

THE CHILDREN'S
PLACE

COMPANY OVERVIEW AS OF Q2 | 2019



SAFE HARBOR STATEMENT

Forward Looking Statements

This press release 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 February 2, 2019. 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 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 foreign sources of supply in less developed countries or more politically unstable countries, 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.

INVESTMENT HIGHLIGHTS

#1 pure play children's specialty apparel retailer in North America, realizing the benefits of a multi-year business transformation strategy

- \$1.9 billion in revenue, strong brand awareness and market share leader in specialty children's apparel
- Strategic plan being executed based on four pillars: 1) superior product, 2) business transformation through technology, 3) global growth through alternate channels of distribution and 4) store fleet optimization
- Successful execution of this strategy is anticipated to drive operating margin expansion, robust capital returns and increasing shareholder value
- Experienced and talented management team focused on consistent execution of long-term plan and operational excellence
- As of August 3, 2019, the Company operated 961 stores in the United States, Canada and Puerto Rico, online stores in the United States and Canada at www.childrensplace.com and had 225 international points of distribution in 19 countries, open and operated by its eight franchise partners



INVESTMENT HIGHLIGHTS (CONTINUED)

#1 pure play children's specialty apparel retailer in North America, realizing the benefits of a multi-year business transformation strategy

- Deep knowledge of core customer results in consistent delivery of trend-right product, with an attractive price/value proposition, increasing brand reach by introducing extended sizes
- Executing a personalized customer contact strategy based upon three areas of focus: 1) customer insights, 2) customer strategy and 3) digital delivery, consisting of omni channel initiatives and digital architecture upgrades
- Significant participation in our loyalty program and private label credit card program, which increases customer engagement, revenue and profitability
- Growing alternate channels of distribution with significant international and wholesale opportunities, including our strategic partnership with Semir, the #1 children's apparel retailer in China
- Opportunity to revitalize the Gymboree brand and generate incremental revenue and margin
- Closed 226 stores since 2013 as part of ongoing store fleet optimization initiative



STRATEGIC INITIATIVES

Realizing the benefits of a company-wide, multi-year business transformation focused on a four pillar strategy



- ✓ **SUPERIOR PRODUCT**
- ✓ **BUSINESS TRANSFORMATION THROUGH TECHNOLOGY**
- ✓ **GLOBAL GROWTH THROUGH ALTERNATE CHANNELS OF DISTRIBUTION**
- ✓ **STORE FLEET OPTIMIZATION**



Built upon a strong foundation of operational excellence driven by an experienced and talented management team

SUPERIOR PRODUCT

Highly talented design, merchandising and sourcing teams are core strengths, delivering a superior product offering

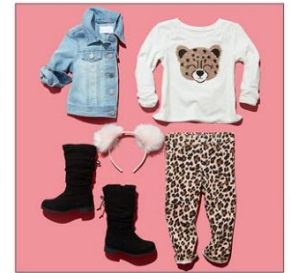
- Consistently strong customer response to product offering
- Continue to significantly differentiate and upgrade the look of our merchandise
- Trend-right and age-appropriate assortments, increasing reach with extended sizes
- Better able to service our customer by being in stock in key styles and sizes
- Balancing fashion and fashion basics with more frequent, wear now deliveries
- Offering a full line of accessories and footwear so busy moms can quickly and easily put together head-to-toe outfits
- Opportunity to revitalize the Gymboree brand



BACK TO SCHOOL 2019



BACK TO SCHOOL 2019



GYMBOREE.COM RELAUNCH

<https://www.gymboree.com/us/home>

GYMBOREE®



AN OPEN LETTER TO GYMBOREE FANS +

RETURNING **SPRING 2020**

HELP US BRING BACK THE GYMBOREE YOU LOVED...

