# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended October 29, 2022**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from ____________ to ____________**

**Commission file number 0-23071**

# THE CHILDREN'S PLACE, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **31-1241495** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| **500 Plaza Drive** **Secaucus, New Jersey** | **07094** |
| (Address of principal executive offices) | (Zip Code) |

**(201) 558-2400**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class: | Trading Symbol: | Name of each exchange on which registered: |
|---|---|---|
| Common Stock, $0.10 par value | PLCE | Nasdaq Global Select Market |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | x | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: Common Stock, par value $0.10 per share, outstanding at November 25, 2022: 12,227,788.

**THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES**

**QUARTERLY REPORT ON FORM 10-Q**

**FOR THE PERIOD ENDED OCTOBER 29, 2022**

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# PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

### THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

| | October 29, 2022 | January 29, 2022 | October 30, 2021 |
|---|---|---|---|
| | (unaudited) | | (unaudited) |
| | | (in thousands, except par value) | |
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 19,244 | $ 54,787 | $ 67 |
| Accounts receivable | 48,820 | 21,863 | 38 |
| Inventories | 548,719 | 428,813 | 441 |
| Prepaid expenses and other current assets | 48,012 | 76,075 | 59 |
| Total current assets | 664,795 | 581,538 | 607 |
| Long-term assets: | | | |
| Property and equipment, net | 154,975 | 155,006 | 159 |
| Right-of-use assets | 160,041 | 194,653 | 209 |
| Tradenames, net | 71,091 | 71,692 | 71 |
| Deferred income taxes | 20,916 | 23,109 | 27 |
| Other assets | 12,799 | 11,462 | 12 |
| **Total assets** | $ 1,084,617 | $ 1,037,460 | $ 1,088 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | |
| Current liabilities: | | | |
| Revolving loan | $ 265,000 | $ 175,318 | $ 174 |
| Current portion of long-term debt | — | — | 28 |
| Accounts payable | 221,432 | 183,758 | 173 |
| Current portion of operating lease liabilities | 77,070 | 91,097 | 94 |
| Income taxes payable | 506 | 10,984 | 10 |
| Accrued expenses and other current liabilities | 119,660 | 130,669 | 143 |
| Total current liabilities | 683,668 | 591,826 | 624 |
| Long-term liabilities: | | | |
| Long-term debt | 49,735 | 49,685 | 48 |
| Long-term portion of operating lease liabilities | 104,073 | 134,761 | 154 |
| Income taxes payable | 18,925 | 14,939 | 14 |
| Other tax liabilities | 2,347 | 8,689 | 6 |
| Other long-term liabilities | 13,693 | 12,088 | 17 |
| Total liabilities | 872,441 | 811,988 | 866 |
| Commitments and contingencies (see Note 7) | | | |
| Stockholders' equity: | | | |
| Preferred stock, $1.00 par value, 1,000 shares authorized, 0 shares issued and outstanding | — | — | |
| Common stock, $0.10 par value, 100,000 shares authorized; 12,662, 13,964, and 14,468 issued; 12,597, 13,903, and 14,408 outstanding | 1,266 | 1,396 | 1 |
| Additional paid-in capital | 148,546 | 160,348 | 164 |
| Treasury stock, at cost (65, 61, and 60 shares) | (3,661) | (3,443) | (3 |
| Deferred compensation | 3,661 | 3,443 | 3 |
| Accumulated other comprehensive loss | (17,011) | (14,186) | (12 |
| Retained earnings | 79,375 | 77,914 | 69 |
| Total stockholders' equity | 212,176 | 225,472 | 222 |
| **Total liabilities and stockholders' equity** | $ 1,084,617 | $ 1,037,460 | $ 1,088 |

See accompanying notes to these consolidated financial statements.

**THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Unaudited)**

| | Thirteen Weeks Ended | | Thirty-nine Weeks Ended | |
|---|---|---|---|---|
| | October 29, 2022 | October 30, 2021 | October 29, 2022 | October 30, 2021 |
| | (in thousands, except earnings per common share) | | | |
| Net sales | $ 509,120 | $ 558,225 | $ 1,252,355 | $ 1,407,561 |
| Cost of sales (exclusive of depreciation and amortization) | 332,189 | 313,394 | 817,915 | 806,663 |
| **Gross profit** | 176,931 | 244,831 | 434,440 | 600,898 |
| Selling, general, and administrative expenses | 106,631 | 115,563 | 330,480 | 337,921 |
| Depreciation and amortization | 12,463 | 14,204 | 39,320 | 44,157 |
| Asset impairment charges | — | 1,254 | 1,379 | 1,254 |
| **Operating income** | 57,837 | 113,810 | 63,261 | 217,566 |
| Interest expense | (3,810) | (3,963) | (8,123) | (13,077) |
| Interest income | 24 | 4 | 43 | 11 |
| **Income before provision for income taxes** | 54,051 | 109,851 | 55,181 | 204,500 |
| Provision for income taxes | 11,196 | 30,983 | 5,794 | 56,332 |
| **Net income** | $ 42,855 | $ 78,868 | $ 49,387 | $ 148,168 |
| | | | | |
| **Earnings per common share** | | | | |
| Basic | $ 3.28 | $ 5.38 | $ 3.72 | $ 10.08 |
| Diluted | $ 3.26 | $ 5.30 | $ 3.68 | $ 9.89 |
| | | | | |
| **Weighted average common shares outstanding** | | | | |
| Basic | 13,064 | 14,668 | 13,277 | 14,706 |
| Diluted | 13,162 | 14,873 | 13,409 | 14,979 |

See accompanying notes to these consolidated financial statements.

**THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(Unaudited)**

| | Thirteen Weeks Ended | | Thirty-nine Weeks Ended | |
|---|---|---|---|---|
| | October 29, 2022 | October 30, 2021 | October 29, 2022 | October 30, 2021 |
| | (in thousands) | | | |
| **Net income** | $ 42,855 | $ 78,868 | $ 49,387 | $ 148, |
| **Other comprehensive income (loss):** | | | | |
| Foreign currency translation adjustment | (2,397) | 323 | (2,825) | |
| **Total comprehensive income** | $ 40,458 | $ 79,191 | $ 46,562 | $ 149, |

See accompanying notes to these consolidated financial statements.

## THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
## (Unaudited)

### Thirteen Weeks Ended October 29, 2022

| (in thousands) | Common Stock Shares | Common Stock Amount | Additional Paid-In Capital | Deferred Compensation | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock Shares | Treasury Stock Amount | Total Stockholder Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance, July 30, 2022 | 13,087 | $ 1,309 | $ 151,954 | $ 3,587 | $ 45,532 | $ (14,614) | (64) | $ (3,587) | $ 184 |
| Vesting of stock awards | 9 | 1 | (1) | | | | | | |
| Stock-based compensation expense | | | 5,221 | | | | | | 5 |
| Purchase and retirement of common stock | (434) | (44) | (8,628) | | (9,012) | | | | (17, |
| Other comprehensive loss | | | | | | (2,397) | | | (2, |
| Deferral of common stock into deferred compensation plan | | | | 74 | | | (1) | (74) | |
| Net income | | | | | 42,855 | | | | 42 |
| Balance, October 29, 2022 | 12,662 | $ 1,266 | $ 148,546 | $ 3,661 | $ 79,375 | $ (17,011) | (65) | $ (3,661) | $ 212 |

### Thirty-nine Weeks Ended October 29, 2022

| (in thousands) | Common Stock Shares | Common Stock Amount | Additional Paid-In Capital | Deferred Compensation | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock Shares | Treasury Stock Amount | Total Stockholder Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance, January 29, 2022 | 13,964 | $ 1,396 | $ 160,348 | $ 3,443 | $ 77,914 | $ (14,186) | (61) | $ (3,443) | $ 225 |
| Vesting of stock awards | 279 | 28 | (28) | | | | | | |
| Stock-based compensation expense | | | 19,055 | | | | | | 19 |
| Purchase and retirement of common stock | (1,581) | (158) | (30,829) | | (47,926) | | | | (78, |
| Other comprehensive loss | | | | | | (2,825) | | | (2, |
| Deferral of common stock into deferred compensation plan | | | | 218 | | | (4) | (218) | |
| Net income | | | | | 49,387 | | | | 49 |
| Balance, October 29, 2022 | 12,662 | $ 1,266 | $ 148,546 | $ 3,661 | $ 79,375 | $ (17,011) | (65) | $ (3,661) | $ 212 |

See accompanying notes to these consolidated financial statements.

## THE CHILDREN’S PLACE, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS’ EQUITY (Continued)

## (Unaudited)

### Thirteen Weeks Ended October 30, 2021

| (in thousands) | Common Stock Shares | Common Stock Amount | Additional Paid-In Capital | Deferred Compensation | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock Shares | Treasury Stock Amount | Total Stockhold Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance, July 31, 2021 | 14,831 | $ 1,483 | $ 164,290 | $ 3,304 | $ 15,697 | $ (13,285) | (59) | $ (3,304) | $ 16 |
| Vesting of stock awards | 9 | 1 | (1) | | | | | | |
| Stock-based compensation expense | | | 6,594 | | | | | | |
| Purchase and retirement of common stock | (372) | (37) | (6,873) | | (24,812) | | | | (3 |
| Other comprehensive income | | | | | | 323 | | | |
| Deferral of common stock into deferred compensation plan | | | | 69 | | | (1) | (69) | |
| Net income | | | | | 78,868 | | | | 7 |
| Balance, October 30, 2021 | 14,468 | $ 1,447 | $ 164,010 | $ 3,373 | $ 69,753 | $ (12,962) | (60) | $ (3,373) | $ 22 |

### Thirty-nine Weeks Ended October 30, 2021

| (in thousands) | Common Stock Shares | Common Stock Amount | Additional Paid-In Capital | Deferred Compensation | Retained Earnings (Deficit) | Accumulated Other Comprehensive Loss | Treasury Stock Shares | Treasury Stock Amount | Total Stockhold Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance, January 30, 2021 | 14,641 | $ 1,464 | $ 148,519 | $ 3,165 | $ (42,790) | $ (13,816) | (57) | $ (3,165) | $ 9 |
| Vesting of stock awards | 345 | 35 | (35) | | | | | | |
| Stock-based compensation expense | | | 25,036 | | | | | | 2 |
| Purchase and retirement of common stock | (518) | (52) | (9,510) | | (35,625) | | | | (4 |
| Other comprehensive income | | | | | | 854 | | | |
| Deferral of common stock into deferred compensation plan | | | | 208 | | | (3) | (208) | |
| Net income | | | | | 148,168 | | | | 14 |
| Balance, October 30, 2021 | 14,468 | $ 1,447 | $ 164,010 | $ 3,373 | $ 69,753 | $ (12,962) | (60) | $ (3,373) | $ 22 |

See accompanying notes to these consolidated financial statements.

**THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

| | Thirty-nine Weeks Ended | |
|---|---|---|
| | October 29, 2022 | October 30, 2021 |
| | (in thousands) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net income | $ 49,387 | $ 148,168 |
| Reconciliation of net income to net cash provided by (used in) operating activities: | | |
| Non-cash portion of operating lease expense | 65,046 | 76,418 |
| Depreciation and amortization | 39,320 | 44,157 |
| Non-cash stock-based compensation expense | 19,055 | 25,036 |
| Deferred income tax provision | 2,186 | 17,974 |
| Asset impairment charges | 1,379 | 1,254 |
| Other non-cash items, net | 58 | 1,101 |
| Changes in operating assets and liabilities: | | |
| Inventories | (123,012) | (55,183) |
| Accounts receivable and other assets | (28,427) | (2,121) |
| Prepaid expenses and other current assets | 1,680 | (4,995) |
| Income taxes payable, net of prepayments | 18,896 | 6,437 |
| Accounts payable and other current liabilities | 11,764 | (47,980) |
| Lease liabilities | (75,767) | (142,574) |
| Other long-term liabilities | 1,470 | (244) |
| Net cash provided by (used in) operating activities | (16,965) | 67,448 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Capital expenditures | (31,193) | (22,000) |
| Change in deferred compensation plan | (421) | 48 |
| Net cash used in investing activities | (31,614) | (21,952) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Borrowings under revolving credit facility | 555,383 | 557,034 |
| Repayments under revolving credit facility | (465,701) | (552,429) |
| Repayment of term loan | — | (1,000) |
| Purchase and retirement of common stock, including shares surrendered for tax withholdings and transaction costs | (75,672) | (45,187) |
| Payment of debt issuance costs | — | (366) |
| Net cash provided by (used in) financing activities | 14,010 | (41,948) |
| Effect of exchange rate changes on cash and cash equivalents | (974) | (34) |
| Net increase (decrease) in cash and cash equivalents | (35,543) | 3,514 |
| Cash and cash equivalents, beginning of period | 54,787 | 63,548 |
| Cash and cash equivalents, end of period | $ 19,244 | $ 67,062 |

See accompanying notes to these consolidated financial statements.

**THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

**(Unaudited)**

| | Thirty-nine Weeks Ended | |
|---|---|---|
| | October 29, 2022 | October 30, 2021 |
| | (in thousands) | |
| **OTHER CASH FLOW INFORMATION:** | | |
| Net cash paid (received) for income taxes | $ (15,680) | $ 31,718 |
| Cash paid for interest | 7,545 | 11,870 |
| Increase (decrease) in accrued capital expenditures | 7,795 | (135) |

See accompanying notes to these consolidated financial statements.

**THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

## 1. BASIS OF PRESENTATION

### Description of Business

The Children's Place, Inc. and subsidiaries (collectively, the "Company") is the largest pure-play children's specialty apparel retailer in North America. The Company provides apparel, footwear, accessories, and other items for children and 'tweens.' The Company designs, contracts to manufacture, sells at retail and wholesale, and licenses to sell trend right, high-quality merchandise predominantly at value prices, primarily under the Company's proprietary "The Children's Place", "Place", "Baby Place", "Gymboree", "Sugar & Jade", and "PJ Place" brand names.

The Company classifies its business into two segments: The Children's Place U.S. and The Children's Place International. Included in The Children's Place U.S. segment are the Company's U.S. and Puerto Rico-based stores and revenue from its U.S.-based wholesale business. Included in The Children's Place International segment are its Canadian-based stores, revenue from the Company's Canadian-based wholesale business, as well as revenue from international franchisees. Each segment includes an e-commerce business located at *www.childrensplace.com*, *www.gymboree.com*, *www.sugarandjade.com*, and *www.pjplace.com*.

Terms that are commonly used in the notes to the Company's consolidated financial statements are defined as follows:

- *Third Quarter 2022 — The thirteen weeks ended October 29, 2022*
- *Third Quarter 2021 — The thirteen weeks ended October 30, 2021*
- *First Quarter 2022 — The thirteen weeks ended April 30, 2022*
- *Year-To-Date 2022 — The thirty-nine weeks ended October 29, 2022*
- *Year-To-Date 2021 — The thirty-nine weeks ended October 30, 2021*
- *Fiscal 2022 – The fifty-two weeks ending January 28, 2023*
- *Fiscal 2021 – The fifty-two weeks ended January 29, 2022*
- *SEC — U.S. Securities and Exchange Commission*
- *U.S. GAAP — Generally Accepted Accounting Principles in the United States*
- *FASB — Financial Accounting Standards Board*
- *FASB ASC — FASB Accounting Standards Codification, which serves as the source for authoritative U.S. GAAP, except that rules and interpretive releases by the SEC are also sources of authoritative U.S. GAAP for SEC registrants*

### Basis of Presentation

The unaudited consolidated financial statements and accompanying notes to consolidated financial statements are prepared in accordance with U.S. GAAP for interim financial information and the rules and regulations of the SEC. Accordingly, certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated. As of October 29, 2022, January 29, 2022, and October 30, 2021, the Company did not have any investments in unconsolidated affiliates. FASB ASC 810—*Consolidation* is considered when determining whether an entity is subject to consolidation.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the consolidated financial position of the Company as of October 29, 2022 and October 30, 2021, the results of its consolidated operations, consolidated comprehensive income, and consolidated changes in stockholders' equity for the thirteen and thirty-nine weeks ended October 29, 2022 and October 30, 2021, and consolidated cash flows for the thirty-nine weeks ended October 29, 2022 and October 30, 2021. The consolidated balance sheet as of January 29, 2022 was derived from audited financial statements. Due to the seasonal nature of the Company's business, the results of operations for the thirteen and thirty-nine weeks ended October 29, 2022 and October 30, 2021 are not necessarily indicative of operating results for a full fiscal year. These consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2022.

**Fiscal Year**

The Company's fiscal year is a fifty-two week or fifty-three week period ending on the Saturday on or nearest to January 31.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and amounts of revenues and expenses reported during the period. Actual results could differ from the assumptions used and estimates made by management, which could have a material impact on the Company's financial position or results of operations. Critical accounting estimates inherent in the preparation of the consolidated financial statements include impairment of long-lived assets, income taxes, stock-based compensation, and inventory valuation.

**Recent Accounting Standards Updates**

There are no pending accounting standards updates that are currently expected to have a material impact on the Company.

## 2. REVENUES

Revenues are recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The following table presents the Company's revenues disaggregated by geography:

| | Thirteen Weeks Ended | | Thirty-nine Weeks Ended | |
|---|---|---|---|---|
| | October 29, 2022 | October 30, 2021 | October 29, 2022 | October 30, 2021 |
| | (in thousands) | | | |
| Net sales: | | | | |
| South | $ 183,536 | $ 194,081 | $ 466,276 | $ 524,449 |
| Northeast | 108,404 | 129,308 | 255,913 | 309,284 |
| West | 61,101 | 80,103 | 163,644 | 202,180 |
| Midwest | 62,337 | 71,482 | 145,168 | 180,375 |
| International and other [1] | 93,742 | 83,251 | 221,354 | 191,273 |
| Total net sales | $ 509,120 | $ 558,225 | $ 1,252,355 | $ 1,407,561 |

___

(1) Includes retail and e-commerce sales in Canada and Puerto Rico, wholesale and franchisee sales, and certain amounts earned under the Company's private label credit card program.

The Company recognizes revenue, including shipping and handling fees billed to customers, upon purchase at the Company's retail stores or when received by the customer if the product was purchased via e-commerce, net of coupon redemptions and anticipated sales returns. The Company deferred sales of \$8.9 million, \$3.6 million, and \$8.8 million within Accrued expenses and other current liabilities as of October 29, 2022, January 29, 2022, and October 30, 2021, respectively, based upon estimated time of delivery, at which point control passes to the customer. Sales tax collected from customers is excluded from revenue.

For the sale of goods with a right of return, the Company recognizes revenue for the consideration it expects to be entitled to and calculates an allowance for estimated sales returns based upon the Company's sales return experience. Adjustments to the allowance for estimated sales returns in subsequent periods have not been material based on historical data, thereby reducing the uncertainty inherent in such estimates. The allowance for estimated sales returns, which is recorded in Accrued expenses and other current liabilities, was \$2.2 million, \$1.0 million, and \$2.9 million as of October 29, 2022, January 29, 2022, and October 30, 2021, respectively.

The Company's private label credit card is issued to customers for use exclusively at The Children's Place stores and online at *www.childrensplace.com*, *www.gymboree.com*, *www.sugarandjade.com*, and *www.pjplace.com*, and credit is extended to such customers by a third-party financial institution on a non-recourse basis to the Company. The private label credit card includes multiple performance obligations for the Company, including marketing and promoting the program on behalf of the bank and the operation of the loyalty rewards program. Included in the agreement with the third-party financial institution was an upfront bonus paid to the Company. The upfront bonus is recognized as revenue and allocated between brand and reward obligations. As the license of the Company's brand is the predominant item in the performance obligation, the amount allocated to the brand obligation is recognized on a straight-line basis over the initial term. The amount allocated to the reward obligation is recognized on a point-in-time basis as redemptions under the loyalty program occur.

In measuring revenue and determining the consideration the Company is entitled to as part of a contract with a customer, the Company takes into account the related elements of variable consideration, such as additional bonuses, including profit-sharing, over the life of the private label credit card program. Similar to the upfront bonus, the usage-based royalties and bonuses are recognized as revenue and allocated between the brand and reward obligations. The amount allocated to the brand obligation is recognized on a straight-line basis over the initial term. The amount allocated to the reward obligation is recognized on a point-in-time basis as redemptions under the loyalty program occur. In addition, the annual profit-sharing amount is estimated and recognized quarterly within an annual period when earned. The additional bonuses are amortized over the contract term based on anticipated progress against future targets and level of risk associated with achieving the targets.

The Company has a points-based customer loyalty program in which customers earn points based on purchases and other promotional activities. These points can be redeemed for coupons to discount future purchases. A contract liability is estimated based on the standalone selling price of benefits earned by customers through the program and the related redemption experience under the program. The value of each point earned is recorded as deferred revenue and is included within Accrued expenses and other current liabilities. The total contract liabilities related to this program were $2.0 million, $5.0 million, and $6.0 million as of October 29, 2022, January 29, 2022, and October 30, 2021, respectively.

The Company's policy with respect to gift cards is to record revenue as and when the gift cards are redeemed for merchandise. The Company recognizes gift card breakage income in proportion to the pattern of rights exercised by the customer when the Company expects to be entitled to breakage and the Company determines that it does not have a legal obligation to remit the value of the unredeemed gift card to the relevant jurisdiction as unclaimed or abandoned property. Gift card breakage is recorded within Net sales. Prior to their redemption, gift cards are recorded as a liability within Accrued expenses and other current liabilities. The liability is estimated based on expected breakage that considers historical patterns of redemption. The gift card liability balance as of October 29, 2022, January 29, 2022, and October 30, 2021 was $11.2 million, $12.1 million, and $12.4 million, respectively. During Year-To-Date 2022, the Company recognized Net sales of $4.5 million related to the gift card liability balance that existed at January 29, 2022.

