

THE CHILDREN'S
PLACE

COMPANY OVERVIEW AS OF Q1 | 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 May 4, 2019, the Company operated 971 stores in the United States, Canada and Puerto Rico, online stores in the United States and Canada at www.childrensplace.com and had 212 international points of distribution in 20 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 213 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

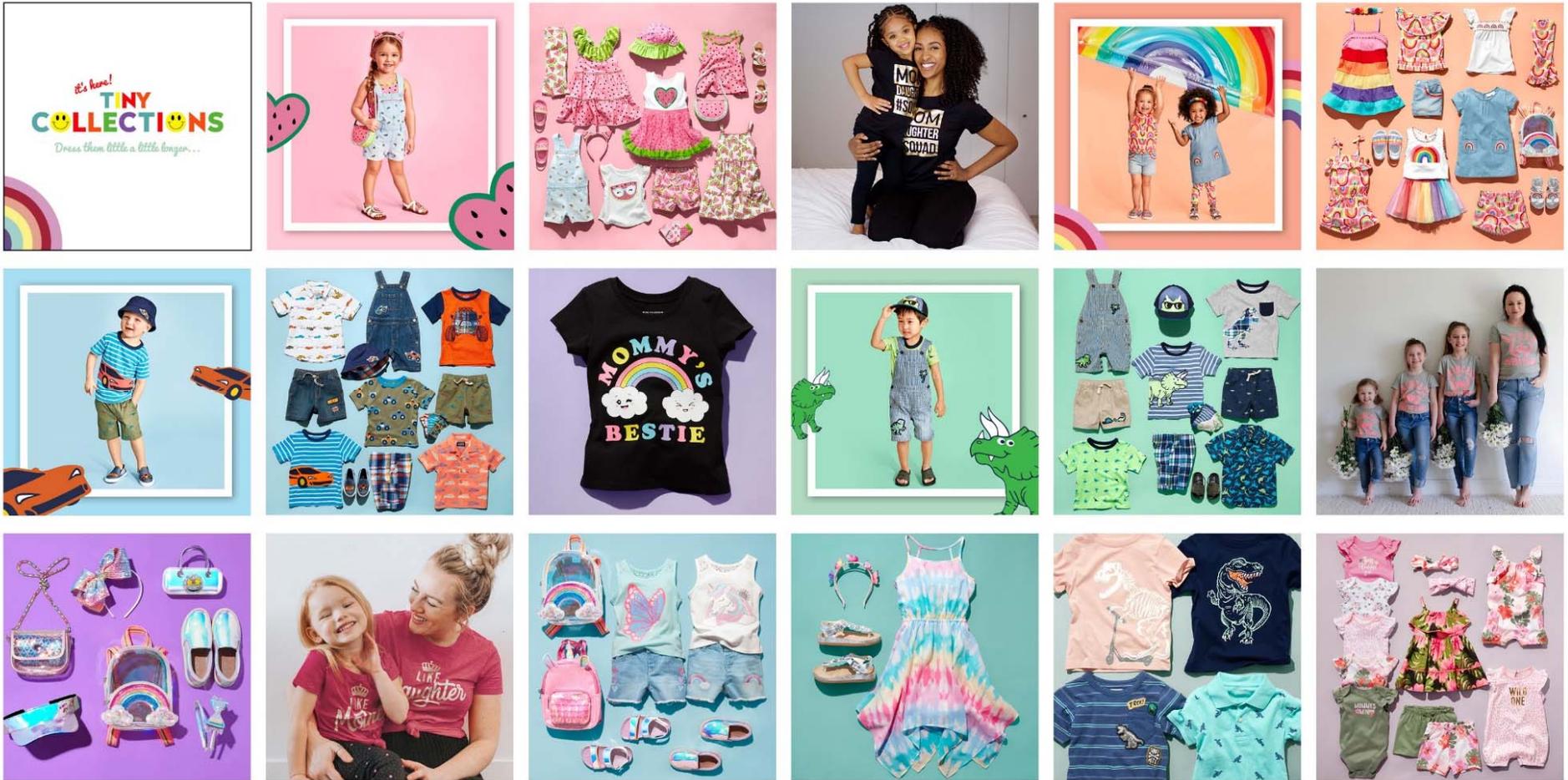
- Consistently strong customer response to product offering
- Continue to significantly differentiate and upgrade the look of our merchandise
- Trend-right and age-appropriate assortments, increasing reach with extended sizes
- Better able to service our customer by being in stock in key styles and sizes
- 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 Gymboree branded product