[TELL US YOUR THOUGHTS](#)

[SHARE YOUR PHOTOS](#)

GYMBOREE.COM RELAUNCH - CONSUMER RESPONSE

- Yey!!!! Bring back the old style. The that recent crap that I could get at target or any other store. Bring back the colors, prints and adorable clothes for kids.
- Please bring back the good pre-2013 stuff with gorgeous embroidery and appliqués. If we wanted old navy/target stuff, we would go there. We want cute, coordinating, high quality old classic pre-2013 Gymboree stuff.
- Please come back. Gymboree is my favorite place to shop. I can't find a place with so cute outfits. There is only one Gymboree.
- MOST importantly, high quality APPLIQUÉ shirts/clothing in UNIQUE off-trend themes with many coordinating pieces! THAT is what created brand loyalty! We can get non-appliqué shirts on trend at Target, Gap, Justice and elsewhere, including The Children's Place. Those are great options. Gymboree was DIFFERENT and destroyed itself when it tried to be like everyone else. I'm not going to pay double for a shirt I can get from Target, but if you bring back old school Gymboree you can seriously just take all of my money. 🐘
- Yes!!! Please come back! Other children's stores can't compare. The quality, matching accessories and soft jammies.
- Yessss!!!! Nothing like Gymboree!!! Please bring back the high quality, timeless, classic, themed & matchy pieces. Not the modern, hip and cheap stuff like the other stores.
- The adorable little BOY'S clothing!!! I loved the different themes lines with bright colors and adorable designs! You simply can't find outfits like this at other children's clothing stores. Unique outfits for all kids! Gymboree has always been a favorite children's clothing store in my family!
- I just took my kids school shopping today and all I could think was..." wish Gymboree was open!" None of the other stores have the styles I am looking for, they are all so boring and everything looks the same! Please come back soon!!

GYMBOREE.COM RELAUNCH - CONSUMER RESPONSE

- I have literally purchased only from Gymboree for our five grandchildren for the past twelve years. I am lost where to purchase now the same quality and cuteness. Excited for the return of Gymboree products!!!!!!
- My daughter only wore Gymboree! She wore it for years! I was so sad when you guys filed chapter 11. The New Gymboree isn't the same. I don't shop there. Clothes aren't as quality and the designs are weird. If you came back I'd shop there again in a heart beat!
- So happy!! Was always my favorite brand for my girls!!!
- This makes my heart so happy!! I have always loved gymboree!
- Awesome quality, unique designs, the only store that carries cute stuff for boys!!
- This will make my little girls day she always loved your clothes and was so upset when the store closed
- I am beyond excited to know that Gymboree clothes will be launching in 2020! Yes! Hallelujah!
- So excited, I have yet to find a brand that compare to the amazing quality of Gymboree!!!
- Ahhh so excited! Always my go to for everything for my girl!
- That was the only place I shopped for my son such adorable clothes they had
- WOW!!!! Am I dreaming?! Happy dance! Happy dance!!
- The best children's clothing store EVER! I am SO excited!!!
- The BEST news I've read in a long time!!! I'm incredibly excited about this!
- I'm so happy you are coming back. It's my favorite store. My daughter is so excited!
- Great news! I'm in love with Gymboree's old lines. We are so excited to dress our kids again from this brand.
- I am so excited!!! Cannot wait to see you back, Gymboree is my favorite brand for Kids's clothing!!!
- I'm so excited you're coming back. I loved shopping for my son at Gymboree. You had some of the most fun unique clothes especially for little boys.
- Even my 3 girls cried when I told them Gymboree was closing. We LOVED your clothes and own a ton of it. So excited if you get back in business!!

BUSINESS TRANSFORMATION THROUGH TECHNOLOGY

Technology investments focused in the areas of Digital, Customer Engagement, Inventory Management, and Alternate Channels of Distribution are driving significant improvement in operating performance, with significant runway still ahead.