The Company has an international program of territorial agreements with franchisees. The Company generates revenues from the franchisees from the sale of product and, in certain cases, sales royalties. The Company records net sales and cost of goods sold on the sale of product to franchisees when the franchisee takes ownership of the product. The Company records net sales for royalties when the applicable franchisee sells the product to their customers. Under certain agreements, the Company receives a fee from each franchisee for exclusive territorial rights and based on the opening of new stores. The Company records these territorial fees as deferred revenue and amortizes the fee into net sales over the life of the territorial agreement.

## 3. INTANGIBLE ASSETS

The Company's intangible assets were as follows:

| | | October 29, 2022 | | |
|---|---|---|---|---|
| | Useful Life | Gross Amount | Accumulated Amortization | Net Amount |
| | | | (in thousands) | |
| Gymboree tradename [(1)] | Indefinite | $ 69,953 | $ — | $ 69,953 |
| Crazy 8 tradename [(1)] | 5 years | 4,000 | (2,862) | 1,138 |
| Customer databases [(2)] | 3 years | 3,000 | (3,000) | — |
| Total intangibles | | $ 76,953 | $ (5,862) | $ 71,091 |

| | Useful Life | January 29, 2022 Gross Amount | Accumulated Amortization | Net Amount |
|---|---|---|---|---|
| | | (in thousands) | | |
| Gymboree tradename [(1)] | Indefinite | $ 69,953 | $ — | $ 69,953 |
| Crazy 8 tradename [(1)] | 5 years | 4,000 | (2,261) | 1,739 |
| Customer databases [(2)] | 3 years | 3,000 | (2,827) | 173 |
| Total intangibles | | $ 76,953 | $ (5,088) | $ 71,865 |

| | Useful Life | October 30, 2021 Gross Amount | Accumulated Amortization | Net Amount |
|---|---|---|---|---|
| | | (in thousands) | | |
| Gymboree tradename [(1)] | Indefinite | $ 69,953 | $ — | $ 69,953 |
| Crazy 8 tradename [(1)] | 5 years | 4,000 | (2,061) | 1,939 |
| Customer databases [(2)] | 3 years | 3,000 | (2,578) | 422 |
| Total intangibles | | $ 76,953 | $ (4,639) | $ 72,314 |

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(1) Included within Tradenames, net on the Consolidated Balance Sheets.
(2) Included within Other assets on the Consolidated Balance Sheets.

## 4. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

| | October 29, 2022 | January 29, 2022 | October 30, 2021 |
|---|---|---|---|
| | | (in thousands) | |
| Property and equipment: | | | |
| Land and land improvements | $ 3,403 | $ 3,403 | $ 3,403 |
| Building and improvements | 36,187 | 36,045 | 36,045 |
| Material handling equipment | 69,897 | 64,989 | 61,717 |
| Leasehold improvements | 196,189 | 197,436 | 211,420 |
| Store fixtures and equipment | 205,406 | 212,613 | 221,104 |
| Capitalized software | 336,557 | 320,716 | 316,440 |
| Construction in progress | 24,676 | 8,170 | 8,822 |
| | 872,315 | 843,372 | 858,951 |
| Less accumulated depreciation and amortization | (717,340) | (688,366) | (699,708) |
| Property and equipment, net | $ 154,975 | $ 155,006 | $ 159,243 |

At October 29, 2022, January 29, 2022, and October 30, 2021, the Company reviewed its store related long-lived assets for indicators of impairment, and performed a recoverability test if indicators were identified. Based on the results of the analyses performed, no impairment charge was recorded in the Third Quarter 2022. The Company recorded asset impairment charges during Year-To-Date 2022 of $1.4 million, inclusive of right-of-use ("ROU") assets. The Company recorded asset impairment charges of $1.3 million, inclusive of ROU assets, in the Third Quarter 2021 and Year-To-Date 2021.

## 5. LEASES

The Company has operating leases for retail stores, corporate offices, distribution facilities, and certain equipment. The Company's leases have remaining lease terms ranging from less than one year up to ten years, some of which include options to extend the leases for up to five years, and some of which include options to terminate the lease early. The Company records all occupancy costs in Cost of sales, except costs for administrative office buildings, which are recorded in Selling, general, and administrative expenses. As of the periods presented, the Company's finance leases were not material to the Consolidated Balance Sheets, Consolidated Statements of Operations, or Consolidated Statements of Cash Flows.

The following components of operating lease expense were recognized in the Company's Consolidated Statements of Operations:

| | Thirteen Weeks Ended | | Thirty-nine Weeks Ended | |
|---|---|---|---|---|
| | October 29, 2022 | October 30, 2021 | October 29, 2022 | October 30, 2021 |
| | (in thousands) | | | |
| Fixed operating lease cost | $ 26,437 | $ 28,378 | $ 73,477 | $ 78,408 |
| Variable operating lease cost [1] | 12,477 | 15,459 | 40,168 | 29,680 |
| Total operating lease cost | $ 38,914 | $ 43,837 | $ 113,645 | $ 108,088 |

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[1] Includes short term leases with lease periods of less than 12 months as well as lease abatements accounted for as reductions to variable lease costs under the COVID-19 expedient of $0.1 million and $0.7 million during the Third Quarter 2022 and Third Quarter 2021, respectively, and $1.0 million and $11.0 million during Year-To-Date 2022 and Year-To-Date 2021, respectively.

As of October 29, 2022, the weighted-average remaining operating lease term was 3.9 years, and the weighted-average discount rate for operating leases was 5.0%. Cash paid for amounts included in the measurement of operating lease liabilities during Year-To-Date 2022 was $75.8 million. ROU assets obtained in exchange for new operating lease liabilities were $38.8 million during Year-To-Date 2022.

As of October 29, 2022, the maturities of operating lease liabilities were as follows:

| | October 29, 2022 |
|---|---|
| | (in thousands) |
| Remainder of 2022 | $ 29,891 |
| 2023 | 71,349 |
| 2024 | 33,130 |
| 2025 | 18,374 |
| 2026 | 15,188 |
| Thereafter | 30,621 |
| Total operating lease payments | 198,553 |
| Less: imputed interest | (17,410) |
| Present value of operating lease liabilities | $ 181,143 |

## 6. DEBT

On November 16, 2021, the Company completed the refinancing of its previous $360.0 million asset-based revolving credit facility (the "Previous ABL Credit Facility") and previous $80.0 million term loan (the "Previous Term Loan") with a new lending group led by an affiliate of Wells Fargo Bank, National Association ("Wells Fargo") by entering into a fourth amendment to its Credit Agreement, dated as of May 9, 2019, with the lenders party thereto. The new debt consists of a revolving credit facility with $350.0 million of availability (the "ABL Credit Facility") and a $50.0 million term loan (the "Term Loan").

**ABL Credit Facility and Term Loan**

The Company and certain of its subsidiaries maintain the $350.0 million ABL Credit Facility and the $50.0 million Term Loan with Wells Fargo, Truist Bank, Bank of America, N.A., HSBC Business Credit (USA) Inc., and JPMorgan Chase Bank, N.A., as lenders (collectively, the "Lenders") and Wells Fargo, as Administrative Agent, Collateral Agent, Swing Line Lender and Term Agent. Both the ABL Credit Facility and the Term Loan mature in November 2026, and both of these debt facilities have lower interest rates, reduced reporting requirements, and increased flexibility under the covenants compared to the Previous ABL Credit Facility and Previous Term Loan.

The ABL Credit Facility includes a $25.0 million Canadian sublimit and a $50.0 million sublimit for standby and documentary letters of credit.

Borrowings outstanding under the ABL Credit Facility bear interest, at the Company's option, at:

(i) the prime rate, plus a margin of 0.375% or 0.625% based on the amount of the Company's average excess availability under the facility; or

(ii) the London InterBank Offered Rate, or "LIBOR", for an interest period of one, three, or six months, as selected by the Company, plus a margin of 1.125% or 1.375% based on the amount of the Company's average excess availability under the facility.

The Company is charged a fee of 0.20% on the unused portion of the commitments. Letter of credit fees range from 0.563% to 0.683% for commercial letters of credit and from 0.625% to 0.875% for standby letters of credit. Letter of credit fees are determined based on the amount of the Company's average excess availability under the facility. The amount available for loans and letters of credit under the ABL Credit Facility is determined by a borrowing base consisting of certain credit card receivables, certain trade receivables, certain inventory, and the fair market value of certain real estate, subject to certain reserves.

The outstanding obligations under the ABL Credit Facility may be accelerated upon the occurrence of certain events, including, among others, non-payment, breach of covenants, the institution of insolvency proceedings, defaults under other material indebtedness, and a change of control, subject, in the case of certain defaults, to the expiration of applicable grace periods. The Company is not subject to any early termination fees.

The ABL Credit Facility contains covenants, which include conditions on stock buybacks and the payment of cash dividends or similar payments. These covenants also limit the ability of the Company and its subsidiaries to incur certain liens, to incur certain indebtedness, to make certain investments, acquisitions, or dispositions or to change the nature of its business.

Credit extended under the ABL Credit Facility is secured by a first priority security interest in substantially all of the Company's U.S. and Canadian assets other than intellectual property, certain furniture, fixtures, equipment, and pledges of subsidiary capital stock, and a second priority security interest in the Company's intellectual property, certain furniture, fixtures, equipment, and pledges of subsidiary capital stock.

The table below presents the components of the Company's ABL Credit Facility and Previous ABL Credit Facility:

| | October 29, 2022 | January 29, 2022 | October 30, 2021 |
|---|---|---|---|
| | (in millions) | | |
| Credit facility maximum | $ 350.0 | $ 350.0 | $ 360.0 |
| Borrowing base [(1)] | 350.0 | 279.7 | 360.0 |
| | | | |
| Outstanding borrowings | 265.0 | 175.3 | 174.4 |
| Letters of credit outstanding—standby | 7.4 | 7.4 | 7.4 |
| Utilization of credit facility at end of period | 272.4 | 182.7 | 181.8 |
| | | | |
| Availability [(2)] | $ 77.6 | $ 97.0 | $ 178.2 |
| | | | |
| Interest rate at end of period | 4.8% | 1.6% | 3.8% |

| | Year-To-Date 2022 | Fiscal 2021 | Year-To-Date 2021 |
|---|---|---|---|
| | | (in millions) | |
| Average end of day loan balance during the period | $ 273.1 | $ 187.0 | $ 195.0 |
| Highest end of day loan balance during the period | $ 297.6 | $ 269.7 | $ 269.7 |
| | | | |
| Average interest rate | 3.0% | 3.6% | 3.8% |

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(1) Lower of the credit facility maximum or the total borrowing base collateral.

(2) The sub-limit availability for letters of credit was $42.6 million at October 29, 2022, January 29, 2022, and October 30, 2021.

