

THE CHILDREN'S  
PLACE

# | INVESTOR PRESENTATION AS OF Q2|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" section of its quarterly report on Form 10-Q for the fiscal quarter ended May 2, 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 a remote learning model, 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, 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

#1 pure play children's specialty apparel retailer in North America, realizing the benefits of a multi-year business transformation strategy allowing it to transition to a digital-led, omni-channel retailer

- \$1.9 billion in revenue in fiscal 2019, strong brand awareness and market share leader in specialty children's apparel
- Strategic plan being executed based on key pillars: 1) superior product, including the successful revitalization and relaunch of the iconic Gymboree brand, 2) business transformation through technology, and 3) store fleet optimization
- Successful execution of this strategy is anticipated to drive operating margin expansion and increasing shareholder value
- Experienced and talented management team focused on consistent execution of long-term plan and operational excellence
- As of August 1, 2020, the Company had 824 stores in the United States, Canada and Puerto Rico, online stores in the United States and Canada at [www.childrensplace.com](http://www.childrensplace.com) and [www.gymboree.com](http://www.gymboree.com) and the Company's international franchise partners had 276 international points of distribution in 19 countries



# COMPANY OVERVIEW (CONTINUED)

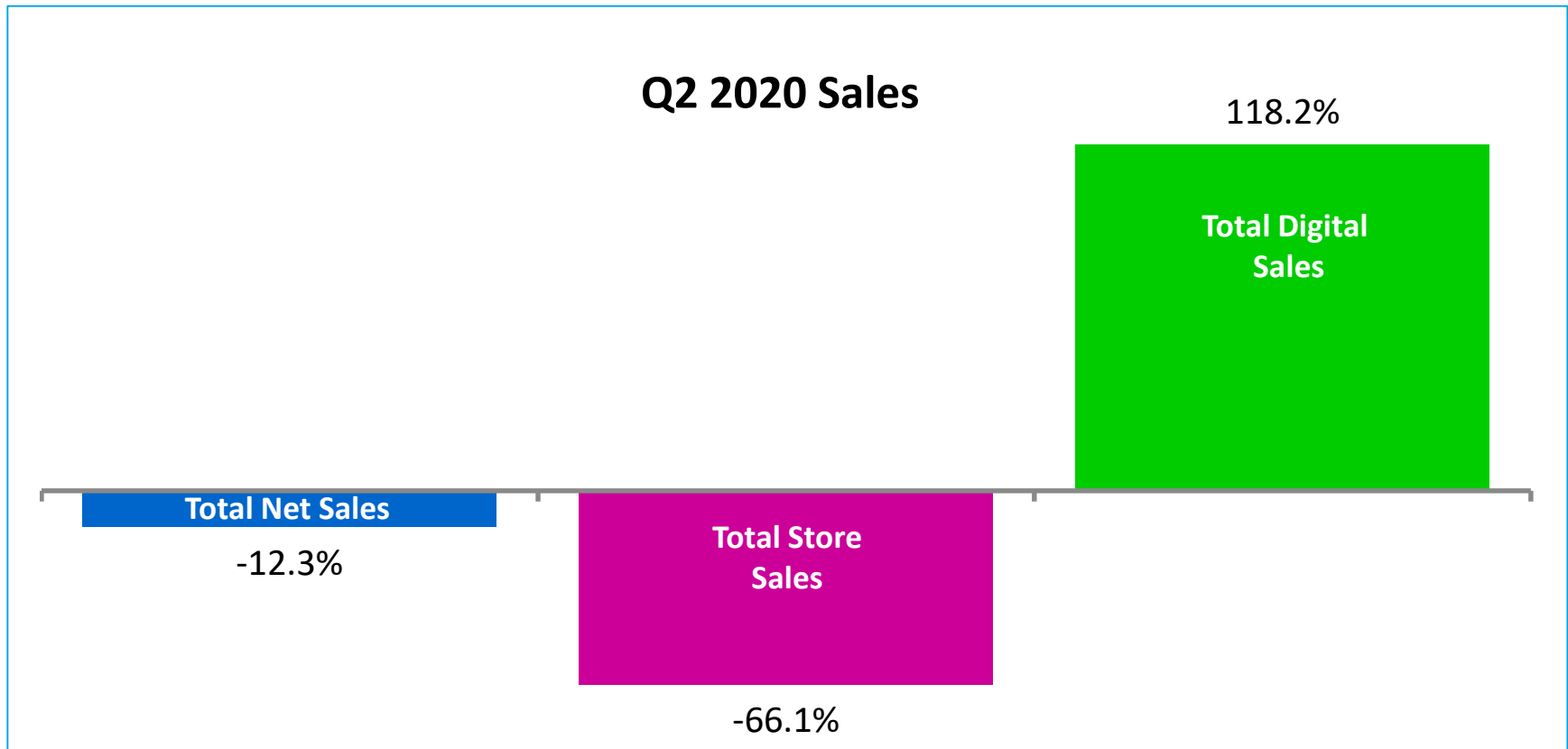
## #1 pure play children's specialty apparel retailer in North America, realizing the benefits of a multi-year business transformation strategy