Capabilities	2015	2016	2017	2018	2019
Digital	<ul style="list-style-type: none"> Organic Search Enhancements E-Receipt Launch 	<ul style="list-style-type: none"> Re-launched Loyalty Program Launched New Private Label Credit Card 	<ul style="list-style-type: none"> Personalized Customer Contact Strategy: <ul style="list-style-type: none"> Customer Insights Customer Strategy Digital Delivery –Digital Architecture Upgrades Mobile application enhancements 	<ul style="list-style-type: none"> Implemented State of the Art Search Tool Enhanced Email trigger capabilities Introduced Dynamic Display retargeting Upgraded store register hardware and completed roll out of Mobile POS in U.S. Implemented SMS capabilities Launched state of art loyalty system Enhanced predictive modeling capabilities to enable personalization 	<u>In Development:</u> <ul style="list-style-type: none"> Continue foundational enhancements to our Ecommerce platform A state of art pricing system Responsive Design Content Management System Digital Asset Management Enhanced Customer Service
Omni-Channel	<ul style="list-style-type: none"> Distributed Order Management 	<ul style="list-style-type: none"> Piloted Reserve Online – Pick Up in Store (ROPIS) 	<ul style="list-style-type: none"> Rolled out Buy Online – Pick Up in Store (BOPIS) to all stores Piloting Ship from Store Ship from Store roll out to US Connected Store 	<ul style="list-style-type: none"> Launched Personalized Post-Purchase Communication & Promotions 	<ul style="list-style-type: none"> Launched Buy on line, ship to store (BOSS) <u>In Development:</u> <ul style="list-style-type: none"> POS System with Save the Sale functionality Implementation of Personalized Customer Segmentation Strategy
Inventory Management	<ul style="list-style-type: none"> Allocation & Replenishment 	<ul style="list-style-type: none"> Order Planning & Forecasting Size & Pack Optimization Store Tiering 		<ul style="list-style-type: none"> Enhancing our integrated suite of inventory management tools towards a goal of single pool of inventory 	
New/Alternate Channels of Distribution	<ul style="list-style-type: none"> EDI for Wholesale Product Development Enhancements 	<ul style="list-style-type: none"> Launched Amazon Basics Replenishment Entered China via Tmall Developed Global UPC 		<ul style="list-style-type: none"> Launched Amazon Fashion Replenishment Entered into partnership with Semir for China 	<ul style="list-style-type: none"> Launched Electronic Data Interchange for Walmart

GLOBAL GROWTH THROUGH ALTERNATE CHANNELS OF DISTRIBUTION

INTERNATIONAL

- Operating in 19 countries through 8 franchise partners
- Added 27 new points of distribution YTD for a total of 225
- Stores, shop-in-shops and e-commerce launched in key markets
- Expect to add approximately 40 net points of distribution in fiscal 2019
- Partnered with Semir, owner of the #1 children's apparel retailer in China—Balabala, to open at least 300 locations in greater China over first five years of the agreement and manage our ecommerce business in China

