

INVESTOR PRESENTATION AS OF Q3|2020



SAFE HARBOR STATEMENT

Forward Looking Statements

This presentation 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 1, 2020 and supplemented by the "Risk Factors" sections of its quarterly reports on Form 10-Q for the fiscal quarters ended May 2, 2020 and August 1, 2020. 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 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.

COMPANY OVERVIEW

About Our Business

- **#1 pure play** children's specialty apparel retailer in North America, offering apparel, footwear, and accessories for children sizes 0-18
- Strength of design, merchandising, and sourcing teams produces a superior product offering
- Experienced and talented management team, with an average tenure of over seven years, focused on execution and operational excellence
- \$1.9 billion in revenue¹, strong brand awareness, and market share leader in specialty children's retail



Size and Scale of Our Operations²

809 stores in the United States, Canada and Puerto Rico
Growing e-commerce presence in the U.S. and Canada representing approximately **31%**
of sales in fiscal 2019 and approximately **55%** of sales for year-to-date fiscal 2020
252 international points of distribution in **19** countries

¹ For fiscal year 2019

² As of October 31, 2020

TRANSFORMATION STRATEGY

Realizing benefits of a multi-year business transformation strategy

How We Serve Our Customer

- Consistently **deliver trend-right product** with an **attractive value proposition** leveraging **deep knowledge** of core customer behavior
- Areas of focus: 1) **customer insights**, 2) **customer strategy** and 3) **digital delivery**, consisting of omni-channel initiatives and digital architecture upgrades
- Drive **customer engagement**, **revenue**, and **profitability** through **high participation rate** in loyalty program and private label credit card program

Store Portfolio

- Advance fleet optimization initiatives –as of October 31, 2020 closed 389 stores since 2013 and targeting 200 store closures in fiscal 2020, including the 118 stores closed during year-to-date fiscal 2020, and 100 additional store closures in fiscal 2021
- After these closures, we expect approximately **25%** of our total revenues to be generated by **mall-based stores**



THIRD QUARTER ADJUSTED 2020 RESULTS

As expected, Q3 2020 adjusted operating results were adversely impacted by a decrease in back-to-school sales due to schools adopting remote and hybrid learning models, along with the impact of permanent and temporary store closures

<u>Adjusted Results</u>	<u>Q3 2020*</u>	<u>% Sales</u>	<u>Q3 2019*</u>	<u>% Sales</u>	<u>B/(W)</u>
Net Sales	\$425.6		\$524.8		-19.0%
Gross Profit	151.7	35.7%	198.1	37.8%	(210) Bps
SG&A	103.5	24.3%	116.6	22.2%	(210) Bps
Depreciation	<u>15.0</u>	<u>3.5%</u>	<u>18.0</u>	<u>3.4%</u>	<u>(10) Bps</u>
Op Income	33.3	7.8%	63.4	12.1%	(430) Bps
Income Tax	<u>8.9</u>		<u>14.2</u>		
Net Income	\$21.1	5.0%	\$47.1	9.0%	(400) Bps
Shares	14.6		15.5		
EPS	\$1.44		\$3.03		

*Adjusted measures are non-GAAP and exclude expenses and income which we believe 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

BALANCE SHEET

	Q3 2020	Q3 2019
Cash & ST Invest	\$64	\$66
Accounts Receivable	31	39
Inventory	428	390
Revolver	179	184
Accounts Payable	284	235
Term Loan	78	0