- Deep knowledge of core customer results in consistent delivery of trend-right product with an attractive value proposition
- 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
- As of August 1, 2020, closed 373 stores since 2013 as part of ongoing store fleet optimization initiative, and targeting 200 store closures in fiscal 2020, and 100 additional store closures in fiscal 2021



# SECOND QUARTER 2020 SALES RESULTS IMPACTED BY COVID-19

Q2 2020 sales results reflect a decline in sales as a result of the impact of temporary store closures, along with a decrease in back to school sales beginning in mid-July, with digital sales accelerating following the temporary store closures related to COVID-19.



# SECOND QUARTER ADJUSTED 2020 RESULTS

Q2 2020 adjusted operating results were adversely impacted by the impact of temporary store closures, along with a decrease in back to school sales beginning in mid-July, along with higher fulfillment costs related to meaningfully higher levels of ship-from-store activity related to strong digital demand.

<b>Adjusted Results</b>	<b>Q2 2020*</b>	<b>% Sales</b>	<b>Q2 2019*</b>	<b>% Sales</b>	<b>B/(W)</b>
<b>Net Sales</b>	\$368.9		\$420.5		-12.3%
<b>Gross Profit</b>	93.8	25.4%	138.8	33.0%	(760) Bps
<b>SG&amp;A</b>	103.5	28.1%	115.5	27.5%	(60) Bps
<b>Depreciation</b>	<u>15.5</u>	<u>4.2%</u>	<u>17.6</u>	<u>4.2%</u>	<u>0 Bps</u>
<b>Op Income/Loss</b>	(25.2)	(6.8%)	5.8	1.4%	(820) Bps
<b>Income Tax</b>	<u>(6.1)</u>	<u>22.2%<sup>1</sup></u>	<u>0.6</u>	<u>15.9%<sup>1</sup></u>	
<b>Net Income/Loss</b>	(21.7)	(5.9%)	3.0	0.7%	(660) Bps
<b>Shares</b>	14.6		15.9		
<b>EPS</b>	(\$1.48)		\$0.19		

\*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>



# ACTIONS TAKEN TO PROVIDE FINANCIAL FLEXIBILITY

Although we are facing a period of uncertainty regarding the future impact of the COVID-19 pandemic, The Children's Place is moving swiftly and decisively to proactively address these challenges.

- Executing a substantial reduction and/or deferral of expenses across all functional areas
- Capital expenditures planned at approximately \$20 million in fiscal 2020 versus \$58 million in fiscal 2019
- Collaborating with vendor partners on an ongoing reduction in forward inventory receipts and to extend payment terms
- Temporarily suspended rent payments on leases for all of our U.S. and Canadian stores and in active negotiations with landlords regarding our store leases and resumed rent payments on a modified basis in Q2 as stores began to reopen
- The Company continues to evaluate its options on store lease events occurring through the end of fiscal 2021, which impacts approximately 65 percent of its store fleet after 98 store closures in fiscal Q2
- Finalized an amendment to its revolving credit facility on April 24, 2020, which increased borrowing capacity from \$325 million to \$360 million for a period of one year
- Temporarily suspended the Company's capital return program, inclusive of share repurchases and dividends
- Effective April 1, 2020, Jane Elfers, President and Chief Executive Officer, agreed to forego 100% of her salary. In addition, the Senior Leadership Team had taken a 25% reduction in salary and the independent Directors of the Board agreed to forego their cash compensation.
- Effective April 5, 2020, the Company instituted a combination of temporary furloughs and pay reductions for the majority of its corporate staff and all U.S. and Canadian field management and stores associates were temporarily furloughed