ECOMMERCE

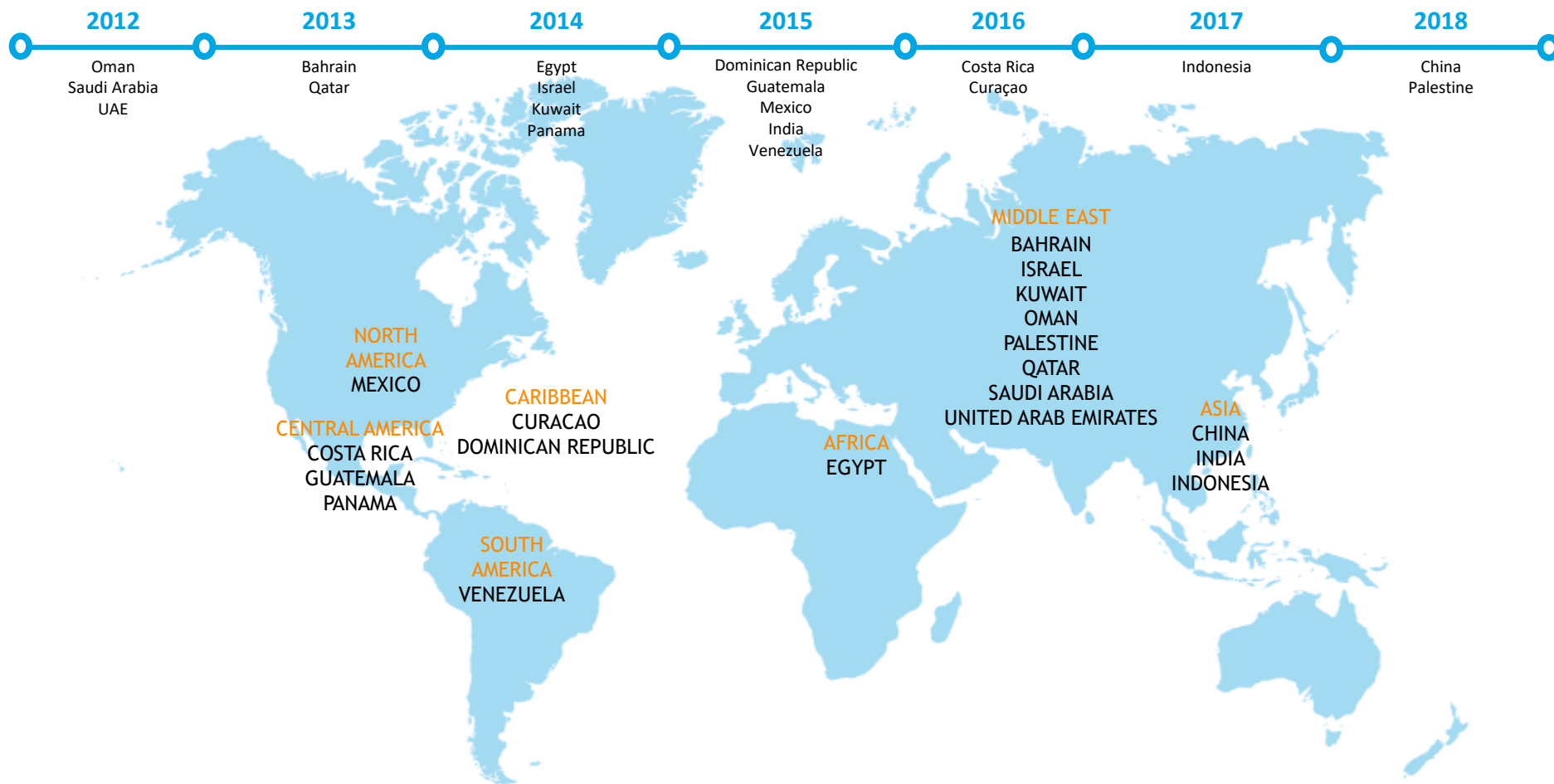
- Approximately 29% of total sales in Q2 2019
- Penetration increased over 1300 bps from fiscal 2014 to fiscal 2018
- Accelerating digital and omni-channel capabilities

WHOLESALE

- Amazon
 - Continued growth in replenishment program
 - Identified additional styles and categories to add to the program
- Off-Price Channel
 - Continued growth with key partners

GLOBAL OMNI-CHANNEL RETAILER

Have 225 international points of distribution in 19 countries at the end of Q2 2019 outside United States/Canada, consisting of brick and mortar stores, shop-in-shops and e-commerce. We expect to add approximately 40 net new points of distribution in fiscal 2019



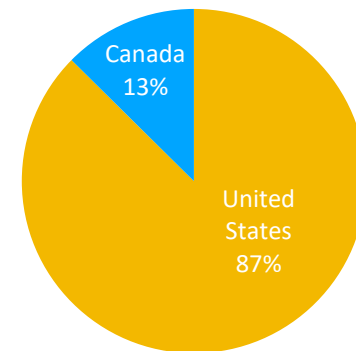
STORE FLEET OPTIMIZATION

Targeting 200 basis points of operating margin accretion from fiscal 2013 through 2020 from this initiative

- 226 stores closed in the period beginning fiscal 2013 through Q2 2019, with a target of a minimum of 300 closures by 2020
- Realization of more than 20 percent sales transfer rate to nearby stores and e-commerce business in the first 12 months after closure
- Over 1,000 lease actions over the next 3 years
- Average lease term of 2.5 years
- Reduced occupancy cost on renewals
- Opportunity to add up to 25 highly productive TCP locations based on understanding of productivity and profitability of Gymboree's real estate portfolio