SUMMER 2019



SUMMER 2019



NEW TODDLER PRODUCT

“Tiny Collections” introduced in TCP stores April 2019



NEW TODDLER PRODUCT - CONSUMER RESPONSE

“Tiny Collections”

- **Positive correlation to Gymboree**

- Yes!! Just like Gymboree once did. Thank you! Keep it up! 🙌😊
- Oh my goodness, love this line! I have been wondering where I will be shopping for my daughter now that Gymboree has closed, now I know!
- Oh, you have made this gymboree lover so very happy!!!!
- I love these!! I loved Gymboree for their matching sets and was so disappointed when they closed. Please do these in larger sizes.
- Thank you from a gymboree fanatic...looking forward to more and hoping you will go a bit larger with sizes!!!
- Gymboree spin off??? THANK YOU 🙌🙌🙌 keep them coming!!!!

- **Positive response to the collections and expressed intent to purchase**

- Thank you for having such an adorable kid centric collection. I hope you continue with more themed collections ❤️❤️
- Showed the collection to my almost 3 year old and she wants everything!
- Plssss stop taking all my coins. I just ordered last week and here we are with another cartful of items order. My fav place to shop for my baby girl
- I just bought all of this I can't wait to get my stuff 😊
- I need this all of these whole collections! #boymomboss
- Love all the outfits. Can't wait to receive my order ❤️😊

- **Positive response to individual collections**

- My daughter is obsessed with 🦖just ordered the whole collection 🦖 😊
- Just finished ordering all the dino pieces currently available for my two baby boys can't wait to get them ❤️😊
- This so far is my favorite clothing line up for my son. Can't wait to wear one of these outfits to Jurassic quest this weekend.
- 😊🦖 🦖 loving all the dinos for my son!
- Love the watermelon theme!! That headband though <3
- Obsessed with the rainbows! 😊
- Love this collection! I love to dress my rainbow baby in rainbows whenever I can 😊

NEW TODDLER PRODUCT - CONSUMER RESPONSE

“Tiny Collections”

Oh my goodness, love this line! I have been wondering where I will be shopping for my daughter now that Gymboree has closed, now I know!

Thank you for having such an adorable kid centric collection. I hope you continue with more themed collections

Yess!! Just like Gymboree once did. Thank you! Keep it up!

These sorta-kind remind me of gymbo style, which I was obsessed with. They just need to bring these to the bigger sizes and they'll have a new customer in me



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 	<p><u>In Development:</u></p> <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 <ul style="list-style-type: none"> Live Chat & Chat Bot
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) <p><u>In Development:</u></p> <ul style="list-style-type: none"> Cross Device Linking to drive Personalization 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 <ul style="list-style-type: none"> 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"> Electronic Data Interchange for Walmart

GLOBAL GROWTH THROUGH ALTERNATE CHANNELS OF DISTRIBUTION

INTERNATIONAL

- Operating in 20 countries through 8 franchise partners
- Added 9 new points of distribution YTD for a total of 212
- Stores, shop-in-shops and e-commerce launched in key markets
- Expect to add approximately 40 points of distribution in 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