## ACTIONS TAKEN TO PROVIDE FINANCIAL FLEXIBILITY

In light of developments that have occurred since March 31, 2020, including the re-opening of the Company's retail stores and the return to work of furloughed corporate, field management and store associates, the Company took the following actions:

- Reinstated the base salaries of the Company's President and Chief Executive Officer, its senior leadership team, including NEOs, and its corporate staff, all to 100% of pre-reduction levels, effective June 28, 2020
- The Board of Directors approved the restoration of quarterly cash payments to independent members of the Company's Board of Directors at pre-suspension levels, effective June 28, 2020



# STORE OPERATIONS AS A RESULT OF COVID-19

- On March 18, 2020, the Company suspended all store operations in the U.S. and Canada due to the COVID-19 pandemic.
- Beginning on April 27, 2020, we began to roll out the first of what we expect to be multiple phases of our store reopenings:
  - On April 27, 2020, we made approximately 85% of our U.S. fleet available for ship-from-store operations for fulfillment of e-commerce orders using store inventories, which more than doubled our daily shipping capacity.
  - On May 19, 2020, The Children's Place reopened 57 stores in 10 states: Alabama, Arkansas, Idaho, Mississippi, Montana, Nebraska, North Dakota, Oklahoma, South Dakota, and Utah.
  - As of June 8, 2020, The Children's Place had 61 stores open to the public in the U.S. and Canada.
  - As of July 1, 2020, The Children's Place had 860 stores, or 95% of our fleet, open to the public in the U.S. and Canada.
  - In the three months ended August 1, 2020, The Children's Place closed 98 of 102 stores closed in the first half of fiscal 2020
  - As of August 1, 2020, The Children's Place had 771 stores, or 94% of its 824 store fleet, open to the public in the U.S. and Canada, with the majority of the closed stores located in California
- The Company intends to continue to reopen its remaining stores as local health guidelines and conditions permit, taking an informed, measured approach based on a number of factors, and prioritizing the health and safety of our customers and our associates.

## ENHANCED SAFETY PROTOCOLS - STORES

The health and safety of our customers and our associates remains our highest priority, and we have put the following measures in place in our stores:

- Opened with reduced hours and actively monitoring the flow of customers in stores
- Installed signage throughout the store encouraging customers to observe social distancing guidelines
- Installed plexiglass health guard partitions at checkout areas
- Associates participating in self-screening health checks before every shift
- Supplying all associates with face masks to wear during shifts and encouraging customers to wear a face covering while shopping
- Implemented rigorous cleaning routines and providing hand sanitizer stations in every store
- Temporarily closed fitting rooms, restrooms and water fountains
- Implemented a new return policy whereby returned items are held off the sales floor for a 24 hour period before being eligible for resale

## ENHANCED SAFETY PROTOCOLS – DISTRIBUTION CENTERS

To safeguard our associates, we have put the following measures in place at our distribution centers:

- Deep cleaning and disinfecting daily with our special cleaning teams
- Installed numerous, readily available hand sanitizing stations
- Supplying all associates with face masks to wear during shifts
- Social distancing measures have been implemented with temporary break areas created and assigned to employees with seating at tables spaced 6 feet apart
- Reorganized work stations to allow for a safe, 6-foot distance between associates
- Implemented staggered shifts to limit the number of people in the building at one time
- Added health care professionals on site with robust protocols in place for associates who may develop symptoms while at work
- Implemented daily temperature checks of associates while they are still in their cars entering our parking lot and asking any associate who feels ill or has a fever to stay home

# STRATEGIC INITIATIVES: THE PATH AHEAD

In an effort to structurally position the Company for continued success, we are focused on three key strategic pillars within our transformation strategy: Superior Product, Digital Transformation and Fleet Optimization.