FLEET FACTS

961 STORES IN NORTH AMERICA



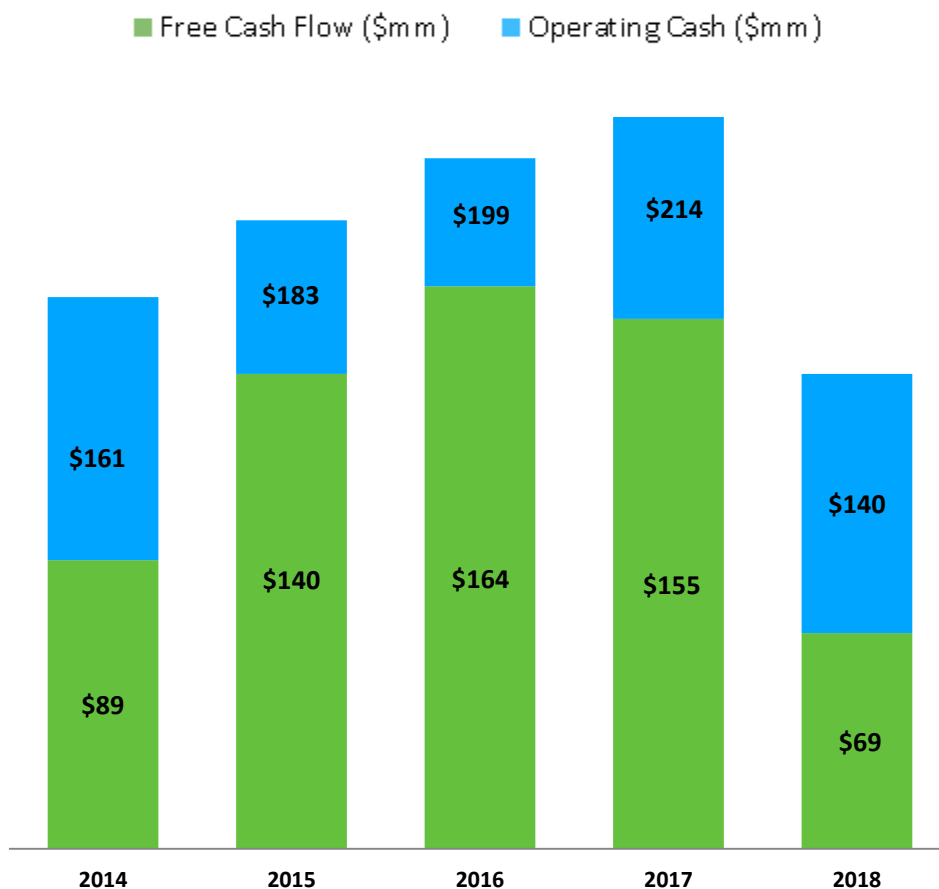
STORE FLEET OPTIMIZATION

Mayfair Mall – Wauwatosa, WI



STRONG BALANCE SHEET AND CASH FLOW

Our consistently strong cash flow and liquidity profile provide us with the financial flexibility to continue to fund our strategic initiatives and shareholder return program

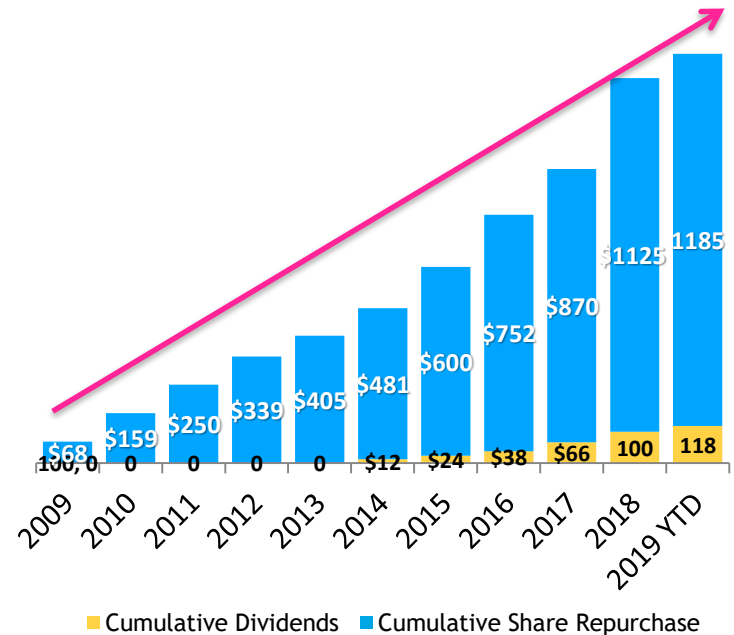


INCREASED CAPITAL RETURN TO SHAREHOLDERS

Consistent track record of returning capital to shareholders

- Since fiscal 2009, we have repurchased approximately \$1.2 billion of our common stock and since 2014, paid approximately \$118 million in dividends
- Repurchased \$27 million in Q2 2019
- \$179 million remaining on existing share repurchase program as of end of Q2 2019
- 12% increase in quarterly dividend in Q2 2019

