Company's ABL Credit Facility:

	July 31, 2021	January 30, 2021	August 1, 2020
		(in millions)	
Credit facility maximum	$ 360.0	$ 360.0	$ 360.0
Borrowing base [(1)]	354.0	282.2	326.7
Outstanding borrowings	199.8	169.8	250.8
Letters of credit outstanding—standby	7.4	8.2	6.2
Utilization of credit facility at end of period	207.2	178.0	257.0
Availability [(2)]	$ 146.8	$ 104.2	$ 69.7
Interest rate at end of period	3.8 %	4.2 %	4.1 %

	Year-To-Date 2021	Fiscal 2020	Year-To-Date 2020
Average end of day loan balance during the period	$ 213.5	$ 216.2	$ 233.1
Highest end of day loan balance during the period	269.7	$ 275.6	$ 272.2
Average interest rate	3.9 %	3.8 %	3.5 %

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(1) Lower of the credit facility maximum or the total borrowing base collateral.

(2) The sub-limit availability for letters of credit was $42.6 million at July 31, 2021, $41.8 million at January 30, 2021, and $43.8 million at August 1, 2020.

Long-Term Debt

Long-term debt is solely comprised of the Term Loan transaction completed during the third quarter of 2020, as discussed below.

On October 5, 2020, the Company and certain of its subsidiaries entered into a loan agreement (the "Loan Agreement") dated October 5, 2020 with SLR Credit Solutions (formerly known as Crystal Financial LLC), as Lender, Administrative Agent, and Collateral Agent, providing for an $80 million Term Loan. The net proceeds from the Term Loan, after deducting related fees and expenses, were used to repay borrowings under the Company's ABL Credit Facility.

The Term Loan: (i) matures on the earlier of October 5, 2025 or the maturity date under the ABL Credit Facility, currently in May 2024; (ii) bears interest, payable monthly, at the greater of (a) the three month LIBOR Rate published in the Wall Street Journal, and (b) 1.00%, plus 7.75% or 8.00% depending on the average excess availability of credit under the ABL Credit Facility, adjusted quarterly; and (iii) amortizes by (x) 5.00% per annum payable quarterly beginning with the fiscal quarter ending on or around July 31, 2021 through the fiscal quarter ending on or around April 30, 2022, (y) 7.50% per annum payable quarterly beginning with the fiscal quarter ending on or around July 31, 2022 through the fiscal quarter ending on or around April 30, 2023, and (z) 10.00% per annum payable quarterly thereafter. For the Second Quarter 2021 and Year-To-Date 2021, the Company recognized $1.8 million and $3.6 million, respectively, within interest expense related to the Term Loan.

The Term Loan is secured by a first priority security interest in the Company's intellectual property, certain furniture, fixtures and equipment, and pledges of subsidiary capital stock, and a second priority security interest in the collateral securing the ABL Credit Facility. The Term Loan is guaranteed, subject to certain exceptions, by each of the Company's subsidiaries that guarantees the ABL Credit Facility.

The Term Loan is, in whole or in part, pre-payable any time and from time to time, subject to certain prepayment premiums specified in the Loan Agreement, plus accrued and unpaid interest.

Among other covenants, the Loan Agreement limits the ability of the Company and its subsidiaries to incur certain liens, to incur certain indebtedness, including under the ABL Credit Facility, to make certain investments, acquisitions, dispositions or restricted payments, or to change the nature of its business. These covenants are substantially the same covenants as provided in the ABL Credit Facility.

The Loan Agreement contains customary events of default, which include (subject in certain cases to customary grace and cure periods), nonpayment of principal or interest, breach of other covenants in the Loan Agreement, failure to pay certain other indebtedness, including under the ABL Credit Facility, and certain events of bankruptcy, insolvency or reorganization.

The following table summarizes the current and long-term portion of the long-term debt:

	July 31, 2021
	(in thousands)
Term Loan principal	$ 80,000
Less: Unamortized discount, net	(964)
Less: Unamortized debt issuance costs, net	(1,057)
Term Loan, net	77,979
Less: Current portion, net	(3,770)
Long-term debt, net	$ 74,209

Future principal payments of long-term debt due in each of the next four years subsequent to July 31, 2021 are as follows:

Period	Future Principal Payments
	(in thousands)
Remainder of 2021	$ 2,000
2022	5,500
2023	7,500
2024	65,000
2025	—
Total future principal payments	$ 80,000

10. LEGAL AND REGULATORY MATTERS

The Company is a defendant in *Rael v. The Children's Place, Inc.*, a purported class action, pending in the U.S. District Court, Southern District of California. In the initial complaint filed in February 2016, the plaintiff alleged that the Company falsely advertised discount prices in violation of California's Unfair Competition Law, False Advertising Law, and Consumer Legal Remedies Act. The plaintiff filed an amended complaint in April 2016, adding allegations of violations of other state consumer protection laws. In August 2016, the plaintiff filed a second amended complaint, adding an additional plaintiff and removing the other state law claims. The plaintiffs' second amended complaint seeks to represent a class of California purchasers and seeks, among other items, injunctive relief, damages, and attorneys' fees and costs.

The Company engaged in mediation proceedings with the plaintiffs in December 2016 and April 2017. The parties reached an agreement in principle in April 2017, and signed a definitive settlement agreement in November 2017, to settle the matter on a class basis with all individuals in the U.S. who made a qualifying purchase at The Children's Place from February 11, 2012 through January 28, 2020, the date of preliminary approval by the court of the settlement. The Company submitted its memorandum in support of final approval of the class settlement on March 2, 2021. On March 29, 2021, the court granted final approval of the class settlement and denied plaintiff's motion for attorney's fees, with the attorney's fees to be decided after the class recovery amount has been determined. The settlement provides merchandise vouchers for qualified class members who submit valid claims, as well as payment of legal fees and expenses and claims administration expenses. In connection with the proposed settlement, the Company recorded a reserve for $5.0 million in its consolidated financial statements in the first quarter of 2017.

The Company is also involved in various legal proceedings arising in the normal course of business. In the opinion of management, any ultimate liability arising out of these proceedings will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

11. INCOME TAXES

The Company computes income taxes using the liability method. This method requires recognition of deferred tax assets and liabilities, measured by enacted rates, attributable to temporary differences between the financial statement and income tax basis of assets and liabilities. The Company's deferred tax assets and liabilities are comprised largely of differences relating to depreciation and amortization, rent expense, inventory, stock-based compensation, net operating loss carryforwards, tax credits, and various accruals and reserves.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted in response to the COVID-19 pandemic. Included in the CARES Act is a provision that allows net operating losses ("NOLs") incurred in taxable years 2018, 2019, and 2020 to be carried back to each of the five preceding taxable years to offset 100% of taxable income and generate a refund of previously paid income taxes. The Company has evaluated the impact of the CARES Act and expects the NOL carryback provision of the CARES Act to result in a material cash benefit to the Company.

The Company's effective tax rate for the Second Quarter 2021 was a tax provision of 27.3% as compared to a tax benefit of 30.5% during the Second Quarter 2020. The Company's income tax expense for the Second Quarter 2021 was $9.1 million compared to an income tax benefit of $20.5 million in the Second Quarter 2020. The decrease in the effective tax rate for the Second Quarter 2021 compared to the Second Quarter 2020 was primarily driven by the tax benefits from the enactment of the CARES Act in the prior year.

The Company's effective tax rate for Year-To-Date 2021 was a tax provision of 26.8% as compared to a tax benefit of 33.3% for Year-To-Date 2020. The Company's income tax expense for the Year-To-Date 2021 was $25.3 million compared to an income tax benefit of $80.7 million in Year-To-Date 2020. The decrease in the effective tax rate for Year-To-Date 2021 compared to Year-To-Date 2020 was primarily driven by the tax benefits from the enactment of the CARES Act in the prior year.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. The total amount of unrecognized tax benefits as of July 31, 2021, January 30, 2021, and August 1, 2020 were $8.0 million, $7.9 million, and $6.8 million, respectively, and is included within non-current liabilities. The Company recognized additional interest expense related to unrecognized tax benefits of less than $0.1 million in the Second Quarter 2021 and the Second Quarter 2020. During each of Year-To-Date 2021 and Year-To-Date 2020, the Company recognized less than $0.1 million of additional interest expense.

The Company is subject to tax in the United States and foreign jurisdictions, including Canada and Hong Kong. The Company, including its domestic subsidiaries, files a consolidated income tax return for federal income tax purposes. The Company is no longer subject to income tax examinations by U.S. federal, state and local, or foreign tax authorities for fiscal tax years 2014 and prior, with the exception of Hong Kong, which is open through fiscal tax year 2013 due to an ongoing tax examination.

Management believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues arise as a result of a tax audit, and are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income tax in the period such resolution occurs.