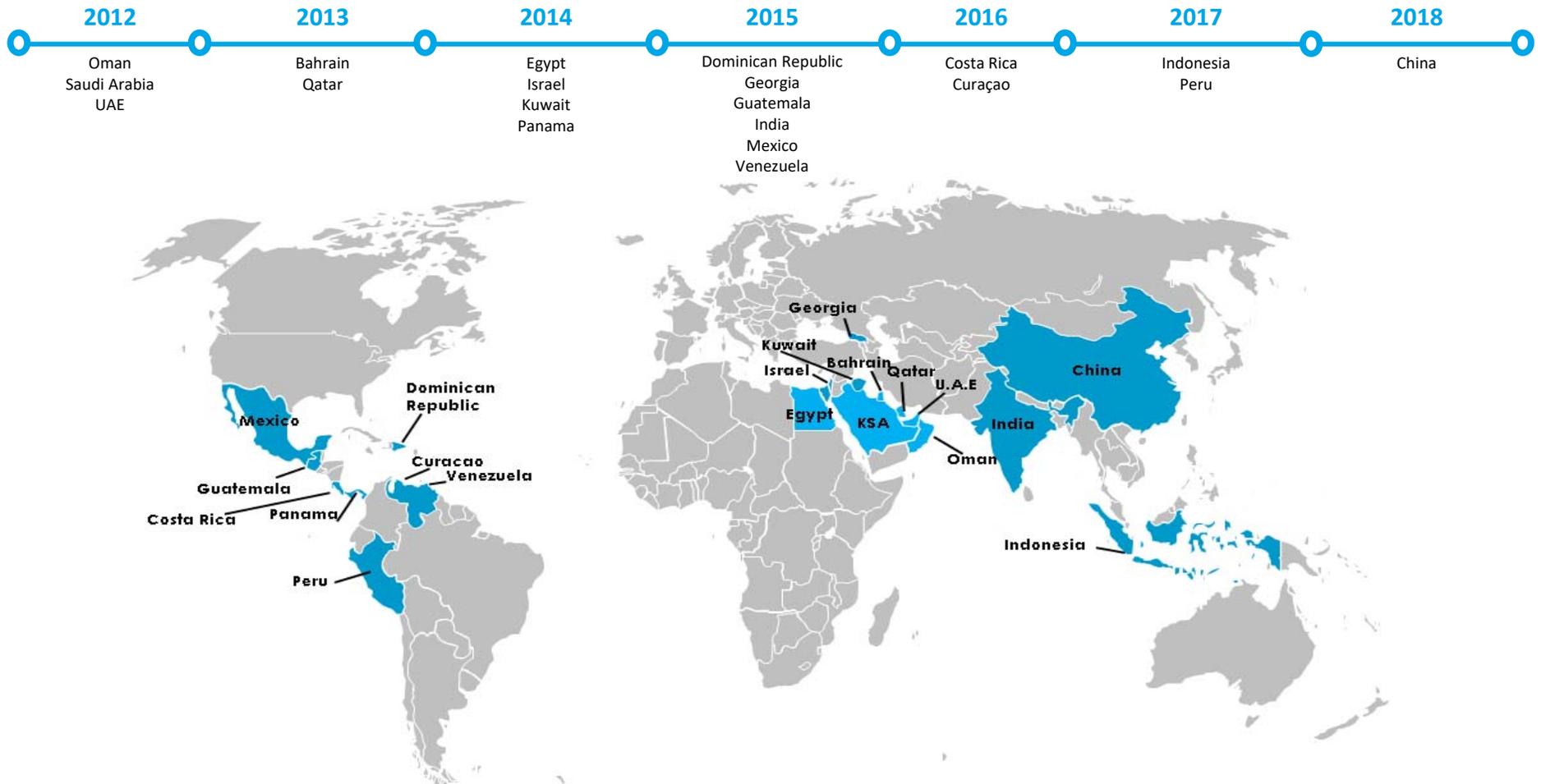
- Approximately 29% of total sales in Q1 2019
- Penetration increased over 1300 bps from 2014 to 2018
- Accelerating digital and omni-channel capabilities