## OUR #1 PRIORITY REMAINS SUPERIOR PRODUCT

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

## SCALING DIGITAL TRANSFORMATION

- Supported by accelerated investments over the past three years enabling us to achieve one of the highest digital penetrations in the industry at 31% of revenue for fiscal 2019
- Technology roadmap revised to support rapidly scaling e-commerce business
- Implementing key initiatives to scale and optimize our infrastructure to support increased digital traffic and revenue, based on the rapidly changing shopping patterns of our consumer, accelerated by the uncertainty of the COVID-19 pandemic

## ACCELERATING FLEET OPTIMIZATION

- A decade-long strategic focus that has resulted in optimum flexibility in our lease terms, enabling us to significantly accelerate stores closures without financial penalty
- We are now targeting to close an additional 300 stores by the end of fiscal 2021, with 200 closures targeted for this year, and 100 closures targeted for 2021
- This initiative will greatly reduce our reliance on our brick-and-mortar channel and we are targeting our mall-based brick-and-mortar portfolio to represent less than an estimated 25% of revenue entering 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



# BACK TO SCHOOL 2020





# FALL 2020





# STRAWBERRY PATCH COLLECTION



# BUSINESS TRANSFORMATION THROUGH TECHNOLOGY

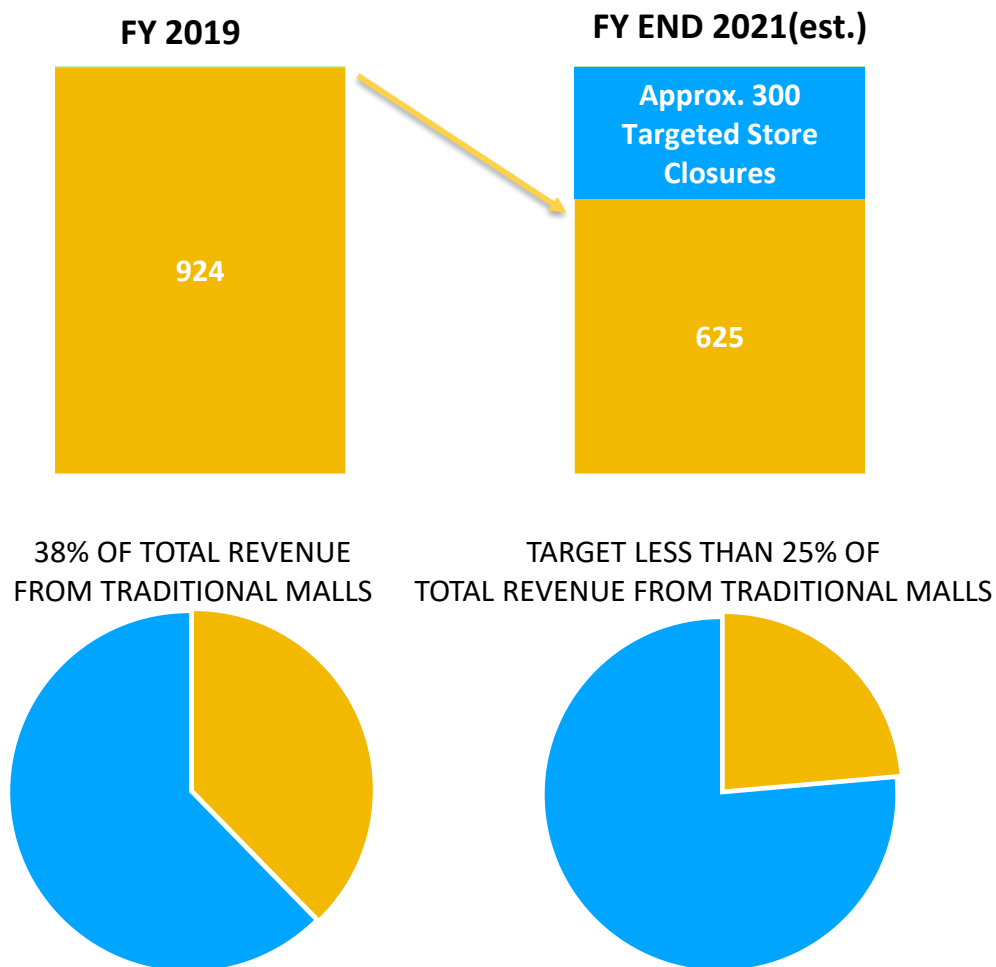
Technology investments focused in the areas of digital/customer engagement and omni-channel are designed to drive meaningful increases in operating performance.