12. SEGMENT INFORMATION

In accordance with FASB ASC 280—*Segment Reporting*, the Company reports segment data based on geography: The Children's Place U.S. and The Children's Place International. Each segment includes an e-commerce business located at *www.childrensplace.com* and *www.gymboree.com*. Included in The Children's Place U.S. segment are the Company's U.S. and Puerto Rico-based stores and revenue from the Company's U.S.-based wholesale business. Included in The Children's Place International segment are the Company's Canadian-based stores, revenue from the Company's Canadian-based wholesale business, and revenue from international franchisees. The Company measures its segment profitability based on operating income, defined as income before interest and taxes. Net sales and direct costs are recorded by each segment. Certain inventory procurement functions, such as production and design, as well as corporate overhead, including executive management, finance, real estate, human resources, legal, and information technology services, are managed by The Children's Place U.S. segment. Expenses related to these functions, including depreciation and amortization, are allocated to The Children's Place International segment based primarily on net sales. The assets related to these functions are not allocated. The Company periodically reviews these allocations and adjusts them based upon changes in business circumstances. Net sales to external customers are derived from merchandise sales, and the Company has no major customers that individually account for more than 10% of its net sales. As of July 31, 2021, The Children's Place U.S. had 615 stores and The Children's Place International had 93 stores. As of August 1, 2020, The Children's Place U.S. had 711 stores and The Children's Place International had 113 stores.

The following tables provide segment level financial information:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
	(in thousands)			
Net sales[1]:				
The Children's Place U.S.	$ 372,319	$ 333,034	$ 771,978	$ 567,982
The Children's Place International [2]	41,536	35,889	77,358	56,148
Total net sales	$ 413,855	$ 368,923	$ 849,336	$ 624,130
Operating income (loss)[1]:				
The Children's Place U.S.	$ 34,355	$ (62,623)	$ 98,267	$ (221,959)
The Children's Place International	3,494	(1,861)	5,489	(15,668)
Total operating income (loss)	$ 37,849	$ (64,484)	$ 103,756	$ (237,627)
Operating income (loss) as a percent of net sales[1]:				
The Children's Place U.S.	9.2 %	(18.8) %	12.7 %	(39.1) %
The Children's Place International	8.4 %	(5.2) %	7.1 %	(27.9) %
Total operating income (loss) as a percent of net sales	9.1 %	(17.5) %	12.2 %	(38.1) %
Depreciation and amortization:				
The Children's Place U.S.	$ 13,303	$ 15,594	$ 27,614	$ 31,780
The Children's Place International	1,089	1,114	2,339	2,816
Total depreciation and amortization	$ 14,392	$ 16,708	$ 29,953	$ 34,596
Capital expenditures:				
The Children's Place U.S.	$ 6,385	$ 8,433	$ 12,872	$ 13,633
The Children's Place International	385	102	624	635
Total capital expenditures	$ 6,770	$ 8,535	$ 13,496	$ 14,268

(1) Net sales and operating income (loss) were significantly impacted by the COVID-19 pandemic in the Second Quarter 2020.

(2) Net sales from The Children's Place International are primarily derived from revenues from Canadian operations. Our foreign subsidiaries, primarily in Canada, have operating results based in foreign currencies and are thus subject to the fluctuations of the corresponding translation rates into U.S. dollars.

	July 31, 2021	January 30, 2021	August 1, 2020
Total assets:	(in thousands)		
The Children's Place U.S.	$ 1,036,830	$ 1,054,339	$ 1,088,348
The Children's Place International	91,618	85,788	79,591
Total assets	$ 1,128,448	$ 1,140,127	$ 1,167,939

13. DERIVATIVE INSTRUMENTS

The Company is exposed to gains and losses resulting from fluctuations in foreign currency exchange rates attributable to inventory purchases denominated in a foreign currency. Specifically, the Company's Canadian subsidiary's functional currency is the Canadian dollar, but it purchases inventory from suppliers in U.S. dollars. In order to mitigate the variability of cash flows associated with certain of these forecasted inventory purchases, the Company enters, from time to time, into foreign exchange forward contracts. These contracts typically mature within 12 months. The Company does not use forward contracts to engage in currency speculation, and it does not enter into derivative financial instruments for trading purposes.

The Company accounts for all of its derivatives and hedging activity under FASB ASC 815—*Derivatives and Hedging*.

Under the Company's risk management policy and in accordance with guidance under the topic, in order to qualify for hedge accounting treatment, a derivative must be considered highly effective at offsetting changes in either the hedged item's cash flows or fair value. Additionally, the hedge relationship must be documented to include the risk management objective and strategy, the hedging instrument, the hedged item, the risk exposure, and how hedge effectiveness will be assessed prospectively and retrospectively. The Company formally measures effectiveness of its hedging relationships both at the hedge inception and on an ongoing basis. The Company would discontinue hedge accounting under a foreign exchange forward contract prospectively: (i) if management determines that the derivative is no longer highly effective in offsetting changes in the cash flows of a hedged item, (ii) when the derivative expires or is terminated, (iii) if the forecasted transaction being hedged by the derivative is no longer probable of occurring, or (iv) if management determines that designation of the derivative as a hedge instrument is no longer appropriate.

All derivative instruments are presented at gross fair value on the consolidated balance sheets within either prepaid expenses and other current assets or accrued expenses and other current liabilities. As of July 31, 2021, the Company did not have any open foreign exchange forward contracts. As of August 1, 2020, the Company had foreign exchange forward contracts with an aggregate notional amount of $9.5 million, and the fair value of the derivative instruments was an asset of $1.3 million. As these foreign exchange forward contracts were measured at fair value using observable market inputs such as forward rates, the Company’s credit risk, and our counterparties’ credit risks, they were classified within Level 2 of the fair value hierarchy. Cash settlements related to these forward contracts were recorded in cash flows from operating activities within the consolidated statements of cash flows.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (“OCI”) and reclassified into earnings within cost of sales (exclusive of depreciation and amortization) in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing hedge ineffectiveness are recognized in earnings within selling, general, and administrative expenses, consistent with where the Company records realized and unrealized foreign currency gains and losses on transactions in foreign denominated currencies. There were no losses related to hedge ineffectiveness during Year-To-Date 2021 or Year-To-Date 2020. Changes in fair value associated with derivatives that were not designated and qualified as cash flow hedges were recognized in earnings within selling, general, and administrative expenses. During Year-To-Date 2021, there were no derivatives that qualified as cash flow hedges.

m 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains or may contain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to statements relating to the Company's strategic initiatives and adjusted net income per diluted share. Forward-looking statements typically are identified by use of terms such as "may," "will," "should," "plan," "project," "expect," "anticipate," "estimate" and similar words, although some forward-looking statements are expressed differently. These forward-looking statements are based upon the Company's current expectations and assumptions and are subject to various risks and uncertainties that could cause actual results and performance to differ materially. Some of these risks and uncertainties are described in the Company's filings with the Securities and Exchange Commission, including in the "Risk Factors" section of its annual report on Form 10-K for the fiscal year ended January 30, 2021. Included among the risks and uncertainties that could cause actual results and performance to differ materially are the risk that the Company will be unsuccessful in gauging fashion trends and changing consumer preferences, the risks resulting from the highly competitive nature of the Company's business and its dependence on consumer spending patterns, which may be affected by changes in economic conditions, the risks related to the COVID-19 pandemic, including the impact of the COVID-19 pandemic on our business or the economy in general (including decreased customer traffic, schools adopting remote and hybrid learning models, closures of businesses and other activities causing decreased demand for our products, and negative impacts on our customers' spending patterns due to decreased income or actual or perceived wealth, and the impact of the CARES Act and other legislation related to the COVID-19 pandemic, and any changes to the CARES Act or such other legislation), the risk that the Company's strategic initiatives to increase sales and margin are delayed or do not result in anticipated improvements, the risk of delays, interruptions and disruptions in the Company's global supply chain, including resulting from COVID-19 or other disease outbreaks, or foreign sources of supply in less developed countries, more politically unstable countries, or countries where vendors fail to comply with industry standards or ethical business practices, including the use of forced, indentured, or child labor, the risk that the cost of raw materials or energy prices will increase beyond current expectations or that the Company is unable to offset cost increases through value engineering or price increases, various types of litigation, including class action litigations brought under consumer protection, employment, and privacy and information security laws and regulations, the imposition of regulations affecting the importation of foreign-produced merchandise, including duties and tariffs, and the uncertainty of weather patterns. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they were made. The Company undertakes no obligation to release publicly any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The following discussion should be read in conjunction with the Company's unaudited financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the annual audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 30, 2021.

Terms that are commonly used in our management's discussion and analysis of financial condition and results of operations are defined as follows:

- *Second Quarter 2021 — The thirteen weeks ended July 31, 2021*
- *Second Quarter 2020 — The thirteen weeks ended August 1, 2020*
- *Year-To-Date 2021 — The twenty-six weeks ended July 31, 2021*
- *Year-To-Date 2020 — The twenty-six weeks ended August 1, 2020*
- *Gross Margin — Gross profit expressed as a percentage of net sales*
- *SG&A — Selling, general, and administrative expenses*
- *FASB — Financial Accounting Standards Board*
- *SEC — U.S. Securities and Exchange Commission*
- *Comparable Retail Sales — Net sales, in constant currency, from stores that have been open for at least 14 consecutive months and from our e-commerce store, excluding postage and handling fees. Store closures in the current fiscal year will be excluded from Comparable Retail Sales beginning in the fiscal quarter in which the store closes. A store that is closed for a substantial remodel, relocation, or material change in size will be excluded from Comparable Retail Sales for at least 14 months beginning in the fiscal quarter in which the closure occurred. However, stores that temporarily close will be excluded from Comparable Retail Sales until the store is reopened for a full fiscal month. Comparable Retail Sales do not exclude any temporarily closed stores impacted by the COVID-19 pandemic.*
- *U.S. GAAP — Generally Accepted Accounting Principles in the United States*

- *FASB ASC — FASB Accounting Standards Codification, which serves as the source for authoritative U.S. GAAP, except that rules and interpretive releases by the SEC are also sources of authoritative U.S. GAAP for SEC registrants*

Our Business

We are the largest pure-play children's specialty apparel retailer in North America. We design, contract to manufacture, sell at retail and wholesale, and license to sell, trend right, high quality merchandise predominately at value prices, primarily under our proprietary "The Children's Place", "Place", "Baby Place", and "Gymboree" brand names. As of July 31, 2021, we had 708 stores across North America, our e-commerce businesses at *www.childrensplace.com* and *www.gymboree.com*, and had 208 international points of distribution with our eight franchise partners in 17 countries.