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 212 international points of distribution in 20 countries at the end of Q1 2019 outside United States/Canada, consisting of brick and mortar stores, shop-in-shops and e-commerce. We expect to add approximately 40 points of distribution in 2019



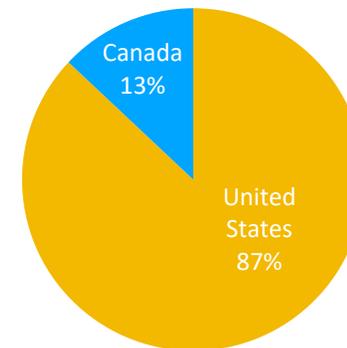
STORE FLEET OPTIMIZATION

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

- 213 stores closed in the period 2013 through Q1 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

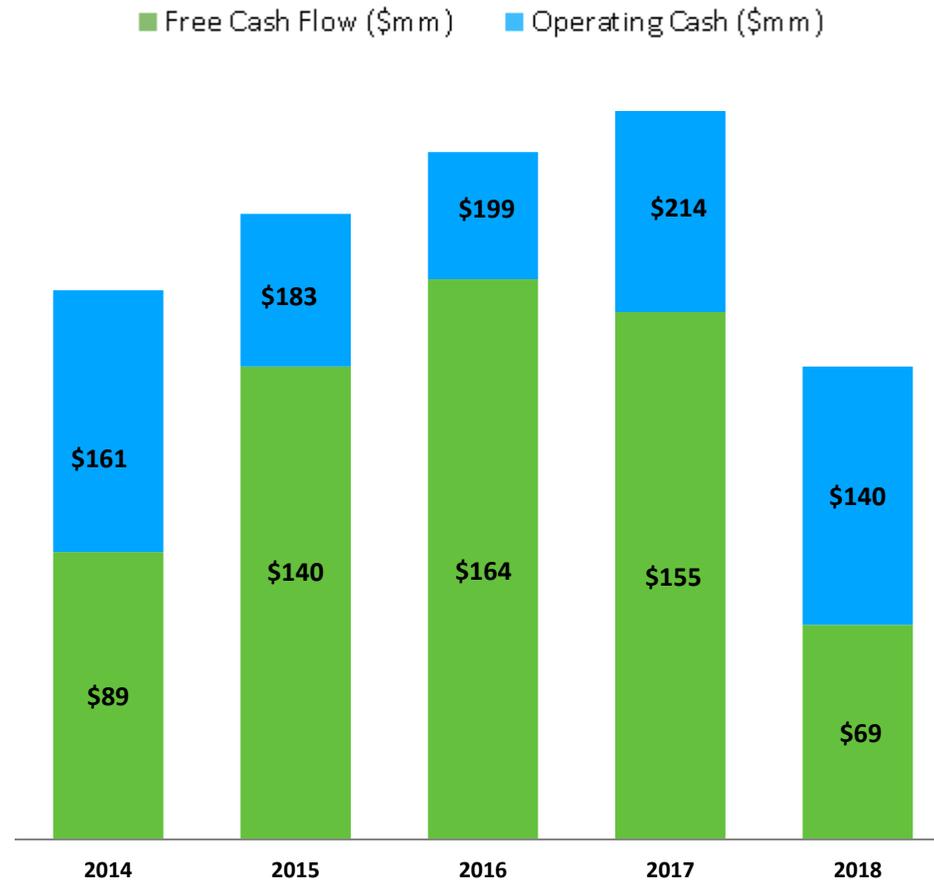
FLEET FACTS

971 STORES IN NORTH AMERICA