Capabilities	2018	2019	2020
Digital/ Customer Engagement	<ul style="list-style-type: none"> <li>Implemented state of the art search tool</li> <li>Enhanced email trigger capabilities</li> <li>Introduced Dynamic Display retargeting</li> <li>Upgraded store register hardware and completed roll out of Mobile POS in U.S.</li> <li>Implemented SMS capabilities</li> <li>Launched state of art loyalty system</li> <li>Enhanced predictive modeling capabilities to enable personalization</li> </ul>	<ul style="list-style-type: none"> <li>Foundational e-commerce platform improvements to enhance customer experience, including increased site responsiveness, speed, search function and delivery of more relevant listing pages and product views</li> <li>Continued to develop state-of-the-art loyalty, pricing and promotional systems to enable the delivery of real time customer personalization in whatever channel our customer chooses</li> <li>Launched personalization to deliver unique, relevant content to drive sales, loyalty and retention</li> <li>Enhanced customer order notification for shipments</li> </ul>	<ul style="list-style-type: none"> <li>Launched a completely redesigned responsive site and mobile app for The Children's Place and Gymboree brands</li> <li>Expanded personalization</li> <li>Implementing key initiatives to scale and optimize our infrastructure to support increased traffic and revenue</li> <li>Enhanced customer service tool</li> </ul>
Omni-Channel	<ul style="list-style-type: none"> <li>Launched Personalized Post-Purchase Communication &amp; Promotions</li> <li>Rolled out Ship from Store to North America</li> </ul>	<ul style="list-style-type: none"> <li>Launched Buy Online – Ship to Store (BOSS)</li> <li>Piloted Save the Sale (STS) functionality with the rollout of new state-of-the-art POS system</li> <li>Launched additional 3PL fulfillment capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Expanded Save the Sale and Ship from Store</li> <li>Expanded Omni-channel capabilities of Buy Online - Ship to Store, Buy Online - Pick Up in Store, Save the Sale and Ship from Store to include Gymboree</li> <li>Expanded 3PL fulfillment capabilities</li> </ul>

# STORE FLEET OPTIMIZATION

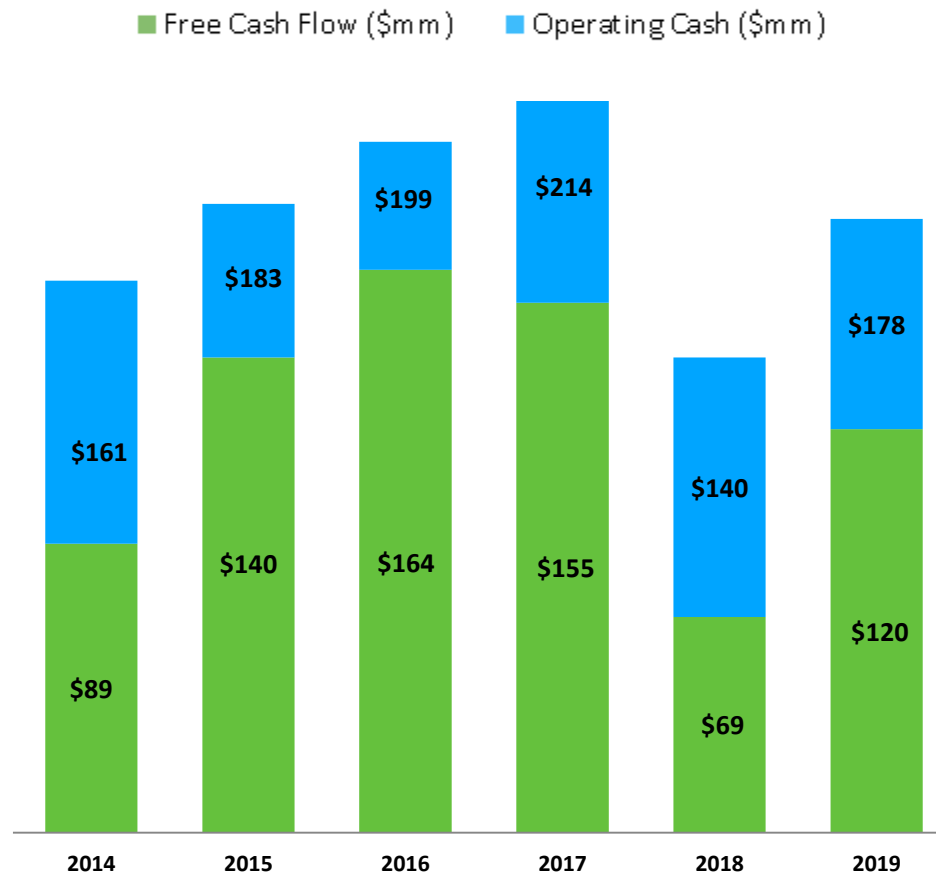
Targeting approximately 625 store locations by the end of fiscal 2021 from 924 store locations at fiscal year-end 2019