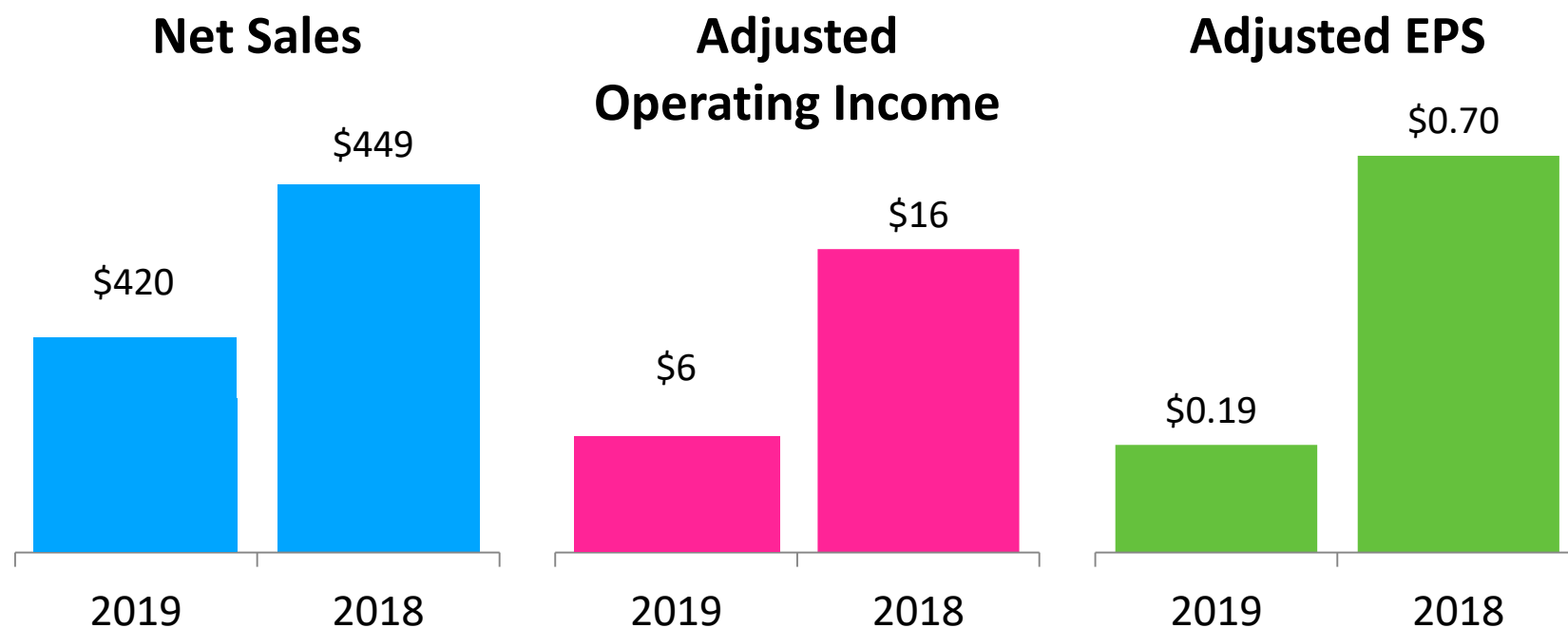
Cumulative Shares Repurchased And Dividends (\$mm)



Shares Outstanding (mm)

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
27.6	26.1	24.5	23.1	22	20.8	19.4	17.7	17.2	16.3	15.7

SECOND QUARTER 2019 RESULTS



- **Net Sales** decreased 6.3% to \$420.5M, comparable retail sales decreased 3.8% compared to an increase of 13.2% in the comparable period last year
- **Adjusted Operating Income** was \$5.8M compared to \$15.7M LY, deleveraging 210 basis points to 1.4% of net sales
- **Adjusted EPS** was \$0.19 compared to \$0.70 in the comparable period last year

