



16th Annual ICR XChange Conference

January 13, 2014 | COMPANY OVERVIEW

Safe Harbor Statement

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Agenda

Company Overview

Strategic Initiatives

Operational and Financial Performance

The Fundamentals



- The largest children's specialty apparel retailer in North America
- Strong brand; well-positioned competitively
 - #1 awareness among children's specialty retailers
 - Known for fashion, outfitting, value and convenience
- Strong balance sheet and free cash flow

Agenda

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Strategic Initiatives

Operational and Financial Performance

Strategic Initiatives

Talent

Product

**Transforming
Business
through
Technology**

**Channel
Expansion**

**Fleet
Optimization**

Operational Excellence

Product:

Trend-Right and Differentiated Assortments

- Strong, consistent product execution
- Differentiated merchandise is resonating with customers
- Head to toe outfitting, including apparel, accessories and footwear



Product: Made-for-Outlet Strategy

Transitioned from an outdated “clearance center” model to more profitable “made for outlet” model

- Made-for-outlet product is 80% of the assortment
- Merchandise margins improving – goal is to have MM parity between Place stores and Outlets



Transforming Business through Technology: Systems

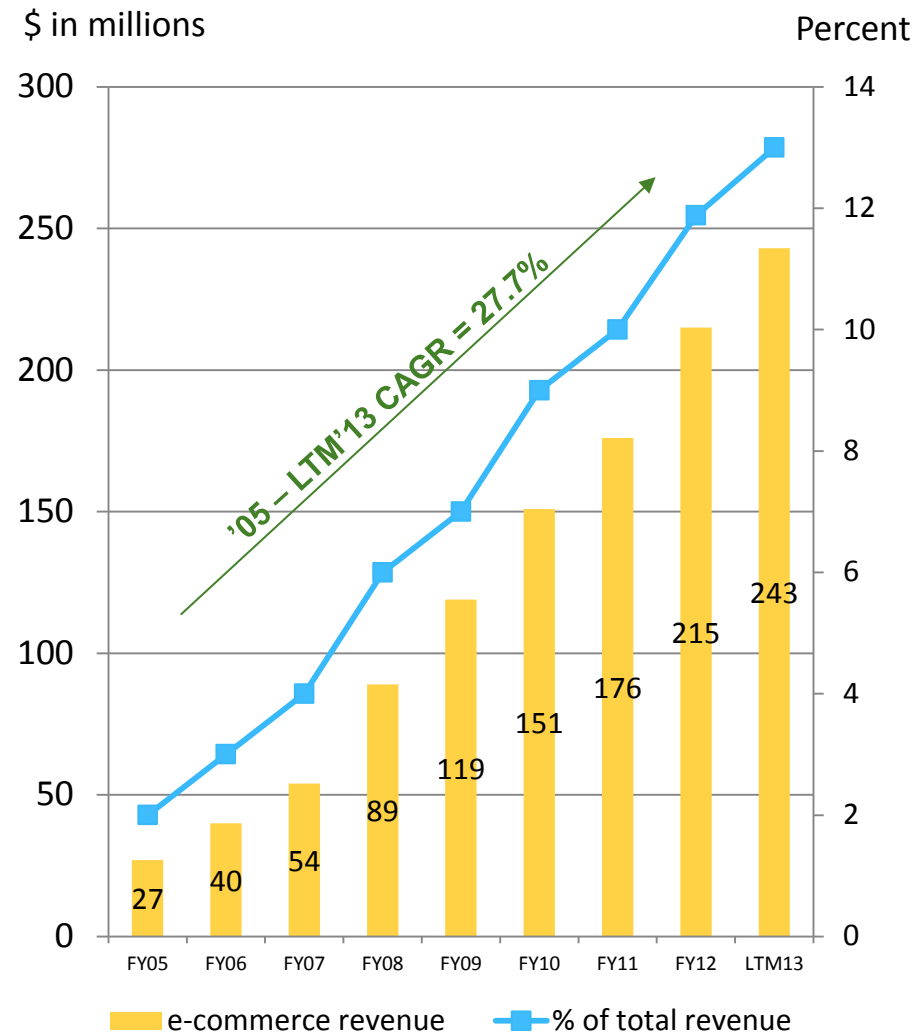
Investing in systems to enhance capabilities and improve operating performance

- 2014
 - Complete installation of SAP core merchandise and pricing modules
 - Launch vendor portal to strengthen supply chain visibility and collaboration
- After implementation of ERP system and vendor portal, we will begin to:
 - Enhance inventory management and omni-channel capabilities
 - More rapidly expand international and wholesale businesses