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

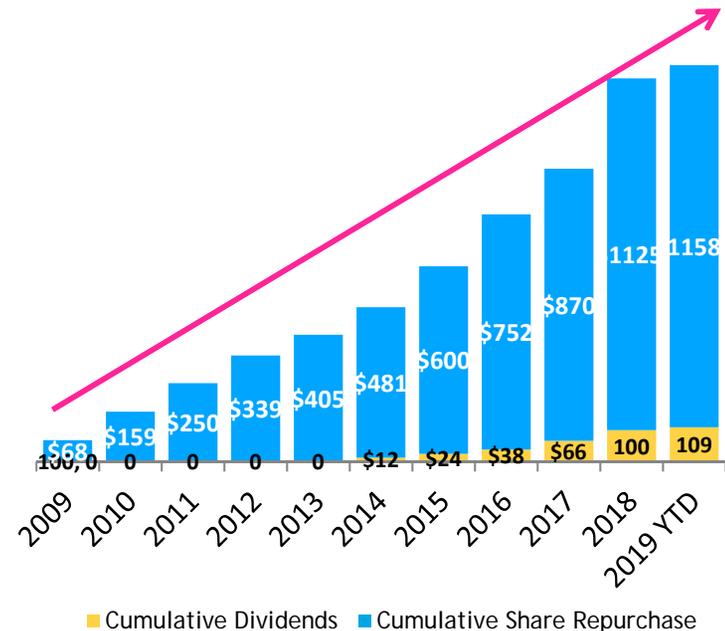


INCREASED CAPITAL RETURN TO SHAREHOLDERS

Consistent track record of returning capital to shareholders

- Since 2009, we have repurchased approximately \$1.2 billion of our common stock and since 2014, paid approximately \$109 million in dividends
- Repurchased \$33 million in Q1 2019
- \$206 million remaining on existing share repurchase programs as of end of Q1 2019
- 12% increase in quarterly dividend in 2019

Cumulative Shares Repurchased And Dividends (\$mm)



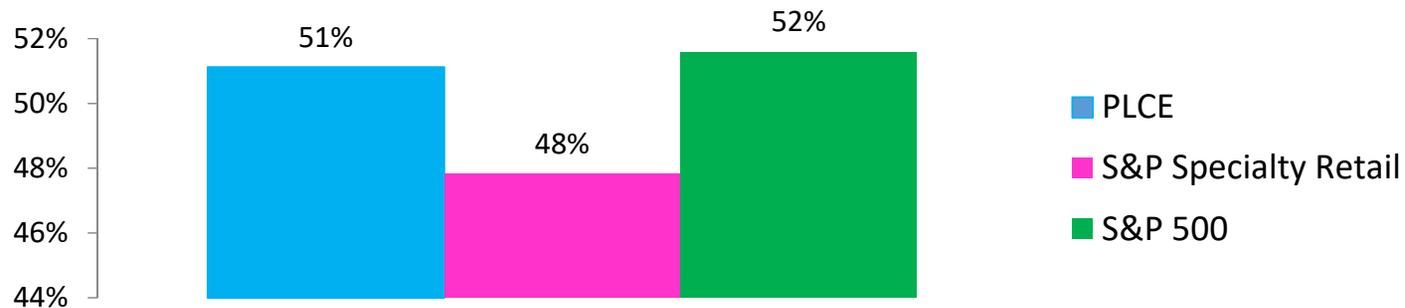
Shares Outstanding (mm)