Segment Reporting

In accordance with FASB ASC 280—*Segment Reporting*, we report segment data based on geography: The Children's Place U.S. and The Children's Place International. Each segment includes an e-commerce business located at *www.childrensplace.com* and *www.gymboree.com*. Included in The Children's Place U.S. segment are our U.S. and Puerto Rico-based stores and revenue from our U.S.-based wholesale business. Included in The Children's Place International segment are our Canadian-based stores, revenue from our Canadian-based wholesale business, as well as revenue from international franchisees. We measure our segment profitability based on operating income, defined as income before interest and taxes. Net sales and direct costs are recorded by each segment. Certain inventory procurement functions such as production and design, as well as corporate overhead, including executive management, finance, real estate, human resources, legal, and information technology services, are managed by The Children's Place U.S. segment. Expenses related to these functions, including depreciation and amortization, are allocated to The Children's Place International segment based primarily on net sales. The assets related to these functions are not allocated. We periodically review these allocations and adjust them based upon changes in business circumstances. Net sales from external customers are derived from merchandise sales, and we have no major customers that individually account for more than 10% of our net sales.

COVID-19 Pandemic

The COVID-19 pandemic has significantly impacted regions all around the world, resulting in restrictions and shutdowns of businesses and other activities implemented by national, state, and local authorities and private entities, leading to significant adverse economic conditions and business disruptions, as well as significant volatility in global financial and retail markets. Federal, state, and local governments and health officials worldwide have imposed and continue to impose varying degrees of preventative and protective actions, such as travel bans, restrictions on public gatherings, forced closures of businesses and other activities, social distancing, the adoption of remote or hybrid learning models for schools, and stay-at-home orders, all in an effort to reduce the spread of the virus. In addition, certain mall owners have restricted hours of operation and the number of people permitted in stores. Such factors, among others, have resulted in a significant decline in retail traffic and consumer spending on discretionary items.

As a result of the impact of the COVID-19 pandemic, we have experienced significant business disruption, and on March 18, 2020, we temporarily closed all of our stores across the U.S. and Canada. We reopened the majority of our stores during the last two weeks of June 2020 and, as of July 31, 2021, we had more than 99% of our stores open to the public in the U.S., Canada, and Puerto Rico. Our distribution centers remain open and operating to support our retail store and e-commerce business.

Our strategic actions taken to address the pandemic since March 2020, and our continued execution of our strategic initiatives have allowed us to support the financial and operational stabilization of the Company during these uncertain times.

Operating Highlights

Net sales increased $44.9 million, or 12.2%, to $413.9 million during the Second Quarter 2021 from $368.9 million during the Second Quarter 2020, primarily driven by strong customer response to our product assortment, a reset of our pricing and promotional strategy, strong back-to-school sales driven by the anticipated return to in-person learning, and the enhanced child tax credit payments starting in mid-July. Comparable retail sales were 14.1% for the Second Quarter 2021.

Gross profit increased $100.8 million to $167.9 million during the Second Quarter 2021 from $67.1 million during the Second Quarter 2020. The Second Quarter 2021 results include incremental expenses related to the COVID-19 pandemic, including personal protective equipment and incentive pay for our associates of approximately $0.2 million, compared to $2.7 million in the Second Quarter 2020. Excluding the impact of these charges, gross margin leveraged 2,168 basis points to 40.6% of net sales. The increase was primarily a result of significantly higher merchandise margins in both our digital and stores channels as a result of strategic pricing and promotional changes, lower occupancy expenses due to favorable lease negotiations and permanent store closures, and leverage of fixed expenses resulting from the increase in net sales.

Selling, general, and administrative expenses increased $1.3 million to $115.6 million during the Second Quarter 2021 from $114.3 million during the Second Quarter 2020. The Second Quarter 2021 results include incremental operating expenses, including personal protective equipment for our associates of approximately $0.7 million, restructuring costs of $0.5 million, and fleet optimization costs of $0.3 million. Excluding the impact of these incremental charges, SG&A leveraged 48 basis points to 27.6% of net sales, primarily as a result of the leverage of fixed expenses resulting from the increase in net sales, partially offset by higher incentive compensation accruals. The Second Quarter 2020 results were impacted by incremental operating expenses, primarily personal protective equipment for our associates, of approximately $7.1 million, restructuring costs, primarily related to severance costs for corporate associates, of approximately $3.0 million, and fleet optimization costs of $0.7 million.

Provision for income taxes was $9.1 million during the Second Quarter 2021 compared to a tax benefit of $20.5 million during the Second Quarter 2020. Our effective tax rate was a tax provision of 27.3% and a tax benefit of 30.5% in the Second Quarter 2021 and the Second Quarter 2020, respectively. The decrease in our effective tax rate was primarily driven by the tax benefits from the enactment of the CARES Act in the prior year.

Net income (loss) increased $70.7 million to income of $24.1 million, or $1.60 per diluted share, during the Second Quarter 2021 compared to a net loss of $46.6 million, or $3.19 per diluted share, during the Second Quarter 2020, due to the COVID-19 pandemic and the other factors discussed above. The increase in earnings per share is due to the factors noted above.

Although we are facing a period of uncertainty regarding the future impact of the COVID-19 pandemic, we continue to focus on our key strategic growth initiatives – superior product, digital transformation and fleet optimization.

The transformation of our digital capabilities continues to expand given a completely redesigned responsive site and mobile application, providing a rich online shopping experience geared towards the needs of our “on-the-go” mobile customers, expanded customer personalization, which delivers unique, relevant content to drive sales, loyalty and retention, and the ability to have our entire store fleet equipped with ship-from-store capabilities.

We continue to evaluate our store fleet as a result of our fleet optimization initiative. We have closed 491 stores, including the 178 stores closed during Fiscal 2020 and 42 stores closed during Year-To-Date 2021, since the announcement of our fleet optimization initiative in 2013. As accelerated demand for online purchasing has increased our digital business, partly as a result of the COVID-19 pandemic, we have accelerated our planned store closures and are targeting a total of 300 retail store closures in Fiscal 2020 and Fiscal 2021.

During Year-To-Date 2021, we repurchased fewer than 0.2 million shares for approximately $13.5 million, consisting of shares surrendered to cover tax withholdings associated with the vesting of equity awards and shares acquired under the Deferred Compensation Plan. As of July 31, 2021, there was approximately $79.5 million in aggregate remaining pursuant to the 2018 Share Repurchase Program. In March 2020, we announced a temporary suspension of our capital return program, inclusive of share repurchases and dividends, other than to satisfy the withholding tax requirements of all equity award recipients.

We have subsidiaries whose operating results are based in foreign currencies and are thus subject to the fluctuations of the corresponding translation rates into U.S. dollars. The table below summarizes those average translation rates that most impact our operating results:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 31, 2021	**August 1, 2020**	**July 31, 2021**	**August 1, 2020**
Average Translation Rates [(1)]				
Canadian Dollar	0.8140	0.7313	0.8044	0.7294
Hong Kong Dollar	0.1288	0.1290	0.1288	0.1289
China Yuan Renminbi	0.1552	0.1416	0.1546	0.1419

(1) The average translation rates are the average of the monthly translation rates used during each period to translate the respective income statements. The rates represent the U.S. dollar equivalent of a unit of each foreign currency.

CRITICAL ACCOUNTING POLICIES

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported revenues and expenses during the reported period. In many cases, there are alternative policies or estimation techniques that could be used. We continuously review the application of our accounting policies and evaluate the appropriateness of the estimates used in preparing our financial statements; however, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information. Consequently, actual results could differ materially from our estimates.

The accounting policies and estimates discussed below include those that we believe are the most critical to aid in fully understanding and evaluating our financial results. Senior management has discussed the development and selection of our critical accounting policies and estimates with the Audit Committee of our Board of Directors, which has reviewed our related disclosures herein.

Inventory Valuation

We value inventory at the lower of cost or net realizable value, with cost determined using an average cost method. The estimated market value of inventory is determined based on an analysis of historical sales trends of our individual product categories, the impact of market trends and economic conditions, and a forecast of future demand, as well as plans to sell through inventory. Estimates may differ from actual results due to the quantity, quality, and mix of products in inventory, consumer and retailer preferences, and market conditions such as those resulting from disease pandemics and other catastrophic events. Our historical estimates have not differed materially from actual results.

Reserves for inventory shrinkage, representing the risk of physical loss of inventory, are estimated based on historical experience and are adjusted based upon physical inventory counts. A 0.5% difference in our shrinkage rate as a percentage of cost of goods sold would have impacted each quarter’s net income by approximately $0.6 million.