The Term Loan bears interest, payable monthly, at (a) the LIBOR Rate plus 2.50% for any portion that is a LIBOR loan, or (b) the base rate plus 1.75% for any portion that is a base rate loan. The Term Loan is pre-payable at any time without penalty, and does not require amortization. For the Third Quarter 2022 and Year-To-Date 2022, the Company recognized $0.6 million and $1.5 million, respectively, in interest expense related to the Term Loan.

The Term Loan is secured by a first priority security interest in the Company's intellectual property, certain furniture, fixtures, equipment, and pledges of subsidiary capital stock, and a second priority security interest in the collateral securing the ABL Credit Facility on a first-priority basis. The Term Loan is guaranteed by each of the Company's subsidiaries that guarantees the ABL Credit Facility and contains substantially the same covenants as provided in the ABL Credit Facility.

Both the ABL Credit Facility and the Term Loan contain customary events of default, which include (subject in certain cases to customary grace and cure periods), nonpayment of principal or interest, breach of covenants, failure to pay certain other indebtedness, and certain events of bankruptcy, insolvency or reorganization.

## 7. COMMITMENTS AND CONTINGENCIES

The Company is a defendant in *Rael v. The Children's Place, Inc.*, a purported class action, pending in the U.S. District Court, Southern District of California. In the initial complaint filed in February 2016, the plaintiff alleged that the Company falsely advertised discount prices in violation of California's Unfair Competition Law, False Advertising Law, and Consumer Legal Remedies Act. The plaintiff filed an amended complaint in April 2016, adding allegations of violations of other state consumer protection laws. In August 2016, the plaintiff filed a second amended complaint, adding an additional plaintiff and removing the other state law claims. The plaintiffs' second amended complaint sought to represent a class of California purchasers and sought, among other items, injunctive relief, damages, and attorneys' fees and costs.

The Company engaged in mediation proceedings with the plaintiffs in December 2016 and April 2017. The parties reached an agreement in principle in April 2017, and signed a definitive settlement agreement in November 2017, to settle the matter on a class basis with all individuals in the U.S. who made a qualifying purchase at The Children's Place from February 11, 2012 through January 28, 2020, the date of preliminary approval by the court of the settlement. The Company submitted its memorandum in support of final approval of the class settlement on March 2, 2021. On March 29, 2021, the court granted final approval of the class settlement and denied plaintiff's motion for attorney's fees, with the amount of attorney's fees to be decided after the class recovery amount has been determined. The settlement provides merchandise vouchers for qualified class members who submit valid claims, as well as payment of legal fees and expenses and claims administration expenses. Vouchers were distributed to class members on November 15, 2021 and they will be eligible for redemption in multiple rounds through November 2023. In connection with the settlement, the Company recorded a reserve for $5.0 million in its consolidated financial statements in the first quarter of 2017.

The Company is also involved in various legal proceedings arising in the normal course of business. In the opinion of management, any ultimate liability arising out of these proceedings will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

## 8. STOCKHOLDERS' EQUITY

### Share Repurchase Programs

In March 2018, the Board of Directors authorized a $250.0 million share repurchase program (the "2018 Share Repurchase Program"). In November 2021, the Board of Directors approved another $250.0 million share repurchase program (the "2021 Share Repurchase Program"), which added to the then remaining availability under the 2018 Share Repurchase Program. Under these programs, the Company may repurchase shares on the open market at current market prices at the time of purchase or in privately negotiated transactions. The timing and actual number of shares repurchased under a program will depend on a variety of factors, including price, corporate and regulatory requirements, and other market and business conditions. The Company may suspend or discontinue the programs at any time and may thereafter reinstitute purchases, all without prior announcement. As of October 29, 2022, there was $178.4 million remaining under the 2021 Share Repurchase Program. From March 2020 through July 2021, the Company suspended share repurchases, other than to satisfy withholding tax requirements of equity award recipients, due to the COVID-19 pandemic.

Pursuant to the Company's practice, including due to restrictions imposed by the Company's insider trading policy during black-out periods, the Company withholds and repurchases shares of vesting stock awards and makes payments to taxing authorities as required by law to satisfy the withholding tax requirements of all equity award recipients. The Company's payment of the withholding taxes in exchange for the surrendered shares constitutes a repurchase of its common stock. The Company also acquires shares of its common stock in conjunction with liabilities owed under the Company's deferred compensation plan, which are held in treasury.

The following table summarizes the Company's share repurchases:

| | Thirty-nine Weeks Ended | | | |
|---|---|---|---|---|
| | October 29, 2022 | | October 30, 2021 | |
| | Shares | Amount | Shares | Amount |
| | (in thousands) | | | |
| Share repurchases related to: | | | | |
| Share repurchase program | 1,581 | $ 78,913 | 518 | $ 45,187 |
| Shares acquired and held in treasury | 4 | $ 218 | 3 | $ 208 |

In accordance with the FASB ASC 505—*Equity*, the par value of the shares retired is charged against Common stock and the remaining purchase price is allocated between Additional paid-in capital and Retained earnings. The portion charged against Additional paid-in capital is determined using a pro-rata allocation based on total shares outstanding. For all shares retired during Year-To-Date 2022 and Year-To-Date 2021, $47.9 million and $35.6 million was charged to Retained earnings, respectively.

### Dividends

In March 2020, the Company announced it had temporarily suspended its dividend payments due to the COVID-19 pandemic.

Future declarations of quarterly dividends and the establishment of future record and payment dates are subject to approval by the Company's Board of Directors based on a number of factors, including business and market conditions, the Company's financial performance, and other investment priorities.

## 9. STOCK-BASED COMPENSATION

The Company generally grants time-vesting stock awards ("Deferred Awards") and performance-based stock awards ("Performance Awards") to employees at management levels. The Company also grants Deferred Awards to its non-employee directors.

The following table summarizes the Company's stock-based compensation expense:

| | Thirteen Weeks Ended | | Thirty-nine Weeks Ended | |
|---|---|---|---|---|
| | October 29, 2022 | October 30, 2021 | October 29, 2022 | October 30, 2021 |
| | (in thousands) | | | |
| Deferred Awards | $ 1,885 | $ 2,956 | $ 7,481 | $ 9,722 |
| Performance Awards | 3,336 | 3,638 | 11,574 | 15,314 |
| Total stock-based compensation expense [1] | $ 5,221 | $ 6,594 | $ 19,055 | $ 25,036 |

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(1) Stock-based compensation expense recorded within Cost of sales (exclusive of depreciation and amortization) amounted to $0.3 million and $0.8 million in the Third Quarter 2022 and Third Quarter 2021, respectively, and $1.2 million and $2.5 million in Year-To-Date 2022 and Year-To-Date 2021, respectively. All other stock-based compensation expense is included in Selling, general, and administrative expenses.

## 10. EARNINGS PER COMMON SHARE

The following table reconciles net income and share amounts utilized to calculate basic and diluted earnings per common share:

| | Thirteen Weeks Ended | | Thirty-nine Weeks Ended | |
|---|---|---|---|---|
| | October 29, 2022 | October 30, 2021 | October 29, 2022 | October 30, 2021 |
| | (in thousands) | | | |
| Net income | $ 42,855 | $ 78,868 | $ 49,387 | $ 148,168 |
| | | | | |
| Basic weighted average common shares outstanding | 13,064 | 14,668 | 13,277 | 14,706 |
| Dilutive effect of stock awards | 98 | 205 | 132 | 273 |
| Diluted weighted average common shares outstanding | 13,162 | 14,873 | 13,409 | 14,979 |

## 11. INCOME TAXES

The Company computes income taxes using the liability method. This method requires recognition of deferred tax assets and liabilities, measured by enacted rates, attributable to temporary differences between the financial statement and income tax basis of assets and liabilities. The Company's deferred tax assets and liabilities are comprised largely of differences relating to depreciation and amortization, rent expense, inventory, stock-based compensation, net operating loss carryforwards, tax credits, and various accruals and reserves.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted in response to the COVID-19 pandemic. The CARES Act allows net operating losses ("NOLs") incurred in taxable years 2018, 2019, and 2020 to be carried back to each of the five preceding taxable years to offset 100% of taxable income and to generate a refund of previously paid income taxes. Pursuant to the CARES Act, the Company carried back the taxable year 2020 tax loss of approximately $150.0 million to prior years. During the First Quarter 2022, the Company received $22.0 million of the related income tax refund and the remaining balance of $19.1 million as of October 29, 2022, is included within Prepaid expenses and other current assets on the Consolidated Balance Sheets.

The Company's effective income tax rate was a provision of 20.7%, or $11.2 million for the Third Quarter 2022, compared to 28.2%, or $31.0 million, for the Third Quarter 2021 and a provision of 10.5%, or $5.8 million for Year-To-Date

2022, compared to 27.5%, or $56.3 million, for Year-To-Date 2021. The decrease in the effective income tax rate for the Third Quarter 2022, compared to the Third Quarter 2021 and Year-To-Date 2022, compared to Year-To-Date 2021 reflected a decrease in the forecasted effective income tax rate resulting from a favorable mix of income on forecasted earnings compared to the prior year. The effective income tax rate for Year-To-Date 2022 also reflected the release of a reserve of $6.4 million for unrecognized tax benefits as a result of a settlement with a taxing authority in the First Quarter 2022.

The Company accrues interest and penalties related to unrecognized tax benefits as part of the provision for income taxes. The amount of unrecognized tax benefits was $2.3 million, $8.7 million, and $8.0 million as of October 29, 2022, January 29, 2022, and October 30, 2021, respectively, and is included within long-term liabilities. Additional interest expense recognized during Year-To-Date 2022 and Year-To-Date 2021 related to unrecognized tax benefits was not significant.

The Company is subject to tax in the United States and foreign jurisdictions, including Canada and Hong Kong. The Company files a consolidated U.S. income tax return for federal income tax purposes. The Company is no longer subject to income tax examinations by U.S. federal, state and local or foreign tax authorities for tax years 2016 and prior.

Management believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues arise as a result of a tax audit, and are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs.

## 12. SEGMENT INFORMATION

In accordance with FASB ASC 280—*Segment Reporting*, the Company reports segment data based on geography: The Children's Place U.S. and The Children's Place International. Each segment includes an e-commerce business located at *www.childrensplace.com*, *www.gymboree.com*, *www.sugarandjade.com*, and *www.pjplace.com*. Included in The Children's Place U.S. segment are the Company's U.S. and Puerto Rico-based stores and revenue from the Company's U.S.-based wholesale business. Included in The Children's Place International segment are the Company's Canadian-based stores, revenue from the Company's Canadian-based wholesale business, and revenue from international franchisees. The Company measures its segment profitability based on operating income, defined as income before interest and taxes. Net sales and direct costs are recorded by each segment. Certain inventory procurement functions, such as production and design, as well as corporate overhead, including executive management, finance, real estate, human resources, legal, and information technology services, are managed by The Children's Place U.S. segment. Expenses related to these functions, including depreciation and amortization, are allocated to The Children's Place International segment based primarily on net sales. The assets related to these functions are not allocated. The Company periodically reviews these allocations and adjusts them based upon changes in business circumstances. Net sales to external customers are derived from merchandise sales, and the Company has no customers that individually account for more than 10% of its net sales. As of October 29, 2022, The Children's Place U.S. had 577 stores and The Children's Place International had 81 stores. As of October 30, 2021, The Children's Place U.S. had 611 stores and The Children's Place International had 92 stores.