- Since our fleet optimization initiative was announced in 2013, the Company has permanently closed 373 stores. The Company is targeting 200 store closures in fiscal 2020, including 102 stores closed in the first half of fiscal 2020, and 100 additional closures in fiscal 2021
- Flexibility provided by lease actions that impact approximately 65 percent of store fleet through fiscal 2021 after 98 store closures in fiscal Q2, which is anticipated to result in a smaller, more profitable store footprint
- Average lease term of approximately 2 years
- Realization of approximately 20 percent sales transfer rate to nearby stores and e-commerce business historically
- Temporarily suspended rent payments on leases for all of our stores and in active negotiations with landlords regarding our store leases and resumed rent payments on a modified basis in Q2 as stores began to reopen



# STRONG BALANCE SHEET AND CASH FLOW

A historically strong cash flow and liquidity profile

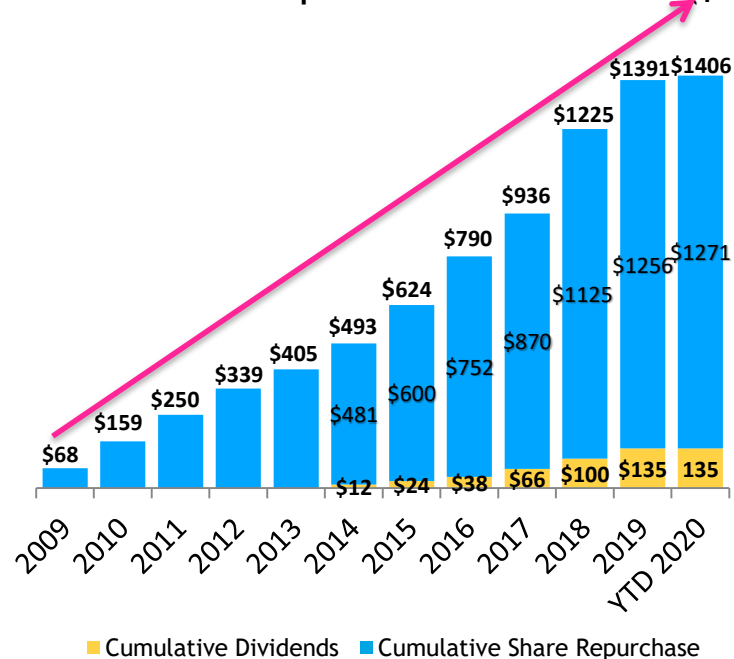


# CAPITAL RETURN TO SHAREHOLDERS

Consistent track record of returning excess cash to shareholders prior to suspending the capital return program in Q1 as a result of the COVID-19 pandemic

- Since fiscal 2009, we have repurchased approximately \$1.3 billion of our common stock and since fiscal 2014, paid approximately \$135 million in dividends
- Temporarily suspended capital return program as a result of COVID-19 pandemic in Q1 2020
- \$93 million remaining on existing share repurchase program as of end of Q2 2020

Cumulative Shares Repurchased And Dividends (\$mm)



Shares Outstanding (mm)

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD 2020
27.6	26.1	24.5	23.1	22.0	20.8	19.4	17.7	17.2	16.8	14.8	14.6

# BALANCE SHEET AND CASH FLOW

		Q2 2020	Q2 2019
<b>BALANCE SHEET</b> (at Q2 End)	Cash & ST Invest	\$36	\$65
	Accounts Receivable	30	40
	Inventory	381	386
	Revolver	251	196
	Accounts Payable	279	237
		Q2 2020	Q2 2019
<b>CASH FLOW</b> (Q2)	Operating Cash Flow	(\$43)	\$2
	Capital Expenditures	(9)	(11)
	Free Cash Flow	(\$52)	(\$9)

- Cash and short term investments of \$36 million versus \$65 million LY with \$251 million outstanding on our ABL, compared to \$196 million outstanding on our ABL last year, reflecting funding to support operations and seasonal working capital needs
- Inventory decreased 1%, as we remain vigilant on inventory management and managing forward receipts, with the intention to better balance inventory to demand
- Accounts payable increased 18%, primarily related to collaborating with vendors to extend payment terms as a result of the COVID-19 pandemic
- Operating cash use of \$43 million vs. cash provided of \$2 million last year

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