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	15.9

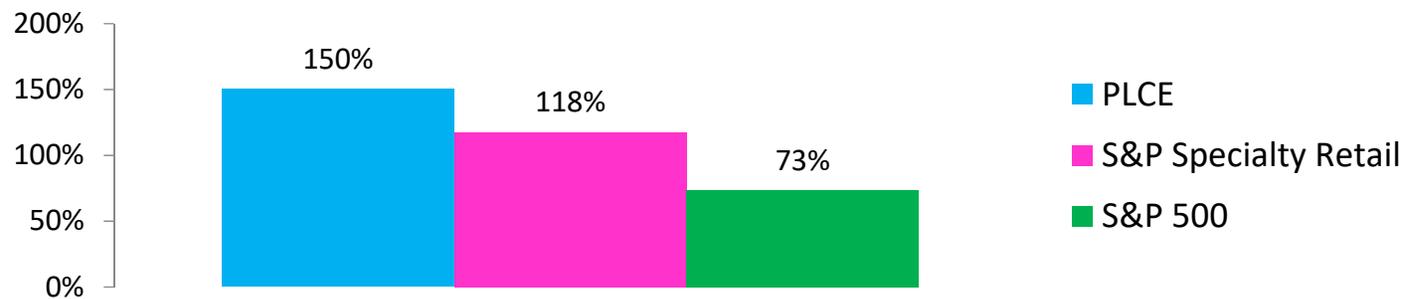
SUPERIOR TOTAL SHAREHOLDER RETURN

Outpacing S&P Specialty Retail Index on a trailing three year and substantially outpacing S&P 500 Index and S&P Specialty Retail Index on a five year basis as of April 30, 2019

Three Year



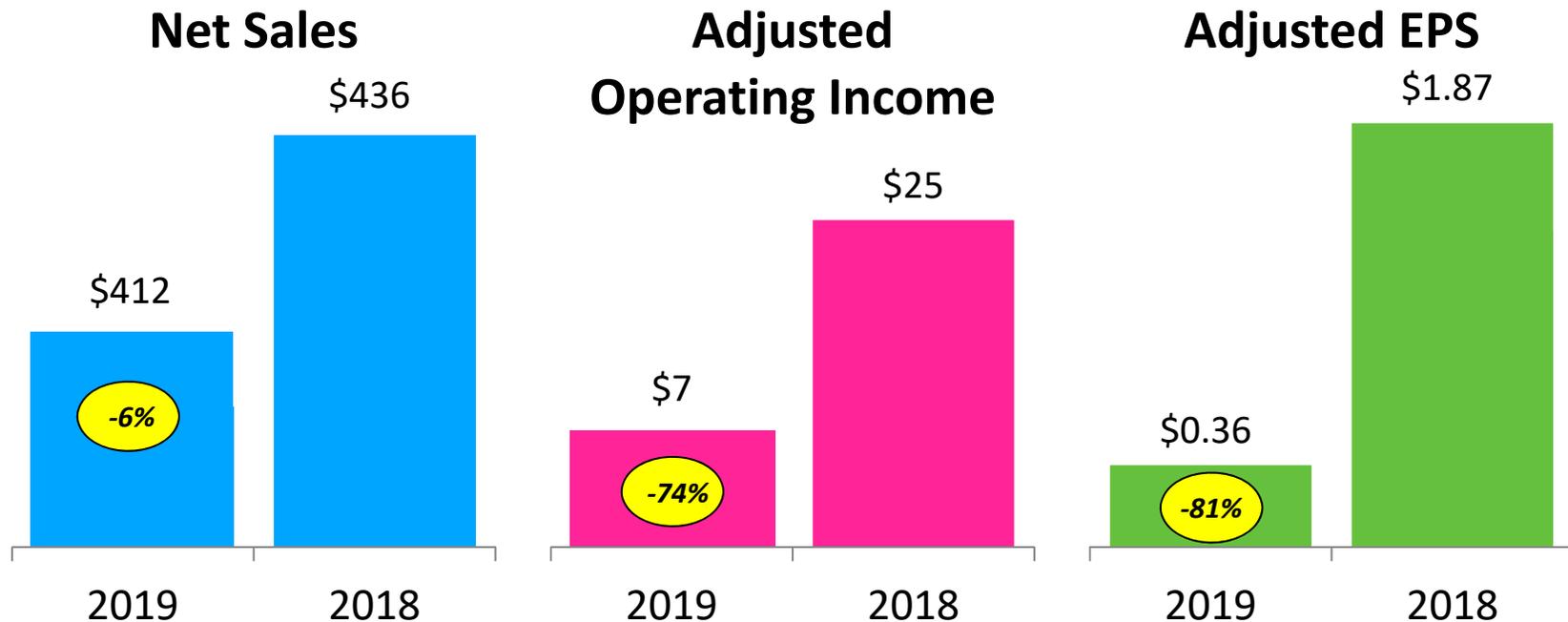
Five Year



Total return with dividends reinvested

FIRST QUARTER 2019 RESULTS

Despite the liquidation of approximately 800 Gymboree and Crazy 8 locations in the quarter, adjusted EPS of \$0.36 was better than guidance of a net loss of \$0.70 to \$0.40. The performance was driven by a more moderate decline in comparable retail sales and stronger than expected gross margin performance, partly offset by higher SG&A expense