The following tables provide segment level financial information:

| | Thirteen Weeks Ended | | Thirty-nine Weeks Ended | |
|---|---|---|---|---|
| | October 29, 2022 | October 30, 2021 | October 29, 2022 | October 30, 2021 |
| | (in thousands) | | | |
| **Net sales:** | | | | |
| The Children's Place U.S. | $ 457,508 | $ 498,836 | $ 1,126,692 | $ 1,269,196 |
| The Children's Place International [(1)] | 51,612 | 59,389 | 125,663 | 138,365 |
| Total net sales | $ 509,120 | $ 558,225 | $ 1,252,355 | $ 1,407,561 |
| **Operating income:** | | | | |
| The Children's Place U.S. | $ 51,460 | $ 100,456 | $ 54,385 | $ 196,262 |
| The Children's Place International | 6,377 | 13,354 | 8,876 | 21,304 |
| Total operating income | $ 57,837 | $ 113,810 | $ 63,261 | $ 217,566 |
| **Operating income as a percentage of net sales:** | | | | |
| The Children's Place U.S. | 11.2% | 20.1% | 4.8% | 15.5% |
| The Children's Place International | 12.4% | 22.5% | 7.1% | 15.4% |
| Total operating income as a percentage of net sales | 11.4% | 20.4% | 5.1% | 15.5% |
| **Depreciation and amortization:** | | | | |
| The Children's Place U.S. | $ 11,592 | $ 13,153 | $ 36,441 | $ 40,767 |
| The Children's Place International | 871 | 1,051 | 2,879 | 3,390 |
| Total depreciation and amortization | $ 12,463 | $ 14,204 | $ 39,320 | $ 44,157 |
| **Capital expenditures:** | | | | |
| The Children's Place U.S. | $ 12,342 | $ 8,432 | $ 30,311 | $ 21,304 |
| The Children's Place International | 86 | 72 | 882 | 696 |
| Total capital expenditures | $ 12,428 | $ 8,504 | $ 31,193 | $ 22,000 |

(1) Net sales from The Children's Place International are primarily derived from Canadian operations. The Company's foreign subsidiaries, primarily in Canada, have operating results based in foreign currencies and are thus subject to the fluctuations of the corresponding translation rates into U.S. dollars.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*This Quarterly Report on Form 10-Q 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 January 29, 2022. 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 legislation related to the COVID-19 pandemic, including any changes to such 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 the COVID-19 pandemic or other disease outbreaks, foreign sources of supply in less developed countries, more politically unstable countries, or countries where vendors fail to comply with industry standards or ethical business practices, including the use of forced, indentured or child labor, 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.*

*The following discussion should be read in conjunction with the Company's unaudited financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the annual audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 29, 2022.*

*Terms that are commonly used in our Management's Discussion and Analysis of Financial Condition and Results of Operations are defined as follows:*

- *Third Quarter 2022 — The thirteen weeks ended October 29, 2022*
- *Third Quarter 2021 — The thirteen weeks ended October 30, 2021*
- *First Quarter 2022 — The thirteen weeks ended April 30, 2022*
- *Year-To-Date 2022 — The thirty-nine weeks ended October 29, 2022*
- *Year-To-Date 2021 — The thirty-nine weeks ended October 30, 2021*
- *Fiscal 2022 – The fifty-two weeks ending January 28, 2023*
- *Fiscal 2021 – The fifty-two weeks ended January 29, 2022*
- *SEC — U.S. Securities and Exchange Commission*
- *U.S. GAAP — Generally Accepted Accounting Principles in the United States*
- *FASB — Financial Accounting Standards Board*
- *FASB ASC — FASB Accounting Standards Codification, which serves as the source for authoritative U.S. GAAP, except that rules and interpretive releases by the SEC are also sources of authoritative U.S. GAAP for SEC registrants*
- *AUR — Average unit retail price*

- *Comparable Retail Sales — Net sales, in constant currency, from stores that have been open for at least 14 consecutive months and from our e-commerce store, excluding postage and handling fees. Store closures in the current fiscal year will be excluded from Comparable Retail Sales beginning in the fiscal quarter in which the store closes. A store that is closed for a substantial remodel, relocation, or material change in size will be excluded from Comparable Retail Sales for at least 14 months beginning in the fiscal quarter in which the closure occurred. However, stores that temporarily close will be excluded from Comparable Retail Sales until the store is reopened for a full fiscal month. Comparable Retail Sales do not exclude any temporarily closed stores impacted by the COVID-19 pandemic.*
- *Gross Margin — Gross profit expressed as a percentage of net sales*
- *SG&A — Selling, general, and administrative expenses*

## OVERVIEW

### Our Business

We are the largest pure-play children's specialty apparel retailer in North America. We design, contract to manufacture, sell at retail and wholesale, and license to sell, trend right, high quality merchandise predominantly at value prices, primarily under our proprietary "The Children's Place", "Place", "Baby Place", "Gymboree", "Sugar & Jade", and "PJ Place" brand names. As of October 29, 2022, we had 658 stores across North America, our e-commerce business at *www.childrensplace.com*, *www.gymboree.com*, *www.sugarandjade.com*, and *www.pjplace.com*, and had 213 international points of distribution with our five franchise partners in 16 countries, and in October 2022, we launched the PJ Place e-commerce website at *www.pjplace.com*.

### Segment Reporting

In accordance with FASB ASC 280—*Segment Reporting*, we report segment data based on geography: The Children's Place U.S. and The Children's Place International. Each segment includes an e-commerce business located at *www.childrensplace.com*, *www.gymboree.com*, *www.sugarandjade.com*, and *www.pjplace.com*. Included in The Children's Place U.S. segment are our U.S. and Puerto Rico-based stores and revenue from our U.S.-based wholesale business. Included in The Children's Place International segment are our Canadian-based stores, revenue from our Canadian-based wholesale business, as well as revenue from international franchisees. We measure our segment profitability based on operating income, defined as income before interest and taxes. Net sales and direct costs are recorded by each segment. Certain inventory procurement functions such as production and design, as well as corporate overhead, including executive management, finance, real estate, human resources, legal, and information technology services, are managed by The Children's Place U.S. segment. Expenses related to these functions, including depreciation and amortization, are allocated to The Children's Place International segment based primarily on net sales. The assets related to these functions are not allocated. We periodically review these allocations and adjust them based upon changes in business circumstances. Net sales to external customers are derived from merchandise sales, and we have no customers that individually account for more than 10% of our net sales.

### COVID-19 Pandemic

The COVID-19 pandemic continues to significantly impact regions all around the world, including the United States and Canada. Since March 2020, this has resulted in restrictions of businesses and other activities implemented by national, state, and local authorities and private entities, leading to significant adverse economic conditions and business and lifestyle disruptions, as well as significant volatility in global financial and retail markets. From the onset of the pandemic and as new variants emerged, federal, state, and local governments and health officials worldwide imposed varying degrees of preventative and protective actions in an effort to reduce the spread of the virus. Such factors, among others, have resulted in a significant decline in retail traffic and consumer spending on discretionary items. In addition, we have experienced, and will likely continue to experience, disruptions in our global supply chain, which have caused delays in the production and transportation of our products, which we are seeking to mitigate, including through shifting production schedules.

As of the Third Quarter 2022, the progress achieved nationwide in addressing the effects of the pandemic has allowed businesses and shopping malls to reopen and resume operations. Our distribution centers remained open and operating during the pandemic to support our retail stores and e-commerce business, and as of October 29, 2022, all of our stores are open to the public in the U.S., Canada, and Puerto Rico. Our U.S. office and certain of our foreign offices are also open in a hybrid work environment, while we continue to monitor the developments of the pandemic for our other foreign offices. We will continue to assess the pandemic's impact on our operations and financial situation, and will seek to implement all necessary measures as needed.

**Recent Developments**

Recent macroeconomic events have increased the cost of goods and services necessary to produce and distribute our products, including cotton and other materials used in production, as well as labor, transportation, fuel and energy. The same inflationary pressures have adversely affected our core customer, resulting in a decrease in apparel purchases during the Third Quarter 2022. We expect these increased product input costs, transportation costs and inflationary pressures to continue to impact the remainder of 2022 and into 2023.

**Operating Highlights**

Net sales decreased $49.1 million, or 8.8%, to $509.1 million during the Third Quarter 2022 from $558.2 million during the Third Quarter 2021, primarily due to the impact of permanent store closures, a slowdown in consumer demand resulting from the unprecedented inflation impacting our customer, and lapping the impact of the enhanced child tax credit and a record Back to School season last August. Comparable retail sales decreased 10.0% for the Third Quarter 2022.

Gross profit decreased $67.9 million to $176.9 million during the Third Quarter 2022 from $244.8 million during the Third Quarter 2021. Gross margin deleveraged 910 basis points to 34.8% of net sales in the Third Quarter 2022. The decrease was primarily the result of higher supply chain costs, including inbound freight, outbound freight, and distribution costs, and the deleverage of fixed expenses resulting from the decline in net sales.

Operating income decreased $56.0 million to $57.8 million during the Third Quarter 2022 from $113.8 million during the Third Quarter 2021. Operating margin deleveraged 900 basis points to 11.4% of net sales.

Net income decreased $36.0 million to $42.9 million, or $3.26 per diluted share, during the Third Quarter 2022, compared to $78.9 million, or $5.30 per diluted share, during the Third Quarter 2021.

During the Third Quarter 2022, we repurchased approximately 0.4 million shares of our common stock for $17.8 million, consisting of shares surrendered to cover tax withholdings associated with the vesting of equity awards and shares acquired in the open market. As of October 29, 2022, there was $178.4 million remaining under our share repurchase program.

While we continue to face a challenging macroeconomic environment, including increases in the cost of goods and services necessary to produce and distribute our products, including cotton and other materials used in production, as well as labor, transportation, fuel and energy and continuing uncertainty regarding the future impact of the COVID-19 pandemic, we continue to focus on our key strategic growth initiatives – superior product, digital transformation, and fleet optimization.

Digital remains our top priority and we continue to expand our digital capabilities. We have migrated to a new responsive site and mobile application, and we have expanded our partnerships with our outside providers to help us monitor and reallocate our marketing budgets in a more efficient and timely manner to drive acquisition, retention and reactivation. As our digital business continues to expand, we continue to strengthen our partnership with our third party logistics provider to help provide our customer with a best-in-class digital experience.