Stock-Based Compensation

We account for stock-based compensation according to the provisions of FASB ASC 718—*Compensation-Stock Compensation*.

Time-Vesting and Performance-Based Awards

We generally grant time-vesting and performance-based stock awards to employees at management levels and above. We also grant time-vesting stock awards to our non-employee directors. Time-vesting awards are granted in the form of restricted stock units that require each recipient to complete a service period (“Deferred Awards”). Deferred Awards granted to employees generally vest ratably over three years. Deferred Awards granted to non-employee directors generally vest after one year. Performance-based stock awards are granted in the form of restricted stock units which have performance criteria that must be achieved for the awards to be earned in addition to a service period requirement (“Performance Awards”), and each Performance Award has a defined number of shares that an employee can earn (the “Target Shares”). With the approval of the Board’s Compensation Committee, the Company may settle vested Deferred Awards and Performance Awards to the employee in shares, in a cash amount equal to the market value of such shares at the time all requirements for delivery of the award have been met, or in part shares and cash. For Performance Awards, an employee may earn from 0% to 300% of their Target Shares based on the terms of the award and the Company’s achievement of certain performance goals established at the beginning of the applicable performance period. Performance Awards cliff vest, if earned, after completion of the applicable performance period, which is generally three years. The fair value of Deferred Awards and Performance Awards granted is based on the closing price of our common stock on the grant date. Compensation expense is recognized ratably over the related service period reduced for estimated forfeitures of those awards not expected to vest due to employee turnover. Compensation expense, as it relates to Performance Awards, is also adjusted based on the probability that the performance criteria will be achieved. While actual forfeitures could vary significantly from those estimated, a 10% change in our estimated forfeiture rate would have impacted our Second Quarter 2021 net income by approximately $0.4 million.

Impairment of Long-Lived Assets

We periodically review our long-lived assets when events indicate that their carrying value may not be recoverable. Such events include a historical or projected trend of cash flow losses or a future expectation that we will sell or dispose of an asset significantly before the end of its previously estimated useful life. In reviewing for impairment, we group our long-lived assets at the lowest possible level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

We review all stores that have reached comparable sales status, or sooner if circumstances should dictate, on at least an annual basis. We believe waiting this period of time allows a store to reach a maturity level where a more comprehensive analysis of financial performance can be performed. For each store that shows indications of impairment, we perform a recoverability test comparing estimated undiscounted future cash flows to the carrying value of the related long-lived assets. If the undiscounted cash flows are less than the related net book value of the long-lived assets, they are written down to their fair market value. We primarily use discounted future cash flows directly associated with those assets to determine fair market value of long-lived assets and ROU assets. In evaluating future cash flows, we consider external and internal factors. External factors comprise the local environment in which the store resides, including mall traffic, competition, and their effect on sales trends, as well as macroeconomic factors, such as global pandemics. Internal factors include our ability to gauge the fashion taste of our customers, control over variable costs such as cost of sales and payroll, and in certain cases, our ability to renegotiate lease costs. If external factors should change unfavorably, if actual sales should differ from our projections, or if our ability to control costs is insufficient to sustain the necessary cash flows, future impairment charges could be material.

Income Taxes

We utilize the liability method of accounting for income taxes as set forth in FASB ASC 740—*Income Taxes*. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities, as well as for net operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using currently enacted tax rates that apply to taxable income in effect for the years in which the basis differences and tax assets are expected to be realized. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. In determining the need for valuation allowances, we consider projected future taxable income, the availability of tax planning strategies, taxable income in prior carryback years, and future reversals of existing taxable temporary differences. If, in the future, we determine that we would not be able to realize our recorded deferred tax assets, an increase in the valuation allowance would decrease earnings in the period in which such determination is made.

We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

Fair Value Measurement and Financial Instruments

FASB ASC 820—*Fair Value Measurement* provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities.

This topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-level hierarchy, which encourages an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the hierarchy are defined as follows:

- Level 1 - inputs to the valuation techniques that are quoted prices in active markets for identical assets or liabilities
- Level 2 - inputs to the valuation techniques that are other than quoted prices but are observable for the assets or liabilities, either directly or indirectly
- Level 3 - inputs to the valuation techniques that are unobservable for the assets or liabilities

Our cash and cash equivalents, accounts receivable, assets of the Company’s Deferred Compensation Plan, accounts payable, and revolving loan are all short-term in nature. As such, their carrying amounts approximate fair value and fall within Level 1 of the fair value hierarchy. The Company stock included in the Deferred Compensation Plan is not subject to fair value measurement.

Our derivative assets and liabilities include foreign exchange forward contracts that are measured at fair value using observable market inputs such as forward rates, our credit risk, and our counterparties’ credit risks. Based on these inputs, our derivative assets and liabilities are classified within Level 2 of the fair value hierarchy.

Our assets measured at fair value on a nonrecurring basis include long-lived assets, such as intangible assets, fixed assets, and ROU assets. We review the carrying amounts of such assets when events indicate that their carrying amounts may not be recoverable. Any resulting asset impairment would require that the asset be recorded at its fair value. The resulting fair value measurements of the assets are considered to fall within Level 3 of the fair value hierarchy.

Insurance and Self-Insurance Liabilities

Based on our assessment of risk and cost efficiency, we self-insure as well as purchase insurance policies to provide for workers’ compensation, general liability and property losses, cyber-security coverage, as well as directors’ and officers’ liability, vehicle liability, and employee medical benefits. We estimate risks and record a liability based upon historical claim experience, insurance deductibles, severity factors, and other actuarial assumptions. These estimates include inherent uncertainties due to the variability of the factors involved, including type of injury or claim, required services by the providers, healing time, age of claimant, case management costs, location of the claimant, and governmental regulations. While we believe that our risk assessments are appropriate, these uncertainties or a deviation in future claims trends from recent historical patterns could result in our recording additional or reduced expenses, which may be material to our results of operations. Our historical estimates have not differed materially from actual results, and a 10% difference in our insurance reserves as of July 31, 2021 would have impacted net income by approximately $0.4 million.

Recently Issued Accounting Standards

Adopted in Fiscal 2021

In December 2019, the FASB issued guidance related to the accounting for income taxes. The guidance aims to simplify the accounting for income taxes by removing certain exceptions to the general principles within the current guidance and by clarifying and amending the current guidance. The guidance is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2020. We adopted this guidance in the First Quarter 2021. This adoption did not have a material impact on our consolidated financial statements.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, selected statements of operations data expressed as a percentage of net sales. We primarily evaluate the results of our operations as a percentage of net sales rather than in terms of absolute dollar increases or decreases by analyzing the year over year change in our business expressed as a percentage of net sales (i.e., “basis points”). For example, SG&A decreased approximately 310 basis points to 27.9% of net sales during the Second Quarter 2021 from 31.0% during the Second Quarter 2020. Accordingly, to the extent that our sales have increased at a faster rate than our costs (*i.e.*, “leveraging”), the more efficiently we have utilized the investments we have made in our business. Conversely, if our sales decrease or if our costs grow at a faster pace than our sales (i.e., “deleveraging”), we have less efficiently utilized the investments we have made in our business.

	Thirteen Weeks Ended				Twenty-six Weeks Ended			
	July 31, 2021		August 1, 2020		July 31, 2021		August 1, 2020	
Net sales	100.0	%	100.0	%	100.0	%	100.0	%
Cost of sales (exclusive of depreciation and amortization)	59.4		81.8		58.1		92.4	
Gross profit	40.6		18.2		41.9		7.6	
Selling, general, and administrative expenses	27.9		31.0		26.2		34.1	
Depreciation and amortization	3.5		4.5		3.5		5.5	
Asset impairment charges	—		0.1		—		6.0	
Operating income (loss)	9.1		(17.5)		12.2		(38.1)	
Income (loss) before benefit for income taxes	8.0		(18.2)		11.1		(38.8)	
Provision (benefit) for income taxes	2.2		(5.6)		3.0		(12.9)	
Net income (loss)	5.8	%	(12.6)	%	8.2	%	(25.9)	%
Number of Company-operated stores, end of period	708		824		708		824	

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Table may not add due to rounding.

The following table sets forth net sales by segment, for the periods indicated.

	Thirteen Weeks Ended				Twenty-six Weeks Ended			
	July 31, 2021		August 1, 2020		July 31, 2021		August 1, 2020	
Net sales:	(in thousands)							
The Children’s Place U.S.	$	372,319	$	333,034	$	771,978	$	567,982
The Children’s Place International		41,536		35,889		77,358		56,148
Total net sales	$	413,855	$	368,923	$	849,336	$	624,130

Second Quarter 2021 Compared to Second Quarter 2020

Net sales increased $44.9 million or 12.2%, to $413.9 million during the Second Quarter 2021 from $368.9 million during the Second Quarter 2020, primarily driven by strong customer response to our product assortment, a reset of our pricing and promotional strategy, strong back-to-school sales driven by the anticipated return to in-person learning, and the enhanced child tax credit payments starting in mid-July. Our Second Quarter 2021 was negatively impacted by permanent and temporary store closures and the impact of reduced operating hours in our mall stores as mandated by mall owners. Our Second Quarter 2020 was negatively impacted by the government lockdowns due to the COVID-19 pandemic. Comparable retail sales were 14.1% for the quarter.