- **Net Sales** decreased 5.5% to \$412.4M dollars, comparable retail sales decreased 4.6% compared to a negative 1.8% comp in the first quarter of 2018.
- **Adjusted Operating Income** was \$6.6M compared to \$25.4M LY, deleveraging 420 basis points to 1.6% of net sales
- **Adjusted EPS** was \$0.36 compared to \$1.87 last year.

FIRST QUARTER 2019 ADJUSTED RESULTS

	<u>Q1</u> <u>2019*</u>	<u>% Sales</u>	<u>Q1</u> <u>2018*</u>	<u>% Sales</u>	<u>B/(W)</u>
Net Sales	\$412.4		\$436.3		-5.5%
Ext. Gross Profit	151.4	36.7%	161.5	37.0%	(30) Bps
SG&A	127.2	30.8%	118.7	27.2%	(360) Bps
Depreciation	<u>17.6</u>	<u>4.3%</u>	<u>17.4</u>	<u>4.0%</u>	(30) Bps
Op Income	6.6	1.6%	25.4	5.8%	(420) Bps
Income Tax	<u>(0.9)</u>	<u>(17.8%)</u>	<u>(8.1)</u>	<u>(32.4%)</u>	(1460) Bps
Net Income	5.8	1.4%	33.2	7.6%	(620) Bps
Shares	16.1		17.7		
EPS	\$0.36		\$1.87		-80.7%

*Q1 FY19 EPS includes \$0.13 benefit resulting from the accounting rules for the income tax impact on share-based compensation vs. a \$0.80 benefit in the first quarter 2018

*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>

BALANCE SHEET AND CASH FLOW

		<u>2019</u>	<u>2018</u>
BALANCE SHEET (at Q1 End)	Cash & ST Invest	\$66	\$90
	Accounts Receivable	40	32
	Inventory	341	335
	Accounts Payable	206	219

		<u>2019</u>	<u>2018</u>
CASH FLOW (Q1)	Operating Cash Flow	\$21	(\$13)
	Capital Expenditures	(11)	(11)
	Free Cash Flow	\$10	(\$24)

		<u>2019</u>	<u>2018</u>
RETURN OF CAPITAL (Q1)	Share Repurchases	\$33	\$162
	Dividends	9	8
	Total	\$42	\$170

- Cash and short term investments of \$66M vs. \$90M LY with \$153M outstanding on our ABL, compared to \$47M LY, reflecting an increase to fund the Gymboree acquisition and our shareholder return program
- Inventory increased 1.9% at the end of the quarter
- Operating Cash Flow of \$21M vs. an outflow of \$13M LY
- Repurchased \$33M in stock with \$206M left on the current authorization and paid \$9M 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
- Adopted the provisions of ASC-842, accounting for leases, resulting in the recognition of right of use assets of approximately \$460M and corresponding liabilities of \$500M. This has no impact on adjusted operating results

FY 2019 OUTLOOK

Full Year Guidance for 2019:

- Net Sales in the range of \$1.905 billion to \$1.925 billion
- Comparable retail sales growth approximately flat to 2018
- Adjusted operating margin in the range of 6.4% to 6.9%
- Adjusted net income per diluted share in the range of \$5.75 to \$6.25

Guidance for Q2 2019:

- Net Sales in the range of \$415 million to \$420 million
- Comparable retail sales down in the range of -5.0% to -4.0%
- Adjusted operating margin in the range of 0.4% to 1.3%
- Adjusted net income per diluted share in the range of \$0.00 to \$0.20

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