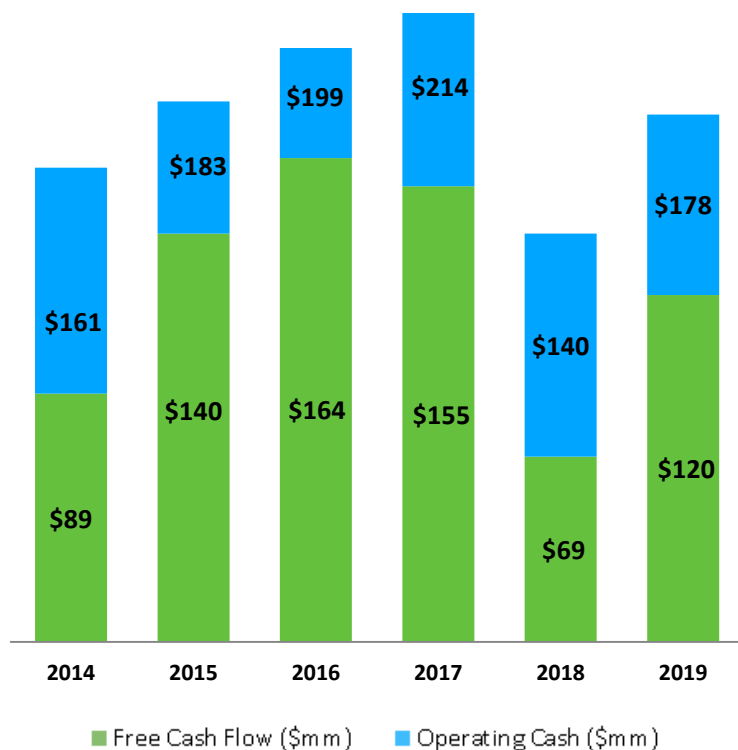
CASH FLOW

	Q3 2020	Q3 2019
Operating Cash Flow	\$32	\$77
Capital Expenditures	(9)	(21)
Free Cash Flow	\$23	\$56

- Returned to **profitability** and **generated operating cash flow** in Q3 2020.
- Cash and short term investments of **\$64 million** versus \$66 million LY with **\$179 million** outstanding on our ABL, compared to \$184 million outstanding on our ABL last year.
- Completed an **\$80 million** term loan financing transaction on October 5, 2020 and utilized the net proceeds to pay down our existing revolving credit facility.
- Inventory increased **9.7%**, driven by sales declines in key back-to-school categories. We plan to carry this inventory to support back-to-school demand whenever schools can safely re-open for in-person learning. This product is basic, saleable, go-forward product that is available in our stores and on our website.
- Operating cash provided of **\$32 million** vs. cash provided of \$77 million last year.

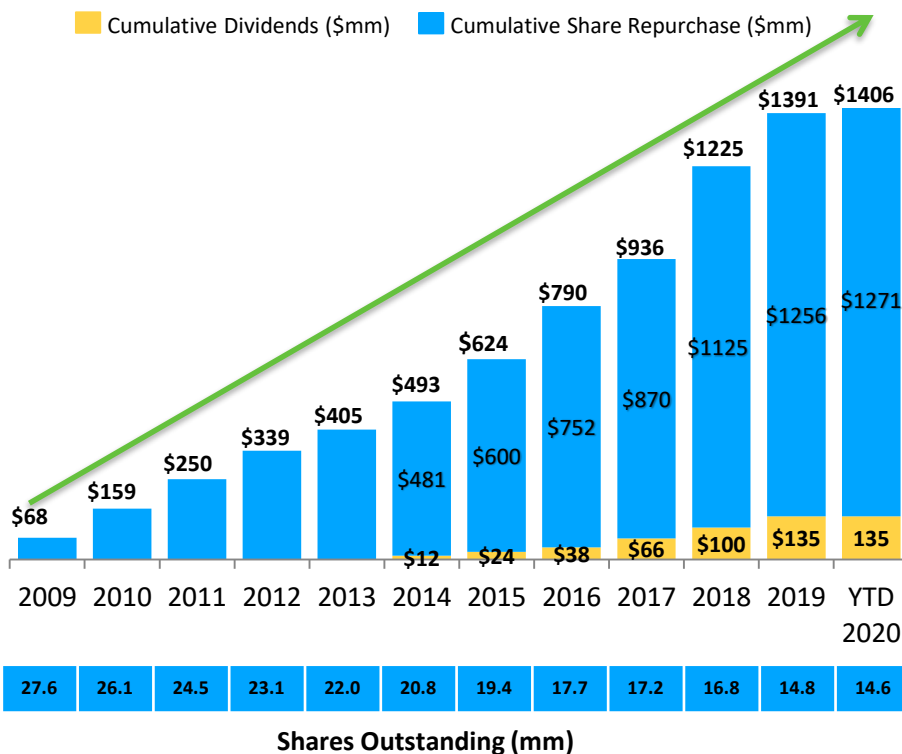
CAPITAL ALLOCATION

A historically strong cash flow and liquidity profile



Consistent track record of returning excess cash to shareholders

- Temporarily suspended capital return program as a result of COVID-19 pandemic in Q1 2020, with **\$93 million** remaining on existing share repurchase program as of the end of Q3 2020