We believe that our e-commerce and brick-and-mortar retail store operations are highly interdependent, with both sharing common customers purchasing from a common pool of product inventory. Accordingly, we believe that consolidated omni-channel reporting presents the most meaningful and appropriate measure of our performance, including net sales.

The Children’s Place U.S. net sales increased $39.3 million, or 11.8%, to $372.3 million in the Second Quarter 2021 compared to $333.0 million in the Second Quarter 2020. This increase is primarily driven by strong customer response to our product assortment, a reset of our pricing and promotional strategy, strong back-to-school sales driven by the anticipated return to in-person learning, and the enhanced child tax credit payments starting in mid-July.

The Children's Place International net sales increased $5.6 million, or 15.7%, to $41.5 million in the Second Quarter 2021 compared to $35.9 million in the Second Quarter 2020. The increase is primarily driven by the difference in government mandated COVID-19 temporary closures compared to the prior year, which impacted all of our Canadian stores for approximately half of the Second Quarter 2020, but only impacted half of our Canadian stores for approximately two-thirds of the Second Quarter 2021.

Total e-commerce sales, which include postage and handling, were 42.7% of net sales during the Second Quarter 2021 compared to 71.0% during the Second Quarter 2020. Our Second Quarter 2020 e-commerce sales were impacted by the temporary closure of the entire store fleet.

Gross profit increased $100.8 million in the Second Quarter 2021, compared to $67.1 million in the Second Quarter 2020. The Second Quarter 2021 results include incremental expenses related to the COVID-19 pandemic, including personal protective equipment and incentive pay for our associates of approximately $0.2 million, compared to $2.7 million in the Second Quarter 2020. Excluding the impact of these charges, gross margin leveraged 2,168 basis points to 40.6% of net sales. The increase was primarily a result of significantly higher merchandise margins in both our digital and stores channels as a result of strategic pricing and promotional changes, lower occupancy expenses due to favorable lease negotiations and permanent store closures, and leverage of fixed expenses resulting from the increase in net sales.

Gross profit as a percentage of net revenues is dependent upon a variety of factors, including changes in the relative sales mix among distribution channels, changes in the mix of products sold, the timing and level of promotional activities, foreign currency exchange rates, and fluctuations in material costs. These factors, among others, may cause gross profit as a percentage of net sales to fluctuate from period to period.

Selling, general, and administrative expenses increased $1.3 million to $115.6 million during the Second Quarter 2021 from $114.3 million during the Second Quarter 2020. The Second Quarter 2021 results include incremental operating expenses, including personal protective equipment for our associates of approximately $0.7 million, restructuring costs of $0.5 million, and fleet optimization costs of $0.3 million. Excluding the impact of these incremental charges, SG&A leveraged 48 basis points to 27.6% of net sales, primarily as a result of the leverage of fixed expenses resulting from the increase in net sales, partially offset by higher incentive compensation accruals. The Second Quarter 2020 results were impacted by incremental operating expenses, primarily personal protective equipment for our associates, of approximately $7.1 million, restructuring costs, primarily related to severance costs for corporate associates, of approximately $3.0 million, and fleet optimization costs of $0.7 million.

There were no *asset impairment charges* during the Second Quarter 2021. Asset impairment charges during the Second Quarter 2020 were $0.5 million, including the ROU assets recorded in connection with Topic 842, primarily related to six stores. These charges were related to underperforming stores identified in our ongoing store portfolio evaluation primarily as a result of decreased net revenues and cash flow projections resulting from the COVID-19 disruption.

Depreciation and amortization was $14.4 million during the Second Quarter 2021 compared to $16.7 million during the Second Quarter 2020, primarily driven by the permanent closure of 118 stores during the past twelve months.

Interest expense, net was $4.7 million during the Second Quarter 2021 compared to $2.6 million during the Second Quarter 2020, primarily driven by a higher debt balance and the higher interest rate associated with our Term Loan.

Provision (benefit) for income taxes was $9.1 million during the Second Quarter 2021 compared to a tax benefit of $20.5 million during the Second Quarter 2020. Our effective tax rate was 27.3% and 30.5% in the Second Quarter 2021 and the Second Quarter 2020, respectively. The decrease in our effective tax rate was primarily driven by the tax benefits from the enactment of the CARES Act in the prior year.

Net income (loss) increased $70.7 million to income of $24.1 million, or $1.60 per diluted share, during the Second Quarter 2021 compared to a net loss of $46.6 million, or $3.19 per diluted share, during the Second Quarter 2020, due to the COVID-19 pandemic and the other factors discussed above. The increase in earnings per share is due to the factors noted above.

Year-To-Date 2021 Compared to Year-To-Date 2020

Net sales increased $225.2 million, or 36.1%, to $849.3 million during Year-To-Date 2021 from $624.1 million during Year-To-Date 2020 primarily driven by strong customer response to our product assortment, strategic pricing and promotional changes, and the unprecedented level of stimulus and enhanced child tax credit payments to our customers resulting from the government pandemic relief legislation. Our Year-To-Date 2021 net sales were negatively impacted by permanent and temporary store closures and the impact of reduced operating hours in our mall stores, as mandated by the mall owners. Our Year-To-Date 2020 net sales were negatively impacted by the initial onset of the COVID-19 pandemic. Comparable retail sales were 41.3% for the six months ended July 31, 2021.

We believe that our e-commerce and brick-and-mortar retail store operations are highly interdependent, with both sharing common customers purchasing from a common pool of product inventory. Accordingly, we believe that consolidated omni-channel reporting presents the most meaningful and appropriate measure of our performance, including net sales.

The Children's Place U.S. net sales increased $204.0 million, or 35.9%, to $772.0 million during Year-To-Date 2021 compared to $568.0 million during Year-To-Date 2020. This increase is primarily driven by strong customer response to our product assortment, strategic pricing and promotional changes, and the unprecedented level of stimulus and enhanced child tax credit payments to our customers resulting from the government pandemic relief legislation.

The Children's Place International net sales increased $21.2 million, or 37.8%, to $77.4 million during Year-To-Date 2021 compared to $56.1 million during Year-To-Date 2020. The increase is primarily driven by the difference in government mandated COVID-19 temporary closures compared to the prior year, which impacted 100% of our Canadian stores during Year-To-Date 2020 but only approximately 50% of our stores for Year-To-Date 2021.

Total e-commerce sales, which include postage and handling, decreased to 42.6% of net sales during Year-To-Date 2021 from 63.6% during Year-To-Date 2020. Our Second Quarter 2020 e-commerce sales were impacted by the temporary closure of the entire fleet.

Gross profit increased $308.7 million to $356.1 million during Year-To-Date 2021 from $47.4 million during Year-To-Date 2020. The comparability of our gross profit was impacted by incremental expenses, including personal protective equipment and incentive pay for our associates, of approximately $1.2 million. Excluding the impact of these charges, leveraged 2,362 basis points to 42.1% of net sales. The increase is primarily due to the leverage of fixed expenses resulting from the increase in net sales, higher merchandise margins in both our digital and stores channels due to strategic pricing and promotional changes, lower occupancy expenses due to rent abatements of $10.3 million, favorable lease negotiations, and permanent store closures. The Year-To-Date 2020 results were impacted by an inventory provision of approximately $63.2 million, related to the adverse business disruption resulting from the COVID-19 pandemic, including store closures and incremental expenses, including personal protective equipment and incentive pay for our associates, of approximately $4.4 million.

Gross profit as a percentage of net revenues is dependent upon a variety of factors, including changes in the relative sales mix among distribution channels, changes in the mix of products sold, the timing and level of promotional activities, foreign currency exchange rates, and fluctuations in material costs. These factors, among others, may cause gross profit as a percentage of net sales to fluctuate from period to period.

Selling, general, and administrative expenses increased $9.6 million to $222.4 million during Year-To-Date 2021 from $212.8 million during Year-To-Date 2020. The comparability of our SG&A was impacted by incremental operating expenses, including personal protective equipment and incentive pay for our associates, of approximately $1.2 million, restructuring costs, primarily related to severance costs for corporate and store associates, of approximately $1.1 million, fleet optimization costs of approximately $1.0 million, and contract termination costs of approximately $0.8 million. Excluding the impact of these charges, SG&A leveraged 570 basis points due to the leverage of fixed expenses resulting from the increase in net sales, partially offset by higher incentive compensation accruals. The Year-To-Date 2020 results were impacted by incremental operating expenses, including personal protective equipment and incentive pay for our associates, of approximately $7.8 million, restructuring costs, primarily related to severance costs for corporate and store associates, of approximately $6.4 million, the write-off of certain account receivables of approximately $1.1 million, fleet optimization costs of $0.7 million, Gymboree integration costs of $0.6 million, and legal reserves of $0.3 million.

There were no *asset impairment charges* during Year-To-Date 2021. Asset impairment charges were $37.6 million during Year-To-Date 2020, including the ROU assets recorded in connection with Topic 842, primarily for 418 stores. These charges were related to underperforming stores identified in our ongoing store portfolio evaluation primarily as a result of decreased net revenues and cash flow projections resulting from the COVID-19 disruption.

Depreciation and amortization was $30.0 million during Year-To-Date 2021 compared to $34.6 million during Year-To-Date 2020 primarily driven by the permanent closure of 118 stores during the past twelve months.