We continue to evaluate our store fleet through our fleet optimization initiative. We have closed 541 stores since the announcement of our fleet optimization initiative in 2013. We are planning to close a total of approximately 40 to 50 stores this year. With over 75% of our store fleet coming up for lease action in the next 24 months, we continue to maintain meaningful financial flexibility in our lease portfolio.

We have subsidiaries whose operating results are based in foreign currencies and are thus subject to the fluctuations of the corresponding translation rates into U.S. dollars. The table below summarizes the average translation rates that most significantly impact our operating results:

| | Thirteen Weeks Ended | | Thirty-nine Weeks Ended | |
|---|---|---|---|---|
| | **October 29, 2022** | **October 30, 2021** | **October 29, 2022** | **October 30, 2021** |
| ***Average Translation Rates*** [(1)] | | | | |
| Canadian dollar | 0.7525 | 0.7956 | 0.7731 | 0.8015 |
| Hong Kong dollar | 0.1274 | 0.1285 | 0.1276 | 0.1287 |
| Chinese renminbi | 0.1432 | 0.1550 | 0.1497 | 0.1547 |

(1) The average translation rates are the average of the monthly translation rates used during each period to translate the respective statement of operations. Each rate represents the U.S. dollar equivalent of the respective foreign currency.

## SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

We describe our significant accounting policies in "Note 1. Basis of Preparation and Summary of Significant Accounting Policies" of the notes to consolidated financial statements included in our most recent Annual Report on Form 10-K for the fiscal year ended January 29, 2022. There have been no significant changes in our accounting policies from those described in our most recent Annual Report on Form 10-K.

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the amounts of revenues and expenses reported during the period. We continuously review the appropriateness of the estimates used in preparing our financial statements; however, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information. Consequently, actual results could differ materially from our estimates.

Our critical accounting estimates are described under the heading "Critical Accounting Estimates" in Item 7 of our most recent Annual Report on Form 10-K for the fiscal year ended January 29, 2022. Our critical accounting estimates include impairment of long-lived assets, income taxes, stock-based compensation, and inventory valuation. There have been no material changes in these critical accounting estimates from those described in our most recent Annual Report on Form 10-K.

### Recent Accounting Standards Updates

There are no pending accounting standards updates that are currently expected to have a material impact on the Company.

## RESULTS OF OPERATIONS

We believe that our e-commerce and brick-and-mortar retail store operations are highly interdependent, with both sharing common customers purchasing from a common pool of product inventory. Accordingly, we believe that consolidated omni-channel reporting presents the most meaningful and appropriate measure of our performance, including net sales.

The following table sets forth, for the periods indicated, selected Statement of Operations data expressed as a percentage of net sales. We primarily evaluate the results of our operations as a percentage of net sales rather than in terms of absolute dollar increases or decreases by analyzing the year over year change in our business expressed as a percentage of net sales (i.e., "basis points"). For example, SG&A increased 20 basis points to 20.9% of net sales during the Third Quarter 2022 from 20.7% during the Third Quarter 2021. Accordingly, to the extent that our sales have increased at a faster rate than our costs (i.e., "leveraging"), the more efficiently we have utilized the investments we have made in our business. Conversely, if our sales decrease or if our costs grow at a faster pace than our sales (i.e., "de-leveraging"), we have less efficiently utilized the investments we have made in our business.

| | Thirteen Weeks Ended | | Thirty-nine Weeks Ended | |
|---|---|---|---|---|
| | October 29, 2022 | October 30, 2021 | October 29, 2022 | October 30, 2021 |
| Net sales | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Cost of sales (exclusive of depreciation and amortization) | 65.2 | 56.1 | 65.3 | 57.3 |
| Gross profit | 34.8 | 43.9 | 34.7 | 42.7 |
| Selling, general, and administrative expenses | 20.9 | 20.7 | 26.4 | 24.0 |
| Depreciation and amortization | 2.4 | 2.5 | 3.1 | 3.1 |
| Asset impairment charges | — | 0.2 | 0.1 | 0.1 |
| Operating income | 11.4 | 20.4 | 5.1 | 15.5 |
| Income before provision for income taxes | 10.6 | 19.7 | 4.4 | 14.5 |
| Provision for income taxes | 2.2 | 5.6 | 0.5 | 4.0 |
| Net income | 8.4 % | 14.1 % | 3.9 % | 10.5 % |
| Number of Company stores, end of period | 658 | 703 | 658 | 703 |

Table may not add due to rounding.

The following table sets forth net sales by segment, for the periods indicated:

| | Thirteen Weeks Ended | | Thirty-nine Weeks Ended | |
|---|---|---|---|---|
| | October 29, 2022 | October 30, 2021 | October 29, 2022 | October 30, 2021 |
| | (in thousands) | | | |
| **Net sales:** | | | | |
| The Children's Place U.S. | $ 457,508 | $ 498,836 | $ 1,126,692 | $ 1,269,196 |
| The Children's Place International | 51,612 | 59,389 | 125,663 | 138,365 |
| Total net sales | $ 509,120 | $ 558,225 | $ 1,252,355 | $ 1,407,561 |

**Third Quarter 2022 Compared to Third Quarter 2021**

*Net sales* decreased $49.1 million or 8.8%, to $509.1 million during the Third Quarter 2022 from $558.2 million during the Third Quarter 2021, primarily due to the impact of permanent store closures, a slowdown in consumer demand resulting from the unprecedented inflation impacting our customer, and lapping the impact of the enhanced child tax credit and a record Back to School season last August. Comparable retail sales decreased 10.0% for the Third Quarter 2022.

The Children's Place U.S. net sales decreased $41.3 million or 8.3%, to $457.5 million in the Third Quarter 2022, compared to $498.8 million in the Third Quarter 2021. This decrease was primarily the impact of permanent store closures, a slowdown in consumer demand resulting from the unprecedented inflation impacting our customer, and lapping the impact of the enhanced child tax credit and a record Back to School season last August.

The Children's Place International net sales decreased $7.8 million or 13.1%, to $51.6 million in the Third Quarter 2022, compared to $59.4 million in the Third Quarter 2021. This decrease was primarily driven by the impact of unprecedented inflation on our customer and permanent store closures.

Total e-commerce sales, which include postage and handling, were 50.2% of net retail sales and 46.0% of net sales during the Third Quarter 2022, compared to 47.5% and 45.4%, respectively, during the Third Quarter 2021.

*Gross profit* decreased $67.9 million to $176.9 million in the Third Quarter 2022, compared to $244.8 million in the Third Quarter 2021. Gross margin deleveraged 910 basis points to 34.8% of net sales in the Third Quarter 2022. The Third Quarter 2021 results included incremental expenses related to the COVID-19 pandemic, including personal protective equipment and incentive pay for our associates of $0.2 million. The decrease in gross margin was primarily the result of higher supply chain costs, including inbound freight, outbound freight, and distribution costs, and the deleverage of fixed expenses resulting from the decline in net sales.

Gross profit as a percentage of net sales is dependent upon a variety of factors, including changes in the relative sales mix among distribution channels, changes in the mix of products sold, the timing and level of promotional activities, foreign currency exchange rates, and fluctuations in material costs. These factors, among others, may cause gross profit as a percentage of net sales to fluctuate from period to period.

*Selling, general, and administrative expenses* decreased $9.0 million to $106.6 million during the Third Quarter 2022 from $115.6 million during the Third Quarter 2021. SG&A deleveraged 20 basis points to 20.9% of net sales in the Third Quarter 2022. The Third Quarter 2022 results included incremental operating expenses, including fleet optimization costs of $0.2 million, restructuring costs of $1.0 million, and professional and consulting fees of $0.1 million. The Third Quarter 2021 results included incremental operating expenses, primarily personal protective equipment for our associates, of $0.3 million, restructuring costs of $0.1 million, and fleet optimization costs of $0.3 million. Excluding the impact of these incremental charges, SG&A deleveraged 10 basis points to 20.7% of net sales, primarily as a result of the deleverage of fixed expenses resulting from the decline in net sales and higher planned marketing spend, partially offset by lower incentive compensation expenses and a reduction in discretionary spend.

*Asset impairment charges* were zero during the Third Quarter 2022, compared to $1.3 million during the Third Quarter 2021, inclusive of ROU assets, primarily related to two stores.

*Depreciation and amortization* was $12.5 million during the Third Quarter 2022, compared to $14.2 million during the Third Quarter 2021. The decrease was primarily driven by reduced depreciation of capitalized software and the permanent closure of 45 stores during the past twelve months.

*Operating income* decreased $56.0 million to $57.8 million during the Third Quarter 2022 from $113.8 million during the Third Quarter 2021. Operating margin deleveraged 900 basis points to 11.4% of net sales in the Third Quarter 2022. The Third Quarter 2022 and Third Quarter 2021 results included incremental operating expenses of $1.3 million and $2.7 million, respectively, as described above. Excluding the impact of these incremental charges, operating margin deleveraged 930 basis points to 11.6% of net sales.

*Interest expense, net* was $3.8 million during the Third Quarter 2022, compared to $4.0 million during the Third Quarter 2021. The decrease was primarily driven by lower interest rates due to our refinancing in November 2021 and a lower Term Loan balance in the Third Quarter 2022.

*Provision for income taxes* was $11.2 million during the Third Quarter 2022, compared to $31.0 million during the Third Quarter 2021. Our effective tax rate was a provision of 20.7% and 28.2% in the Third Quarter 2022 and the Third Quarter 2021, respectively. The decrease in our effective tax rate for the Third Quarter 2022 compared to the Third Quarter 2021 was primarily due to a decrease in the forecasted effective income tax rate resulting from a favorable mix of income on forecasted earnings compared to the prior year.

*Net income* decreased $36.0 million to $42.9 million, or $3.26 per diluted share during the Third Quarter 2022, compared to $78.9 million, or $5.30 per diluted share during the Third Quarter 2021, due to the factors discussed above.

**Year-To-Date 2022 Compared to Year-To-Date 2021**

*Net sales* decreased $155.2 million or 11.0%, to $1.252 billion during Year-To-Date 2022 from $1.408 billion during Year-To-Date 2021, primarily due to lapping the COVID-19 stimulus relief program in 2021, the impact of a slowdown in consumer demand resulting from the unprecedented inflation impacting our customer, an increase in promotional activity across the sector, and the impact of permanent store closures. Comparable retail sales decreased 11.7% during Year-To-Date 2022.

The Children's Place U.S. net sales decreased $142.5 million or 11.2%, to $1.127 billion during Year-To-Date 2022, compared to $1.269 billion during Year-To-Date 2021. This decrease was primarily due to lapping the COVID-19 stimulus relief program in 2021, the impact of a slowdown in consumer demand resulting from the unprecedented inflation impacting our customer, an increase in promotional activity across the sector, and the impact of permanent store closures.

The Children's Place International net sales decreased $12.7 million or 9.2%, to $125.7 million during Year-To-Date 2022, compared to $138.4 million during Year-To-Date 2021. This decrease was primarily driven by the impact of a slowdown in consumer demand, resulting from the unprecedented inflation impacting our customer and permanent store closures, partially offset by the favorable impact of stores that were temporarily closed in Canada during Year-To-Date 2021.