STRATEGIC INITIATIVES: THE PATH AHEAD

The pandemic has accelerated our long-standing transformation strategy by approximately 5 years with respect to digital transformation and fleet optimization

1

OUR #1 PRIORITY REMAINS SUPERIOR PRODUCT

- Our market share position, consistent styling, and strong value proposition give us confidence that our brand will thrive in any type of economic environment

2

SCALING DIGITAL TRANSFORMATION

- Industry leading digital penetration rate at 31% of revenue for fiscal 2019 and 55% for year-to-date fiscal 2020
- Technology roadmap revised to scale and optimize our infrastructure to support our surging e-commerce business given the continued shift in our customers' shopping patterns to online shopping, a shift that has been accelerated by the uncertainty of the COVID-19 pandemic

3

ACCELERATING FLEET OPTIMIZATION

- Flexibility in our lease terms resulting from decade-long efforts enabling us to significantly and strategically accelerate store closures without financial penalty
- Targeting traditional malls portfolio to represent an estimated 25% of total revenues by the end of fiscal 2022

SUPERIOR PRODUCT

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

- Consistently strong customer response to product offering in all economic environments
- Continue to significantly differentiate and upgrade the look of our merchandise
- Trend-right and age-appropriate assortments
- 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
- Relaunched the iconic Gymboree brand in February 2020 to better serve the needs of moms looking for elevated, playful collections for “bow-to-toe” outfitting

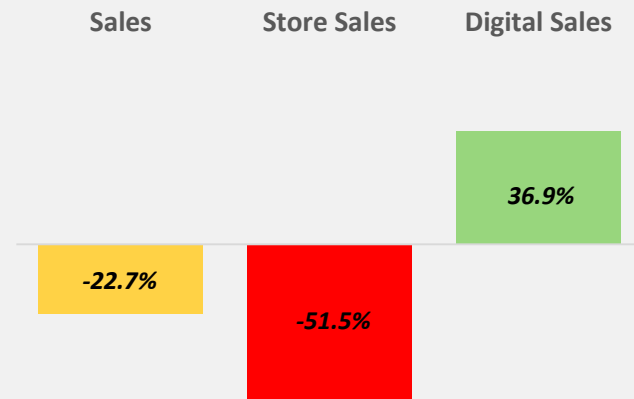


BUSINESS TRANSFORMATION THROUGH TECHNOLOGY

Our long-standing transformation strategy enabled us to quickly and effectively address the impacts of the COVID-19 pandemic

- The pre-existing conditions in our industry – **the shift to online shopping and the consolidation of brick and mortar stores** – have been in place for some time
- The continued impact of COVID-19 will **result in further acceleration of the shift to digital**, putting pressure on the already-stressed brick and mortar channel, **resulting in accelerated store closures**
- **Focused on these two major initiatives for many years**
 - The strategic decision to invest \$50M over the past three years to **accelerate our digital transformation** and build our omni-channel capabilities provided us with the platform and infrastructure **to operate during the pandemic** with the ability to handle the surge in digital demand and order fulfillment
 - Fleet optimization has been a key focus at The Children's Place for years and **we are significantly and strategically accelerating store closures without financial penalty** in 2020 and 2021