Interest Expense, net was $9.1 million during Year-To-Date 2021 compared to $4.5 million during Year-To-Date 2020. The increase in interest expense was driven by a higher debt balance and the higher interest rate associated with our Term Loan.

Provision (benefit) for income taxes was a tax provision of $25.3 million during Year-To-Date 2021 compared to a tax benefit of $80.7 million during Year-To-Date 2020. Our effective tax rate was 26.8% and 33.3% during Year-To-Date 2021 and Year-To-Date 2020, respectively. The decrease in our tax provision was primarily driven by the tax benefits from the enactment of the CARES Act in the prior year.

Net income (loss) increased $230.7 million to income of $69.3 million, or $4.61 per diluted share, during Year-To-Date 2021 compared to loss of $161.4 million, or $11.04 per diluted share, during Year-To-Date 2020, due to the COVID-19 pandemic and the other factors discussed above. The increase in earnings per share is due to the factors noted above.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our working capital needs typically follow a seasonal pattern, peaking during the third fiscal quarter based on seasonal inventory purchases. Our primary uses of cash are for working capital requirements, which are principally inventory purchases, and the financing of capital projects, including investments in new systems, and, prior to the temporary suspension of our capital return program, the repurchases of our common stock and payment of dividends.

In response to the COVID-19 pandemic, the Company took the following actions in Fiscal 2020 to preserve liquidity:

- Executed a substantial reduction and/or deferral of all non-essential expenses and capital expenditures;
- Collaborated with vendor partners to extend payment terms and balance forward inventory receipts to reflect reduced demand;
- Temporarily suspended rent payments on all of our U.S. and Canadian retail stores during the First Quarter 2020 and resumed rent payments on a modified basis as stores began to reopen during the Second Quarter 2020. Our lease flexibility gave us the opportunity to strategically secure rent abatements for Fiscal 2020 and/or forward rent reductions;
- Evaluated our options on store lease events occurring through the end of Fiscal 2021, which impacted approximately 65% of our current store fleet, targeting a total of 300 additional retail store closures in Fiscal 2020 and Fiscal 2021;
- Finalized an amendment to our revolving credit facility, which increased borrowing capacity from $325 million to $360 million for a period of one year, which was subsequently extended in April 2021 for an additional year to April 2022; and
- Temporarily suspended the Company's capital return program, inclusive of share repurchases and dividends.

Our strategic actions during the pandemic preserved the Company's financial and operational flexibility and liquidity in Fiscal 2020. Our working capital deficit improved $276.5 million to a working deficit of $63.1 million as of July 31, 2021 compared to a working deficit of $339.7 million as of August 1, 2020, primarily due to the Company's strategic actions discussed above and other cash management activities to preserve liquidity during the pandemic, as well as lower current lease liabilities resulting from favorable lease negotiations, and the Term Loan transaction completed in the Third Quarter 2020. We used approximately $3.3 million in cash from operations during Year-To-Date 2021 due to the repayment of certain suspended Fiscal 2020 rents, net of abatements, as well as other planned changes in working capital, which brought vendor payables in line with historical payment terms. Also, during Year-To-Date 2021, the Company repurchased shares for approximately $13.5 million, inclusive of shares repurchased and surrendered to cover tax withholdings associated with the vesting of equity awards.

Our ABL Credit Facility provides for borrowings up to the lesser of $360 million, or our borrowing base, as defined by the credit facility agreement. As of July 31, 2021, we had $199.8 million of outstanding borrowings and $146.8 million available for borrowing. In addition, as of July 31, 2021, we had $7.4 million of outstanding letters of credit with an additional $42.6 million available for issuing letters of credit.

We expect to be able to meet our working capital and capital expenditure requirements for the foreseeable future by using our cash on hand, cash flows from operations, and availability under our ABL Credit Facility.

Credit Facility

We and certain of our subsidiaries maintain the ABL Credit Facility with Wells Fargo, Bank of America, N.A., HSBC Business Credit (USA) Inc., and JPMorgan Chase Bank, N.A. as the Lenders and Wells Fargo, as Administrative Agent, Collateral Agent, and Swing Line Lender.

The ABL Credit Facility, which expires in May 2024, consists of a $360 million asset-based revolving credit facility that was increased from $325 million as a result of finalizing an amendment with the Lenders on April 24, 2020 to secure the Company an additional $35 million available under the accordion feature for a period of one year. The ABL Credit Facility includes a $25 million Canadian sublimit and a $50 million sublimit for standby and documentary letters of credit. On October 5, 2020, we further amended the ABL Credit Facility to provide for certain changes that permitted the issuance of an $80 million Term Loan on that date and align certain terms of the ABL Credit Facility to those of the Term Loan. The Term Loan is discussed in more detail below. On April 23, 2021, the Company and its Lenders extended the $35 million of additional availability for an additional year until April 23, 2022.

Borrowings outstanding under the ABL Credit Facility bear interest, at our option, at:

(i) the prime rate plus a margin of 1.75% to 1.88% based on the amount of our average excess availability under the facility; or

(ii) the London InterBank Offered Rate, or "LIBOR", for an interest period of one, two, three, or six months, as selected by us, plus a margin of a) 2.50% to 2.75% and b) 1.00% based on the amount of our average excess availability under the facility.

We are charged a fee of 0.25% on the unused portion of the commitments. Letter of credit fees range from 1.25% to 1.38% for commercial letters of credit and from 2.00% to 2.25% for standby letters of credit. Letter of credit fees are determined based on the amount of our average excess availability under the facility. The amount available for loans and letters of credit under the ABL Credit Facility is determined by a borrowing base consisting of certain credit card receivables and certain trade receivables, certain inventory, and the fair market value of certain real estate, subject to certain reserves.

The outstanding obligations under the ABL Credit Facility may be accelerated upon the occurrence of certain events, including, among others, non-payment, breach of covenants, the institution of insolvency proceedings, defaults under other material indebtedness, and a change of control, subject, in the case of certain defaults, to the expiration of applicable grace periods. We are not subject to any early termination fees.

The ABL Credit Facility contains covenants, which include conditions on stock buybacks and the payment of cash dividends or similar payments. These covenants also limit our ability to incur certain liens, to incur certain indebtedness, to make certain investments, acquisitions, or dispositions, or to change the nature of our business.

Credit extended under the ABL Credit Facility is secured by a first priority security interest in substantially all of our U.S. and Canadian assets, excluding intellectual property, software, equipment, and fixtures. In connection with the Term Loan, the Lenders under the ABL Credit Facility entered into an intercreditor agreement with the Term Loan lender and were granted a second priority security interest in the Term Loan collateral, which includes our intellectual property, certain furniture, fixtures and equipment, and pledges of subsidiary capital stock.

As of July 31, 2021, we have capitalized an aggregate of approximately $6.3 million in deferred financing costs related to the ABL Credit Facility. The unamortized balance of deferred financing costs as of July 31, 2021 was approximately $1.2 million. Unamortized deferred financing costs are amortized over the remaining term of the ABL Credit Facility.

The table below presents the components of the Company's ABL Credit Facility:

	July 31, 2021	January 30, 2021	August 1, 2020
		(in millions)	
Credit facility maximum	$ 360.0	$ 360.0	$ 360.0
Borrowing base [1]	354.0	282.2	326.7
Outstanding borrowings	199.8	169.8	250.8
Letters of credit outstanding—standby	7.4	8.2	6.2
Utilization of credit facility at end of period	207.2	178.0	257.0
Availability [2]	$ 146.8	$ 104.2	$ 69.7
Interest rate at end of period	3.8 %	4.2 %	4.1 %

	Year-To-Date 2021	Fiscal 2020	Year-To-Date 2020
Average end of day loan balance during the period	$ 213.5	$ 216.2	$ 233.1
Highest end of day loan balance during the period	269.7	275.6	272.2
Average interest rate	3.9 %	3.8 %	3.5 %

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(1) Lower of the credit facility maximum or the total borrowing base collateral.

(2) The sub-limit availability for the letters of credit was $42.6 million as of July 31, 2021, $41.8 million as of January 30, 2021, and $43.8 million as of August 1, 2020.

Term Loan

On October 5, 2020, we and certain of our subsidiaries entered into a loan agreement dated October 5, 2020 with SLR Credit Solutions (formerly known as Crystal Financial LLC), as Lender, Administrative Agent, and Collateral Agent, providing for an $80 million Term Loan. The net proceeds from the Term Loan, after deducting related fees and expenses, were used to repay borrowings under our ABL Credit Facility.

The Term Loan is secured by a first priority security interest in our intellectual property, certain furniture, fixtures and equipment, and pledges of subsidiary capital stock, and a second priority security interest in the collateral securing the ABL Credit Facility. The Term Loan is guaranteed, subject to certain exceptions, by each of our subsidiaries that guarantees the ABL Credit Facility.

The Term Loan is, in whole or in part, pre-payable any time and from time to time, subject to certain prepayment premiums specified in the Loan Agreement, plus accrued and unpaid interest.

Among other covenants, the Loan Agreement limits our ability to incur certain liens, to incur certain indebtedness, including under the ABL Credit Facility, to make certain investments, acquisitions, dispositions or restricted payments, or to change the nature of our business. These covenants are substantially the same covenants as provided in the ABL Credit Facility.