Total e-commerce sales, which include postage and handling, were 47.5% of net retail sales and 44.0% of net sales during Year-To-Date 2022, compared to 45.7% and 43.7%, respectively, during Year-To-Date 2021.

*Gross profit* decreased $166.5 million to $434.4 million during Year-To-Date 2022, compared to $600.9 million during Year-To-Date 2021. Gross margin deleveraged 800 basis points to 34.7% of net sales during Year-To-Date 2022. The Year-To-Date 2022 results included a net credit of $0.6 million primarily related to the write-off of the lease liability and related right-of-use asset of a closed store. The Year-To-Date 2021 results included incremental expenses related to the COVID-19 pandemic, including personal protective equipment and incentive pay for our associates, of $1.4 million. Excluding the impact of these charges, gross margin deleveraged 820 basis points to 34.6% of net sales. The decrease was primarily the result of lower merchandise margins due to unplanned AUR pressure resulting from an abrupt slowdown in consumer demand, coupled with an increase in promotional activity across the sector, higher inbound transportation and supply chain expenses, and the deleverage of fixed expenses resulting from the decline in net sales.

Gross profit as a percentage of net sales is dependent upon a variety of factors, including changes in the relative sales mix among distribution channels, changes in the mix of products sold, the timing and level of promotional activities, foreign currency exchange rates, and fluctuations in material costs. These factors, among others, may cause gross profit as a percentage of net sales to fluctuate from period to period.

*Selling, general, and administrative expenses* decreased $7.4 million to $330.5 million during Year-To-Date 2022 from $337.9 million during Year-To-Date 2021. SG&A deleveraged 240 basis points to 26.4% of net sales during Year-To-Date 2022. The Year-To-Date 2022 results included incremental operating expenses, including fleet optimization costs of $1.0 million, professional and consulting fees of $0.7 million, a provision for foreign settlement of $0.4 million, and restructuring costs of $1.2 million. The Year-To-Date 2021 results included incremental operating expenses, including personal protective equipment and incentive pay for our associates, of $1.6 million, restructuring costs of $1.2 million, fleet optimization costs of $1.3 million, and contract termination costs of $0.8 million. Excluding the impact of these incremental charges, SG&A deleveraged 240 basis points to 26.1% of net sales, primarily as a result of the deleverage of fixed expenses resulting from the decline in net sales as well as higher planned marketing spend.

*Asset impairment charges* were $1.4 million during Year-To-Date 2022, inclusive of ROU assets, primarily related to four stores. Asset impairment charges were $1.3 million during Year-To-Date 2021, inclusive of ROU assets, for two stores.

*Depreciation and amortization* was $39.3 million during Year-To-Date 2022, compared to $44.2 million during Year-To-Date 2021. The decrease was primarily driven by reduced depreciation of capitalized software and the permanent closure of 45 stores during the past twelve months.

*Operating income* decreased $154.3 million to $63.3 million during Year-To-Date 2022 from $217.6 million during Year-To-Date 2021. Operating margin deleveraged 1,040 basis points to 5.1% of net sales during Year-To-Date 2022. The Year-To-Date 2022 results included incremental operating expenses of $4.8 million, compared to $9.8 million during Year-To-Date 2021. Excluding the impact of these incremental charges, operating margin deleveraged 1,080 basis points to 5.4% of net sales.

*Interest expense, net* was $8.1 million during Year-To-Date 2022, compared to $13.1 million during Year-To-Date 2021. The decrease was primarily driven by lower interest rates due to our refinancing in November 2021 and a lower Term Loan balance during Year-To-Date 2022.

*Provision for income taxes* was $5.8 million during Year-To-Date 2022 compared to $56.3 million during Year-To-Date 2021. Our effective tax rate was a provision of 10.5% and 27.5% during Year-To-Date 2022 and Year-To-Date 2021, respectively. The decrease in our effective income tax rate for Year-To-Date 2022 was primarily due to a decrease in the forecasted effective income tax rate resulting from a favorable mix of income on forecasted earnings compared to the prior year and the release of a reserve for unrecognized tax benefits as a result of a settlement with a taxing authority in the First Quarter 2022.

*Net income* decreased $98.8 million to $49.4 million, or $3.68 per diluted share during Year-To-Date 2022, compared to $148.2 million, or $9.89 per diluted share during Year-To-Date 2021, due to the factors discussed above.

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

Our working capital needs typically follow a seasonal pattern, peaking during the third fiscal quarter based on seasonal inventory purchases. Our primary uses of cash are for working capital requirements, which are principally inventory purchases, the financing of capital projects, including investments in new systems, and for our capital return program (other than payment of dividends, which continue to be temporarily suspended due to the COVID-19 pandemic).

On November 16, 2021, we completed the refinancing of our previous $360.0 million asset-based revolving credit facility (the "Previous ABL Credit Facility") and our previous $80.0 million term loan (the "Previous Term Loan") with a new lending group led by an affiliate of Wells Fargo Bank, National Association ("Wells Fargo") by entering into a fourth amendment to our Credit Agreement, dated as of May 9, 2019, with the lenders party thereto. The new debt consists of a revolving credit facility with $350.0 million of availability (the "ABL Credit Facility") and a $50.0 million term loan (the "Term Loan"). (See "ABL Credit Facility and Term Loan" below for further information).

Our working capital deficit increased $1.8 million to a deficit of $18.9 million at October 29, 2022, compared to a deficit of $17.1 million at October 30, 2021, primarily reflecting higher outstanding borrowings and payables, and a decrease in our cash balance, partially offset by a higher inventory balance, reflecting higher average unit costs, higher inbound transportation costs, and amounts on hand to support growth initiatives. During Year-To-Date 2022, we used $75.7 million of cash to repurchase shares, inclusive of shares repurchased and surrendered to cover tax withholdings associated with the vesting of equity awards.

At October 29, 2022, we had $265.0 million of outstanding borrowings and $77.6 million available for borrowing under our ABL Credit Facility. At October 29, 2022, we had $7.4 million of outstanding letters of credit with $42.6 million available for issuing letters of credit under our ABL Credit Facility.

We expect to be able to meet our working capital and capital expenditure requirements for the foreseeable future by using our cash on hand, cash flows from operations, and availability under our ABL Credit Facility.

### ABL Credit Facility and Term Loan

We and certain of our subsidiaries maintain a $350.0 million ABL Credit Facility and a $50.0 million Term Loan with Wells Fargo, Truist Bank, Bank of America, N.A., HSBC Business Credit (USA) Inc., and JPMorgan Chase Bank, N.A., as lenders (collectively, the "Lenders") and Wells Fargo, as Administrative Agent, Collateral Agent, Swing Line Lender and Term Agent. Both the ABL Credit Facility and the Term Loan mature in November 2026, and both of these debt facilities have lower interest rates, reduced reporting requirements, and increased flexibility under the covenants compared to the Previous ABL Credit Facility and Previous Term Loan.

The ABL Credit Facility includes a $25.0 million Canadian sublimit and a $50.0 million sublimit for standby and documentary letters of credit.

Borrowings outstanding under the ABL Credit Facility bear interest, at our option, at:

(i) the prime rate plus a margin of 0.375% or 0.625% based on the amount of our average excess availability under the facility; or

(ii) the London InterBank Offered Rate, or "LIBOR", for an interest period of one, three, or six months, as selected by us, plus a margin of 1.125% or 1.375% based on the amount of our average excess availability under the facility.

We are charged an unused line fee of 0.20% on the unused portion of the commitments. Letter of credit fees range from 0.563% to 0.683% for commercial letters of credit and range from 0.625% to 0.875% for standby letters of credit. Letter of credit fees are determined based on the amount of our average excess availability under the facility. The amount available for loans and letters of credit under the ABL Credit Facility is determined by a borrowing base consisting of certain credit card receivables, certain trade receivables, certain inventory, and the fair market value of certain real estate, subject to certain reserves.

The outstanding obligations under the ABL Credit Facility may be accelerated upon the occurrence of certain events, including, among others, non-payment, breach of covenants, the institution of insolvency proceedings, defaults under other material indebtedness, and a change of control, subject, in the case of certain defaults, to the expiration of applicable grace periods. We are not subject to any early termination fees.

The ABL Credit Facility contains covenants, which include conditions on stock buybacks and the payment of cash dividends or similar payments. These covenants also limit our ability to incur certain liens, to incur certain indebtedness, to make certain investments, acquisitions, or dispositions, or to change the nature of our business.

Credit extended under the ABL Credit Facility is secured by a first priority security interest in substantially all of our U.S. and Canadian assets other than intellectual property, certain furniture, fixtures, equipment, and pledges of subsidiary capital stock, and a second priority security interest in our intellectual property, certain furniture, fixtures, equipment, and pledges of subsidiary capital stock.

The table below presents the components of our ABL Credit Facility and Previous ABL Credit Facility:

| | October 29, 2022 | January 29, 2022 | October 30, 2021 |
|---|---|---|---|
| | | (in millions) | |
| Credit facility maximum | $ 350.0 | $ 350.0 | $ 36 |
| Borrowing base [1] | 350.0 | 279.7 | 36 |
| Outstanding borrowings | 265.0 | 175.3 | 17 |
| Letters of credit outstanding—standby | 7.4 | 7.4 | |
| Utilization of credit facility at end of period | 272.4 | 182.7 | 18 |
| Availability [2] | $ 77.6 | $ 97.0 | $ 17 |
| Interest rate at end of period | 4.8% | 1.6% | 3. |

| | Year-To-Date 2022 | Fiscal 2021 | Year-To-Date 2021 |
|---|---|---|---|
| Average end of day loan balance during the period | $ 273.1 | $ 187.0 | $ 195.0 |
| Highest end of day loan balance during the period | $ 297.6 | $ 269.7 | $ 269.7 |
| Average interest rate | 3.0% | 3.6% | 3.8% |

(1) Lower of the credit facility maximum or the total borrowing base collateral.

(2) The sub-limit availability for the letters of credit was $42.6 million at October 29, 2022, January 29, 2022, and October 30, 2021.

The Term Loan bears interest, payable monthly, at (a) the LIBOR Rate plus 2.50% for any portion that is a LIBOR loan, or (b) the base rate plus 1.75% for any portion that is a base rate loan. The Term Loan is pre-payable at any time without penalty, and does not require amortization. For the Third Quarter 2022 and Year-To-Date 2022, we recognized $0.6 million and $1.5 million, respectively, in interest expense related to the Term Loan.

The Term Loan is secured by a first priority security interest in our intellectual property, certain furniture, fixtures, equipment, and pledges of subsidiary capital stock, and a second priority security interest in the collateral securing the ABL Credit Facility on a first-priority basis. The Term Loan is guaranteed by each of our subsidiaries that guarantees the ABL Credit Facility and contains substantially the same covenants as provided in the ABL Credit Facility.