Fiscal Year 2020 Sales Year-to-Date



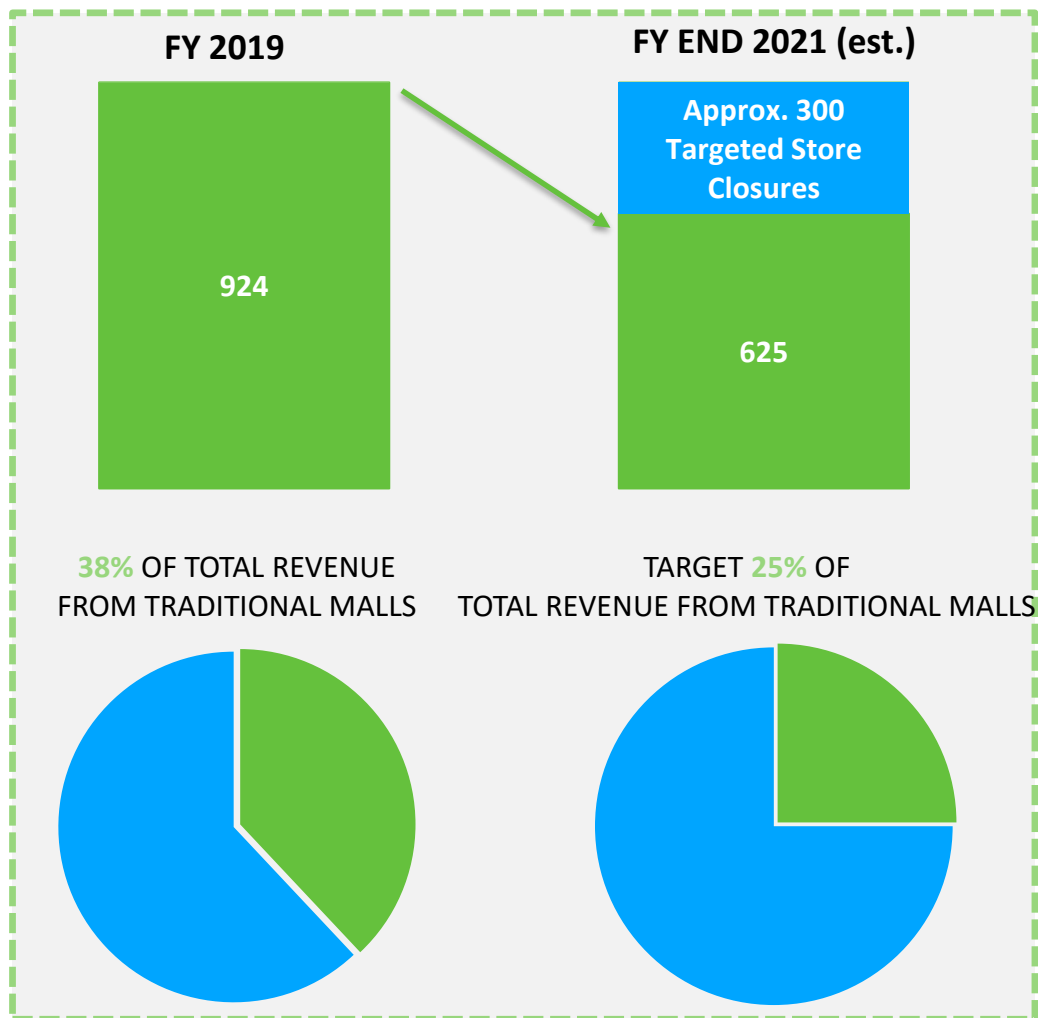
Store Closures

- *Reflects the impact of permanent and temporary store closures and reduced productivity upon reopening*
- *Also reflects the acceleration of digital sales during and following temporary store closures*
- *Targeting 200 closures in fiscal 2020, including 118 stores closed in the first nine months of fiscal 2020, and 100 additional closures in fiscal 2021*

STORE FLEET OPTIMIZATION

Substantial increase in our transfer rate for closing stores to 31% reinforces our decision to target approximately 625 store locations by the end of fiscal 2021

- Our sales transfer rate increased from 20% in fiscal 2019 to approximately **31%** sales transfer as a result of the COVID-19 pandemic
- Following 389 store closures since 2013, the Company is targeting 200 closures in fiscal 2020, including **118 stores** closed in the first nine months of fiscal 2020, and 100 additional closures in fiscal 2021
- Flexibility provided by lease actions that impact approximately **65%** of store fleet through fiscal 2021 after 118 store closures in year-to-date fiscal 2020, which is anticipated to result in a smaller, more profitable store footprint
- Average lease term of approximately 2 years
- In active negotiations with landlords regarding our store leases and resumed rent payments on a modified basis in Q2 as stores began to reopen