The Loan Agreement contains customary events of default, which include (subject in certain cases to customary grace and cure periods), nonpayment of principal or interest, breach of other covenants in the Loan Agreement, failure to pay certain other indebtedness, including under the ABL Credit Facility, and certain events of bankruptcy, insolvency or reorganization.

Cash Flows/Capital Expenditures

During Year-To-Date 2021, cash flows used in operating activities were $3.3 million compared to $83.2 million during Year-To-Date 2020. Year-To-Date 2021 cash flows used in operating activities were primarily the result of the repayment of certain suspended 2020 rents, net of abatements, as well as other planned changes in working capital, which brought our vendor payables in line with historical payment terms, partially offset by net income. Year-To-Date 2020 cash flows used in operating activities were primarily driven by the impact of the temporary closure of our entire store fleet resulting from the onset of the COVID-19 pandemic.

During Year-To-Date 2021, cash flows used in investing activities were $13.5 million compared to $14.1 million during Year-To-Date 2020. This change was primarily driven by the timing of capital expenditures.

During Year-To-Date 2021, cash flows provided by financing activities were $16.2 million compared to $64.6 million during Year-To-Date 2020. The decrease primarily resulted from a decrease in net borrowings under the ABL Credit Facility.

We anticipate that total capital expenditures will be in the range of $40 million in Fiscal 2021, primarily related to our business transformation initiatives, including digital and supply chain fulfillment, compared to $30.6 million during Fiscal 2020. Our ability to continue to meet our capital requirements in Fiscal 2021 depends on our cash on hand, our ability to generate cash flows from operations, and our available borrowings under our ABL Credit Facility. Cash flow generated from operations depends on our ability to achieve our financial plans. We believe that our existing cash on hand, cash generated from operations, and funds available to us through our ABL Credit Facility will be sufficient to fund our capital and other cash requirements for the foreseeable future.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

In the normal course of business, our financial position and results of operations are routinely subject to market risk associated with interest rate movements on borrowings and investments and currency rate movements on non-U.S. dollar denominated assets, liabilities, income, and expenses. We utilize cash from operations and short-term borrowings to fund our working capital and investment needs.

Cash and Cash Equivalents

Cash and cash equivalents are normally invested in short-term financial instruments that will be used in operations within 90 days of the balance sheet date. Because of the short-term nature of these instruments, changes in interest rates would not materially affect the fair value of these financial instruments.

Interest Rates

Our ABL Credit Facility bears interest at a floating rate equal to the prime rate or LIBOR, plus a calculated spread based on our average excess availability. As of July 31, 2021, we had $199.8 million in borrowings under our credit facility. A 10% change in the prime rate or LIBOR interest rates would not have had a material impact on our interest expense.

Our Term Loan bears interest at a floating rate at the greater of: (a) the three month LIBOR Rate published in the Wall Street Journal, and (b) 1.00%, plus 7.75% or 8.00% depending on the average excess availability of credit under the ABL Credit Facility. As of July 31, 2021, the outstanding balance of the Term Loan was $80 million. A 10% change in the three month LIBOR Rate would not have had a material impact on our interest expense.

Foreign Assets and Liabilities

Assets and liabilities outside the United States are primarily located in Canada and Hong Kong. Our investments in our Canadian and Hong Kong subsidiaries are considered long-term. As of July 31, 2021, net assets in Canada and Hong Kong were approximately $23.3 million and $17.8 million, respectively. A 10% increase or decrease in the Canadian and Hong Kong exchange rates would increase or decrease the corresponding net investment by approximately $2.3 million and $1.8 million, respectively. All changes in the net investment of our foreign subsidiaries are recorded in other comprehensive income as unrealized gains or losses.

As of July 31, 2021, we had approximately $59.0 million of our cash and cash equivalents held in foreign countries, of which approximately $37.5 million was in Hong Kong, approximately $13.1 million was in Canada, and approximately $8.4 million was in other foreign countries.

Foreign Operations

We have exchange rate exposure primarily with respect to certain revenues and expenses denominated in Canadian dollars. As a result, fluctuations in exchange rates impact the amount of our reported sales and expenses. Assuming a 10% change in foreign exchange rates, the Second Quarter 2021 net sales could have decreased or increased by approximately $6.8 million, and total costs and expenses could have decreased or increased by approximately $8.4 million. Additionally, we have foreign currency denominated receivables and payables that, when settled, result in transaction gains or losses. As of July 31, 2021, we had foreign currency denominated receivables and payables, including inter-company balances, of $12.5 million and $7.1 million, respectively.

We import a vast majority of our merchandise from foreign countries, primarily Bangladesh, Cambodia, China, Ethiopia, Vietnam, and Indonesia. Consequently, any significant or sudden change in these countries' political, foreign trade, financial, banking, or currency policies and practices, or the occurrence of significant labor unrest, could have a material adverse impact on our business, financial position, results of operations, and cash flows.

Item 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed only to provide "reasonable assurance" that the controls and procedures will meet their objectives. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected.

Management, including our Chief Executive Officer and President and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of July 31, 2021. Based on that evaluation, our Chief Executive Officer and President and our Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level, as of July 31, 2021, to ensure that all information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our principal executive, principal accounting, and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

Certain legal proceedings in which we are involved are discussed in Note 10 to the consolidated financial statements and Part I, Item 3 of our Annual Report on Form 10-K for the year ended January 30, 2021. See Note 10 to the accompanying consolidated financial statements for a discussion of the recent developments concerning our legal proceedings.

Item 1A. RISK FACTORS.

There were no material changes to the risk factors disclosed in Item 1A of Part I in our Annual Report on Form 10-K for the year ended January 30, 2021.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

In March 2018, the Board of Directors authorized a $250 million share repurchase program (the “2018 Share Repurchase Program”). Under the 2018 Share Repurchase Program, the Company may repurchase shares on the open market at current market prices at the time of purchase or in privately negotiated transactions. The timing and actual number of shares repurchased under the programs will depend on a variety of factors, including price, corporate and regulatory requirements, and other market and business conditions. We may suspend or discontinue the program at any time, and may thereafter reinstitute purchases, all without prior announcement. In March 2020, the Company suspended share repurchases, other than to satisfy withholding tax requirements of equity award recipients, due to the COVID-19 pandemic.

The following table provides a month-by-month summary of our share repurchase activity during the Second Quarter 2021:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value (in thousands) of Shares that May Yet Be Purchased Under the Plans or Programs
5/2/21-5/29/21 (1)	20,870	$80.10	19,934	88,960
5/30/21-7/3/21 (2)	96,973	$97.42	96,973	79,513
7/4/21-7/31/21 (2)	463	$89.02	463	79,472
Total	118,306	$94.33	117,370	79,472

(1) Consists of 936 shares acquired as treasury stock as directed by participants in the Company's deferred compensation plan and 19,934 shares withheld to cover taxes in conjunction with the vesting of stock awards.

(2) Consists of 96,973 shares and 463 shares withheld to cover taxes in conjunction with the vesting of stock awards.

Item 6. Exhibits.

The following exhibits are filed with this Quarterly Report on Form 10-Q:

.2	Letter Agreement dated July 21, 2021 between The Children's Place Services Company, LLC and Jared Shure.
.1(+)	Certificate of Principal Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
.2(+)	Certificate of Principal Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
(+)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
1.INS*	XBRL Instance Document.
1.SCH*	XBRL Taxonomy Extension Schema.
1.CAL*	XBRL Taxonomy Extension Calculation Linkbase.
1.DEF*	XBRL Taxonomy Extension Definition Linkbase.
1.LAB*	XBRL Taxonomy Extension Label Linkbase.
1.PRE*	XBRL Taxonomy Extension Presentation Linkbase.

(+) Filed herewith.

(*) Compensation arrangement.

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE CHILDREN'S PLACE, INC.

Date: August 31, 2021	By: /S/ JANE T. ELFERS JANE T. ELFERS *Chief Executive Officer and President* *(Principal Executive Officer)*
Date: August 31, 2021	By: /S/ ROBERT HELM ROBERT HELM *Chief Financial Officer* *(Principal Accounting and Financial Officer)*

THE CHILDREN'S PLACE

5 0 0 PLAZA DRIVE
SECAUCUS, NJ 07094
PHONE 201.453.6400

July 21, 2021

Jared Shure
117 Winding Way
Woodcliff Lake NJ 07677

Dear Jared,

On behalf of The Children's Place, it is my pleasure to confirm your promotion to the position of Senior Vice President, General Counsel reporting to the Chief Administrative Officer. Details of your promotion are as follows:

- EFFECTIVE DATE: July 26, 2021
- ANNUAL BASE SALARY: $400,000.00
  You will be eligible for a salary review during the FY21 Annual Review Process.

- BONUS: You will be eligible to participate in our annual management incentive plan. Your target bonus will be 50% of your annual salary, and, among other things, you must be employed on the date of the bonus payout to be eligible to receive your bonus. Bonus payments are determined by Company performance and factor in personal performance, and are subject to the terms of the Management Incentive Plan. Please review the Annual Management Incentive Plan summary for additional details.

- PROMOTION EQUITY AWARD: Based upon your position with the Company, you will receive an equity award. All equity awards are subject to the Company's Amended and Restated 2011 Equity Incentive Plan ("2011 Equity Plan") and must be awarded in accordance with the Company's Policy Regarding the Award of Equity-Based Incentives to Executives Officers and Other Employees (the "Equity Award Policy").