Transforming Business Through Technology: E-Commerce

Online business growing rapidly

- Accounted for 15% of sales during 3Q2013
- Childrensplace.com offers expanded sizes and exclusive products
- Company's most profitable channel
- Upgrading U.S. and International websites 1H2014



Transforming Business Through Technology: Omni-Channel Capabilities

Focus on Digital Communications




Growing Loyalty Program Membership



Enhancing Customer Relationship
Management Capabilities (CRM)



Leader in Children's Social Media Space



Channel Expansion: International and Wholesale

International Expansion

- 2013: On-track to have 35 stores in the Middle East
- 2014: Expect to have 65-70 stores in Middle East, Israel, Egypt and the C.I.S. Region
- 2015 and Beyond: Exploring additional markets

Wholesale Business

- 2013: Expanded U.S. customer base
- 2014: Expanding into Canada; In discussions with additional potential North American partners

These new channels are expected to increase in scale and help drive sales and operating margin growth

Fleet Optimization: North America

Focused on improving fleet productivity and 4-wall profitability

- Closing 110+ underperforming stores over next 3 years; 43 in FY13
- Slowing new store openings to 25-30 annually in North America; square footage ~flat
- Increasing hurdle rates for new stores

Fleet Facts

1,123 stores in N. America

- 88% in US
- 12% in Canada

Brand performs well across variety of formats

- 54% Premium Malls
- 22% Value Centers & Small Markets
- 12% Outlets
- 12% Street/Strip/Other

Operational Excellence

- Optimize global supply chain
 - Strategic sourcing
 - Logistics and distribution
- Company-wide expense management
- Improving store operations and customer experience
- Professional, strategic staff support
 - Finance, Legal, Human Resources, Compliance/Regulatory

**Strong base to support other
strategic initiatives**

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Strategic Initiatives

Operational and Financial Performance

Long Term Operating Margin Expansion

Key Focus: Generate steady increases in operating margin

Revenue Growth Drivers

- Slightly positive comp sales from merchandise improvements, fleet refinements, rapid e-commerce growth, new system capabilities
- Incremental revenue from international and wholesale

Margin Expansion Opportunity

- Merch margin: Supply chain optimization and outlet strategy
- Gross margin: Outsized growth in e-commerce, fleet enhancements, improved inventory management
- Operating margin: International and wholesale businesses

SG&A Flat-to-Slightly Leverage As % of Sales

- Stringent focus on cost control
- Leverage fixed expense

Year-to-Date Financial Results (Q1-Q3)

YTD 2013/12/11 Income Statement Summary			
	YTD'13	YTD'12	YTD'11
Adj EPS	\$2.30	\$2.23	\$1.98
% Chg	+3%	+13%	+13%
Net Sales	\$1,298.3	\$1,300.3	\$1,258.4
% Chg	0%	+3%	+3%
Adj Gross Margin	37.9%	38.7%	39.5%
Deleverage/Leverage	-80 bps	-80 bps	+50 bps
Adj SG&A % of Sales	28.1%	28.5%	28.3%
Leverage/Deleverage	+40 bps	-20 bps	-90 bps
Adj Operating Margin	6.1%	6.2%	6.7%
Deleverage	-10 bps	-50 bps	-20 bps

Source: Company filings and press releases. Figures in millions of USD (except EPS). First three quarters ended November 2, 2013, October 27, 2012, October 29, 2011.

Note: Adj 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 third quarter 2013 earnings release which is available at <http://investor.childrensplace.com>

Company Outlook

Company Guidance as of 11/26/13

	4Q 2013	FY 2013
Adj EPS	\$0.90 to \$0.98	\$3.20 to \$3.28
Comp Sales	Negative LSD	Negative LSD
Adj Gross Margin	Deleverage 20 to 60 bps	Deleverage 50 to 70 bps
Adj SG&A % of Sales	Approximately flat	Leverage 20 to 40 bps

Strong Balance Sheet and Cash Flow

- \$194 million on balance sheet to fund growth opportunities
- Returning excess cash to shareholders through share repurchase program

Fiscal 2013	\$ millions
Beginning Cash (3Q'12)	\$203
LTM Cash Flow from Operations	161
LTM Capital Expenditures	(76)
Share Repurchase Program	(96)
Other	2
Ending Cash and Short Term Investments (3Q'13)	\$194

Source: Company filings and press releases.

Wrap-Up

- Strong leadership team in place
- Strategic initiatives underway to drive growth
- Strong balance sheet and cash flow
- Committed to delivering sustainable, profitable growth



THE CHILDREN'S
PLACE