SECOND QUARTER 2019 ADJUSTED RESULTS

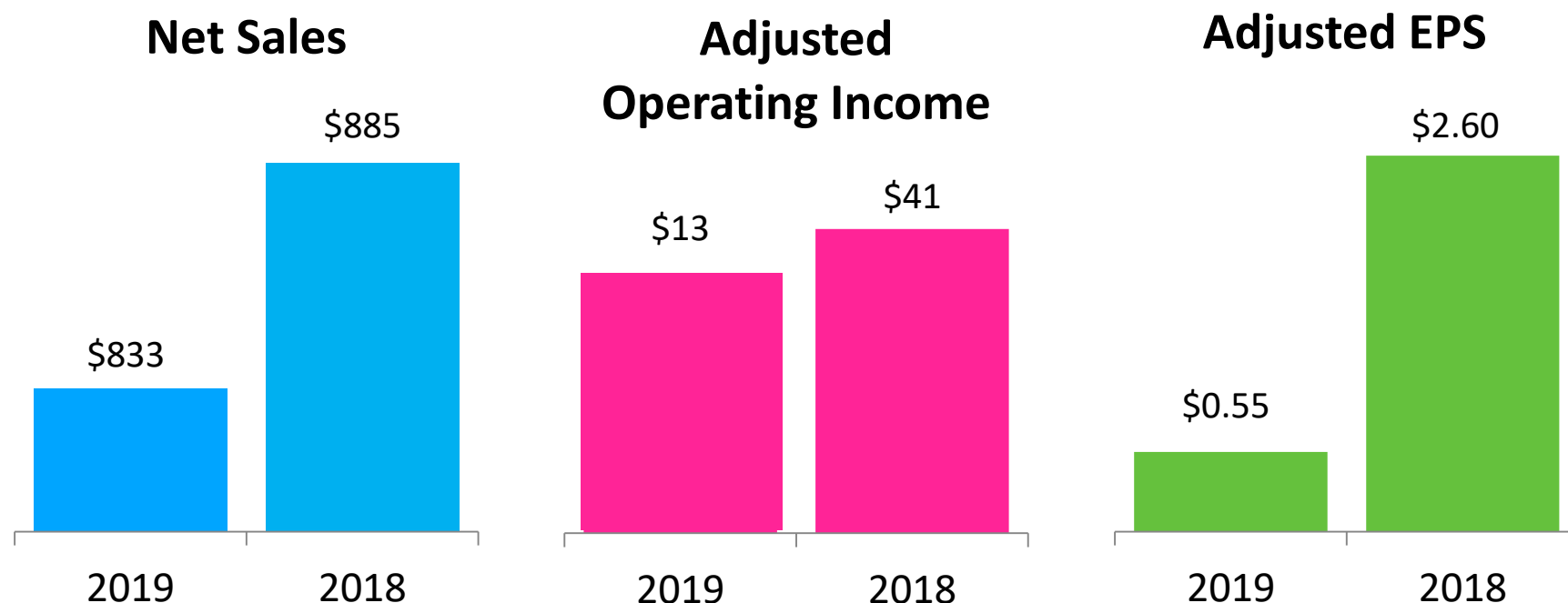
	<u>Q2</u> <u>2019*</u>	<u>% Sales</u>	<u>Q2</u> <u>2018*</u>	<u>% Sales</u>	<u>B/(W)</u>
Net Sales	\$420.5		\$448.7		-6.3%
Ext. Gross Profit	138.8	33.0%	154.8	34.5%	(150) Bps
SG&A	115.5	27.5%	122.5	27.3%	(20) Bps
Depreciation	<u>17.6</u>	<u>4.2%</u>	<u>16.6</u>	<u>3.7%</u>	<u>(50) Bps</u>
Op Income	5.8	1.4%	15.7	3.5%	(210) Bps
Income Tax	<u>0.6</u>	<u>15.9%¹</u>	<u>3.1</u>	<u>21.0%¹</u>	
Net Income	3.0	0.7%	11.7	2.6%	(190) Bps
Shares	15.9		16.7		
EPS	\$0.19		\$0.70		-72.9%