    1. Value of Award: An award valued at $500,000.00 with the number of shares constituting the award based on the closing stock price on the Grant Date, as defined below.
    2. Types of Awards. (i) $500,000 will be in the form of Performance-Based RSUs.
    3. Grant Date. The grant date for these awards will be August 2, 2021 (the "Grant Date).
    4. Earning of Performance-Based RSUs. The Performance-Based RSUs may be earned provided the Company achieves the performance goals set by the Compensation Committee for a three-year performance period consisting of fiscal 2021-2023. Subject to your continued employment with the Company on the delivery date, any earned shares will be delivered to you at the same time in 2024 as earned shares are delivered to other senior executives of the Company.

- ANNUAL EQUITY AWARD: In 2022, you will be eligible to receive an equity award under the 2011 Equity Plan at the same time as other associates in the Company, subject to the approval of the Compensation Committee of the Board of Directors and the Equity Award Policy.

- BENEFITS: You remain eligible for benefits available to other associates at your level.

- CHANGE IN CONTROL: Subject to your execution and delivery to the Company of a Change in Control Severance Agreement (the "Change in Control Severance Agreement"), you will receive severance if you are terminated other than for Cause (as defined in the Change in Control Severance Agreement) or resign for Good Reason (as defined in the Change in Control Severance Agreement) in anticipation of, or subsequent to, a Change in Control (as defined in the Change in Control Severance Agreement). Under the Change in Control Severance Agreement, the severance period is 18 months. During the severance period, you will continue to be covered under the Company's health plan. The terms of the equity award agreements are subject to change by the Compensation Committee at any time. Unless the Change in Control Severance Agreement is otherwise terminated earlier pursuant to its terms, it will remain in force for two years from the execution thereof and it will renew for additional one year periods unless the Company provides you with notice of nonrenewal at least 90 days prior to the second anniversary date thereof or, if renewed, at least 90 days prior to each subsequent renewal.

- SEVERANCE: In the event that you are terminated by the Company without Cause (as defined in the Change in Control Severance Agreement), the amount you will be entitled to will be the greater of (i) twelve month's severance in the form of salary continuation payments at your then current salary or (ii) the amount available to other associates at your level under the Company's severance guidelines, provided, in all cases, that such severance shall automatically and immediately be reduced by the amount of salary or other like compensation you receive from employment or engagement as an independent contractor, during the severance period, with any other person or entity. Further, the Company agrees to waive the applicable premium cost that you would otherwise be required to pay for continued group health benefit coverage under COBRA for the corresponding period of severance as provided above unless otherwise prohibited under applicable law. All such payments are intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations there under such that no payment made, or benefit provided, to you hereunder shall be subject to an "additional tax" within the meaning of the Code. Receipt of the payments set forth in this paragraph are conditioned upon the execution and delivery of an agreement containing a release of claims, an agreement of confidentiality, and an agreement of non-solicitation and non-competition for a period of 12 months following termination in such form as the Company shall reasonably determine, which release of claims shall, to the extent permitted by law, waive all claims and actions against the Company and its officers, directors, affiliates and such other related parties and entities as the Company chooses to include in the release.

- WITHHOLDING: The Company is authorized to withhold from any payment to be made hereunder to you such amounts for income tax, social security, unemployment compensation, excise taxes and other taxes and penalties as in the Company's judgment is required to comply with applicable laws and regulations.

- 409A COMPLIANCE: Notwithstanding anything in this offer letter to the contrary, if you are a "specified employee" (determined in accordance with Section 409A of the Code and Treasury Regulation Section 1.409A-3(i)(2)) as of the termination of your employment with the Company, and, if any payment, benefit or entitlement provided for in this offer letter or otherwise both (i) constitutes a "deferral of compensation" within the meaning of Section 409A of the Code and (ii) cannot be paid or provided in a manner otherwise provided herein or otherwise without subjecting you to additional tax, interest, and/or penalties under Section 409A of the Code, then any such payment, benefit or entitlement that is payable during the first six months following the date of your termination of employment shall be paid or provided to you (or your estate, if applicable) in a lump sum cash payment (together with interest on such amount during the period of such restriction at a rate, per annum, equal to the applicable federal short-term rate (compounded monthly) in effect under Section 1274(d) of the Code on the date of termination) on the earlier of (x) your death or (y) the first business day of the seventh calendar month immediately following the month in which your termination of employment occurs.

- CONFIDENTIALITY, ETC.: As a condition of your employment, you remain subject to the Company's Confidentiality, Work Product, and Non-solicitation Agreement.

- INDEMNIFICATION/D&O: As an officer of the Company, you will be indemnified on the same terms and conditions, and will be covered by the Company's directors' and officers' insurance coverage as other senior executives of the Company.

- NON-COMPETE: You agree that for a period of twelve (12) months following the date that you are no longer in the employ of the Company or any of its subsidiaries for any reason (the "Separation Date"), you will not, without the express prior written consent of the Company, anywhere, either directly or indirectly, whether alone or as an owner, shareholder, partner, member, joint venturer, officer, director, consultant, independent contractor, agent, employee or otherwise of any company or other business enterprise, assist in, engage in, be connected with or otherwise provide services or advice to, any business that is competitive with that of the Company. A "business that is competitive with that of the Company" is (i) one that designs, manufactures, contracts to manufacture or sells children's apparel, footwear or accessories, or intends so to do, and (ii) without limiting the generality of clause (i) above, any of the following companies, entities, or organizations, or any business enterprise that, directly or indirectly, owns, operates or is affiliated with any of the following companies or brands operated by any of the following companies: Carter's, Inc., The Gap, Inc., J. Crew Group, Inc., Target Corporation, Kohl's Corporation, Walmart Inc., Primark, Amazon.com, Inc., Hennes & Mauritz AB (H&M), or Zara SA, or, in any case, any of their respective subsidiaries, affiliates or related businesses (a "Competitive Business"). Notwithstanding the foregoing, nothing herein shall be deemed to prohibit your ownership of less than 1% of the outstanding shares of any publicly traded corporation that conducts a Competitive Business.

  You acknowledge and agree that the restrictions on the activities in which you may engage that are set forth above, and the location and period of time for which such restrictions apply, are reasonable and necessary to protect the Company's legitimate business interests. You acknowledge and agree that the Company's business is global and, accordingly, the foregoing restrictions cannot be limited to any particular geographic area. You acknowledge and agree that the foregoing restrictions will not prevent you from earning a livelihood.

In consideration for the Company's agreements in this offer letter, you also acknowledge and agree that, in the event that you are no longer in the employ of the Company or any of its subsidiaries for any reason (whether termination of employment is voluntary or involuntary and whether termination of employment is affected by you or by the Company), the foregoing non-competition agreement will remain in full force and effect, and that the Company would not have entered into this offer letter unless such was the case.

- STOCK OWNERSHIP GUIDELINES: As a senior executive of the Company, you will be subject to stock ownership guidelines adopted from time to time by the Compensation Committee of the Company's Board of Directors. Please refer to the Stock Ownership Guidelines for Senior Executives document.
- GOVERNING LAW: This offer letter shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflict of laws principles.

Unless specifically stated in this offer letter, all terms and conditions of your employment are as provided by the policies and practices of The Children's Place, Inc. and its affiliates as in effect from time to time.

This offer of employment is not to be construed as an employment contract, expressed or implied, and it is specifically understood that your employment is at-will (this means that either you or the Company may terminate your employment at any time with or without cause) and further that there is no intent on the part of the Company or yourself, for continued employment of any specified period of time.

Please indicate your acceptance of and agreement with the foregoing by executing this offer letter and returning a copy to me.

Congratulations on your promotion Jared! We are confident that you will make a strong contribution to our continued growth and success. Should you have any questions regarding your promotion or compensation, please do not hesitate to reach out to me.

Sincerely,

/s/ Leah Swan
Leah Swan
Chief Operating Officer

Agreed and Accepted:

/s/ Jared Shure 7/22/21
Jared Shure Date

EXHIBIT 31.1

Certificate of Principal Executive Officer pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Jane T. Elfers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Children's Place, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 31, 2021	By:	/S/ JANE T. ELFERS
		JANE T. ELFERS *Chief Executive Officer and President* *(Principal Executive Officer)*

EXHIBIT 31.2

Certificate of Principal Financial Officer pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert Helm, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Children's Place, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 31, 2021

By: /S/ ROBERT HELM

ROBERT HELM
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32

<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>

I, Jane T. Elfers, Chief Executive Officer and President of The Children's Place, Inc. (the "Company"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify that to my knowledge:

1. The Quarterly Report of the Company on Form 10-Q for the quarter ended July 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in such quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, I have executed this Certification this 1st day of June, 2021.

By: /S/ JANE T. ELFERS
Chief Executive Officer and President
(Principal Executive Officer)

I, Robert Helm, Chief Financial Officer of The Children's Place, Inc. (the "Company"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify that to my knowledge:

1. The Quarterly Report of the Company on Form 10-Q for the quarter ended July 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in such quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, I have executed this Certification this 1st day of June, 2021.

By: /S/ ROBERT HELM
Chief Financial Officer
(Principal Financial Officer)

This certification accompanies the Quarterly Report on Form 10-Q of The Children's Place, Inc. for the quarter ended July 31, 2021 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original copy of this written statement required by Section 906 of the Sarbanes Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission and its staff upon request.