FALL / WINTER 2020



FALL / WINTER 2020



GYMBOREE HARVEST COLLECTION



GYMBOREE

COVID-19 RESPONSE: ACTIONS TAKEN TO PROVIDE FINANCIAL FLEXIBILITY

Since the onset of the pandemic, The Children's Place has taken numerous measures to ensure financial flexibility in order to best position the Company and our workforce for continued success

1 Financial Management

- Executing a substantial **reduction and deferral of expenses** across all functional areas
- Capital expenditures planned at **approximately \$25 to \$30 million in fiscal 2020** versus \$58 million in fiscal 2019
- Temporarily **suspended capital return program**, inclusive of share repurchases and dividends
- Amended our bank credit facility in April 2020, **increasing borrowing capacity by \$35 million** from \$325 million to \$360 million and closed a term loan financing in October 2020 to **provide \$80 million of additional liquidity**

2 Landlords and Vendors

- Temporarily **suspended rent payments on leases** for all of our U.S. and Canadian stores, and resumed rent payments on a modified basis in the second fiscal quarter as stores began to reopen
- Collaborating with vendor partners on **reductions in forward inventory receipts and extensions of payment terms**
- Flexibility provided by lease actions, which is anticipated to result in a **smaller, more profitable store footprint**

3 Compensation

- Our CEO volunteered to temporarily forego **100% of her salary** and the senior leadership team took a temporary **25% reduction in salary**
- The independent Directors of the Board unanimously approved to **temporarily forgo their cash compensation**
- Implemented a combination of temporary furloughs and pay reductions, with furloughed employees provided continuing health benefits that were **100% covered by the company**

COVID-19 RESPONSE: ENHANCED SAFETY PROTOCOLS – ASSOCIATES AND CUSTOMERS

The pandemic resulted in extraordinary disruption and challenges – from the onset our priorities centered on protecting the health, safety, and welfare of our associates and customers

PROTECT HEALTH, SAFETY AND WELFARE OF ASSOCIATES AND CUSTOMERS

Programs to support our associates throughout the crisis

- Implemented special incentive programs with hourly workers receiving an additional \$2-4 per hour and management team members receiving monthly bonuses to recognize frontline workers in our Stores and Distribution Center
- Distribution Center associates have access to up to 80 hours of Sick Pay in response to quarantine requirements
- Associates had access to up to 14 days of unpaid Emergency Leave if they did not qualify for any other leave types
- Employees impacted by workforce reductions and closures eligible for severance and Company paid COBRA benefits
- Created dedicated site for information on furloughs and unemployment claims supported by HR operations team for transparency
- Allowed associates to defer 401k loan payments and extended Flexible Spending Account access through the end of the year

STORES

Associates

- ✓ Provided communications and training, aligned with CDC guidelines
- ✓ Implemented self-screening health check procedures
- ✓ Installed plexiglass health guard partitions at checkout areas
- ✓ Personal Protective Equipment (PPE) provided to all associates
- ✓ Implemented rigorous cleaning routines

Customers

- ✓ Opened with reduced hours and limited store capacity
- ✓ Customers are required to wear a face covering
- ✓ Temporarily closed fitting rooms, restrooms and water fountains
- ✓ Implemented a new return policy whereby returned items are held off the sales floor for 24 hours before being eligible for resale

DISTRIBUTION CENTER

- ✓ PPE provided to all associates, with face masks a mandatory requirement
- ✓ Implemented temperature checks, staggered shifts, and reorganized work stations to ensure 6 feet of distance
- ✓ Conducting nightly deep cleaning of the entire facility by a significantly expanded facilities team using Electro Static Machinery
- ✓ Adapted all common areas and implemented staggered break times to ensure social distancing is practiced
- ✓ Contracted with a local medical center to provide onsite clinical services

THE CHILDREN'S
PLACE