*Q2 FY19 EPS includes \$0.02 benefit resulting from the accounting rules for the income tax impact on share-based compensation vs. a \$0.03 benefit in the comparable period last year

*Adjusted measures are non-GAAP and exclude transactions that are not indicative of the performance of the core business. A reconciliation of GAAP and non-GAAP measures is provided in the Company's earnings releases which are available at <http://investor.childrensplace.com>

¹Reflects Adjusted tax rate

YEAR-TO-DATE 2019 RESULTS



- **Net Sales** decreased 5.9% to \$832.9M, comparable retail sales decreased 4.2% compared to a positive 5.1% comp in the comparable period last year
- **Adjusted Operating Income** was \$12.5M compared to \$41.1M LY, deleveraging 310 basis points to 1.5% of net sales
- **Adjusted EPS** was \$0.55 compared to \$2.60 in the comparable period last year

YEAR-TO-DATE 2019 ADJUSTED RESULTS

	Q2 YTD 2019*	% Sales	Q2 YTD 2018	% Sales	B/(W)
Net Sales	\$832.9		\$885.0		-5.9%
Ext. Gross Profit	290.3	34.9%	316.3	35.7%	(80) Bps
SG&A	242.6	29.1%	241.2	27.3%	(180) Bps
Depreciation	<u>35.2</u>	<u>4.2%</u>	<u>34.0</u>	<u>3.8%</u>	<u>(40) Bps</u>
Op Income	12.5	1.5%	41.1	4.6%	(310) Bps
Income Tax	<u>-0.3</u>	<u>-3.7%¹</u>	<u>-5.0</u>	<u>-12.6%¹</u>	
Net Income	8.8	1.1%	44.9	5.1%	(400) Bps
Shares	16.0		17.2		
EPS	\$0.55		\$2.60		-78.9%

*Q2 FY19 EPS includes \$0.15 benefit resulting from the accounting rules for the income tax impact on share-based compensation vs. a \$0.85 benefit in the comparable period last year

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¹Reflects Adjusted tax rate

BALANCE SHEET AND CASH FLOW

BALANCE SHEET (at Q2 End)		FY 2019	FY 2018	<ul style="list-style-type: none"> Cash and short term investments of \$65M vs. \$106M LY with \$196M outstanding on our ABL, compared to \$89M LY, reflecting an increase to fund the Gymboree acquisition and our shareholder return program Inventory increased 5.4%
	Cash & ST Invest	\$65	\$106	
	Accounts Receivable	40	48	
	Inventory	386	366	
	Accounts Payable	237	250	
CASH FLOW (Q2)		FY 2019	FY 2018	<ul style="list-style-type: none"> Operating Cash Flow of \$23M vs. \$11M LY Repurchased \$60M in stock with \$179M left on the current authorization and paid \$18M in dividends Amended our ABL facility to increase the availability from \$250 million to \$325 million at more attractive interest rates and extended the term to May 2024
	Operating Cash Flow	\$23	\$11	
	Capital Expenditures	(22)	(28)	
	Free Cash Flow	\$1	(\$17)	
RETURN OF CAPITAL (Q2)		FY 2019	FY 2018	<ul style="list-style-type: none"> Adopted the provisions of ASC 842, accounting for leases, resulting in the recognition of right of use assets of approximately \$430M and corresponding liabilities of \$470M. This has no impact on adjusted operating results
	Share Repurchases	\$60	\$188	
	Dividends	18	17	
	Total	\$78	\$205	

FY 2019 OUTLOOK

Full Year Guidance for fiscal 2019:

- Net sales in the range of \$1.910 billion to \$1.925 billion
- Comparable retail sales approximately flat to 2018
- Adjusted operating margin in the range of 6.1% to 6.4%
- Adjusted net income per diluted share in the range of \$5.40 to \$5.75, including an adverse impact of approximately \$0.08 per share from the incremental tariffs scheduled to go into effect on September 1st and December 15th

Guidance for Q3 2019:

- Net sales in the range of \$530 million to \$535 million
- Comparable retail sales increase in the range of 3% to 4%
- Adjusted operating margin in the range of 11.5% to 12.0%
- Adjusted net income per diluted share in the range of \$2.90 to \$3.05

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