Both the ABL Credit Facility and the Term Loan contain customary events of default, which include (subject in certain cases to customary grace and cure periods), nonpayment of principal or interest, breach of covenants, failure to pay certain other indebtedness, and certain events of bankruptcy, insolvency or reorganization. As of October 29, 2022, unamortized deferred financing costs amounted to $2.4 million, of which $2.2 million related to our ABL Credit Facility.

**Cash Flows and Capital Expenditures**

Cash used in operating activities was $17.0 million during Year-To-Date 2022, compared to cash generated from operating activities of $67.4 million during Year-To-Date 2021. Cash used in operating activities during Year-To-Date 2022 was primarily the result of the timing of inventory receipts as a result of global supply chain disruptions, partially offset by earnings generated during the period, the receipt of a net income tax refund of $15.7 million, as well as other planned changes in working capital. Cash generated from operating activities during Year-To-Date 2021 was primarily the result of earnings generated during the period, partially offset by the repayment of certain suspended 2020 rents, net of abatements, as well as other planned changes in working capital, which brought our vendor payables in line with historical payment terms.

Cash used in investing activities was $31.6 million during Year-To-Date 2022, compared to $22.0 million during Year-To-Date 2021. The increase was driven by capital expenditures primarily related to digital and supply chain fulfillment initiatives.

Cash provided by financing activities was $14.0 million during Year-To-Date 2022, compared to cash used in financing activities of $41.9 million during Year-To-Date 2021. The increase primarily resulted from additional net borrowings under our asset-based revolving credit facility, partially offset by increased repurchases of our common stock during Year-To-Date 2022 compared to Year-To-Date 2021.

We anticipate total capital expenditures to approximate $45 million in Fiscal 2022, primarily related to digital and supply chain fulfillment initiatives, compared to $29.3 million in Fiscal 2021. Our ability to continue to meet our capital requirements in Fiscal 2022 depends on our cash on hand, our ability to generate cash flows from operations, and available borrowings under our ABL Credit Facility. Cash flows generated from operations depends on our ability to achieve our financial plans. We believe that our existing cash on hand, cash generated from operations, and funds available to us through our ABL Credit Facility will be sufficient to fund our capital and other cash requirements for the foreseeable future.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

In the normal course of business, our financial position and results of operations are routinely subject to market risk associated with interest rate movements on borrowings and investments and currency rate movements on non-U.S. dollar denominated assets, liabilities, income, and expenses. We utilize cash from operations and short-term borrowings to fund our working capital and investment needs.

**Cash and Cash Equivalents**

Cash and cash equivalents are normally invested in short-term financial instruments that will be used in operations within 90 days of the balance sheet date. Because of the short-term nature of these instruments, changes in interest rates would not materially affect their fair values.

**Interest Rates**

Our ABL Credit Facility bears interest at a floating rate equal to the prime rate or LIBOR, plus a calculated spread based on our average excess availability under the facility. As of October 29, 2022, we had $265.0 million in borrowings under our ABL Credit Facility. A 10% change in the prime rate or LIBOR interest rates would not have had a material impact on our interest expense.

Our Term Loan bears interest, payable monthly, at (a) the LIBOR Rate plus 2.50% for any portion that is a LIBOR loan, or (b) the base rate plus 1.75% for any portion that is a base rate loan. As of October 29, 2022, the outstanding balance of the Term Loan was $50.0 million. A 10% change in the three month LIBOR Rate would not have had a material impact on our interest expense.

**Assets and Liabilities of Foreign Subsidiaries**

Assets and liabilities outside the United States are primarily located in Canada and Hong Kong, where our investments in our subsidiaries are considered long-term. As of October 29, 2022, net assets in Canada and Hong Kong amounted to $40.0 million. A 10% increase or decrease in the Canadian and Hong Kong foreign currency exchange rates would increase or decrease the corresponding net investment by $4.0 million. All changes in the net investments in our foreign subsidiaries are recorded in other comprehensive income.

As of October 29, 2022, we had $14.3 million of our cash and cash equivalents held in foreign subsidiaries, of which $2.1 million was in Hong Kong and $7.9 million was in Canada.

**Foreign Operations**

We have exchange rate exposure primarily with respect to certain revenues and expenses denominated in Canadian dollars. As a result, fluctuations in exchange rates impact the amount of our reported sales and expenses. Assuming a 10% change in foreign currency exchange rates, the Third Quarter 2022 net sales would have decreased or increased by approximately $11.2 million, and total costs and expenses would have decreased or increased by approximately $13.4 million. Additionally, we have foreign currency denominated receivables and payables that, when settled, result in transaction gains or losses. A 10% change in foreign currency exchange rates would not result in a significant transaction gain or loss in earnings.

We import a vast majority of our merchandise from foreign countries, primarily Bangladesh, Ethiopia, Cambodia, Vietnam, India and China. Consequently, any significant or sudden change in the political, foreign trade, financial, banking, or currency policies and practices, or the occurrence of significant labor unrest in these countries, could have a material adverse impact on our business, financial position, results of operations, and cash flows.

## ITEM 4. CONTROLS AND PROCEDURES.

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are designed only to provide “reasonable assurance” that the controls and procedures will meet their objectives. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected.

Management, including our Chief Executive Officer and President and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of October 29, 2022. Based on that evaluation, our Chief Executive Officer and President and our Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level, as of October 29, 2022, to ensure that all information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to our management, including our principal executive, principal accounting, and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

**Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

Certain legal proceedings in which we are involved are discussed in "Note 7. Commitments and Contingencies" to the accompanying consolidated financial statements and Part I, Item 3 of our Annual Report on Form 10-K for the year ended January 29, 2022.

### ITEM 1A. RISK FACTORS.

There were no material changes to the risk factors disclosed in Item 1A of Part I in our Annual Report on Form 10-K for the year ended January 29, 2022.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

In March 2018, our Board of Directors authorized a $250.0 million share repurchase program (the "2018 Share Repurchase Program"). In November 2021, our Board of Directors approved another $250.0 million share repurchase program (the "2021 Share Repurchase Program"), which added to the then remaining availability under the 2018 Share Repurchase Program. Under these programs, we may repurchase shares on the open market at current market prices at the time of purchase or in privately negotiated transactions. The timing and actual number of shares repurchased under a program will depend on a variety of factors, including price, corporate and regulatory requirements, and other market and business conditions. We may suspend or discontinue the programs at any time and may thereafter reinstitute purchases, all without prior announcement.

Pursuant to our practice, including due to restrictions imposed by our insider trading policy during black-out periods, we withhold and repurchase shares of vesting stock awards and make payments to taxing authorities as required by law to satisfy the withholding tax requirements of all equity award recipients. Our payment of the withholding taxes in exchange for the surrendered shares constitutes a repurchase of our common stock. We also acquire shares of our common stock in conjunction with liabilities owed under our deferred compensation plan, which are held in treasury.

The following table provides a month-by-month summary of our share repurchase activity during the Third Quarter 2022:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value (in thousands) of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| 7/31/22-8/27/22 (1) | 4,703 | $ 47.28 | 3,104 | $ 195,915 |
| 8/28/22-10/1/22 (2) | 109 | 41.47 | 109 | 195,910 |
| 10/2/22-10/29/22 (3) | 430,696 | 40.71 | 430,696 | 178,379 |
| Total | 435,508 | $ 40.78 | 433,909 | $ 178,379 |

(1) Includes 1,599 shares acquired as treasury stock as directed by participants in the deferred compensation plan and 3,104 shares withheld to cover taxes in conjunction with the vesting of stock awards.

(2) Includes 109 shares withheld to cover taxes in conjunction with the vesting of stock awards.

(3) Includes 756 shares withheld to cover taxes in conjunction with the vesting of stock awards.

## ITEM 6. EXHIBITS.

The following exhibits are filed with this Quarterly Report on Form 10-Q:

| | |
|---|---|
| 10.1 | Agreement and General Release dated September 6, 2022 between The Children's Place Services Company, LLC and Robert Helm. |
| 10.2 | Letter Agreement dated October 16, 2022 between The Children's Place Services Company, LLC and Sheamus Toal. |
| 31.1(+) | Certificate of Principal Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002. |
| 31.2(+) | Certificate of Principal Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002. |
| 32(+) | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | XBRL Instance Document. |
| 101.SCH* | XBRL Taxonomy Extension Schema. |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase. |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase. |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase. |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase. |

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(+) Filed herewith.

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

THE CHILDREN'S PLACE, INC.

| | | |
|---|---|---|
| Date: November 30, 2022 | By: | /S/ Jane T. Elfers |
| | | Jane T. Elfers<br>*Chief Executive Officer and President*<br>*(Principal Executive Officer)* |
| Date: November 30, 2022 | By: | /S/ Sheamus Toal |
| | | Sheamus Toal<br>*Chief Financial Officer*<br>*(Principal Financial Officer and Principal Accounting Officer)* |

## AGREEMENT AND GENERAL RELEASE

This Agreement and General Release (the "Agreement") is made as of the 6th day of September, 2022 between Robert Helm (the "Employee") and The Children's Place Services Company, LLC and its parents and direct and indirect subsidiaries and affiliated corporations, limited liability companies, partnerships and other business organizations (collectively, the "Employer" or the "Company").

1. Departure. The Employer and Employee acknowledge and agree that the Employee's last day of employment with the Company will be the earlier of October 2, 2022 and the date set forth in a notice, if any, given by the Company to the Employee as set for the in Paragraph 15 below setting forth an earlier date (the "Departure Date"). The Company agrees to pay the Employee his salary through October 2, 2022, notwithstanding the giving of any such notice.

2. Prior to the Departure Date. Prior to the Departure Date, the Employee's employment with the Company shall be on the terms and conditions set forth herein and, subject to the following sentence, in the letter agreement between the Employee and the Company dated February 16, 2021 (the "Letter Agreement") attached hereto as part of Exhibit A. Prior to the Departure Date, as mutually agreed by the Employer and the Employee, the Employee shall continue to perform the Employee's duties and carry out the Employee's responsibilities as the Chief Financial Officer of the Company, and shall cooperate with the Company in the orderly transition of such duties and responsibilities to other associates of the Company, all as and to the extent directed by the Chief Executive Officer of the Company.

3. Consideration. (a) In consideration for the Employee's execution, delivery and non-revocation of this Agreement and of the Reaffirmation (as defined in Paragraph 3(b) below), including the Employee's agreements set forth in Paragraphs 1 and 2 above, and Paragraph 3(b) below, provided the Employee has not terminated his employment with the Company after the date hereof and prior to the Departure Date, (i) the Employer shall pay to the Employee the amount of Two Hundred Sixty Two Thousand Five Hundred Dollars and Zero Cents ($262,500.00), less legally required payroll deductions, which amount shall be paid in thirteen (13) equal bi-weekly installments commencing with the first pay period following the Revocation Period (as defined in Paragraph 3(b) below), subject to the terms and conditions contained herein and (ii) the Employer agrees to waive the applicable premium cost that the Employee would otherwise pay for continued group health insurance benefit coverage under COBRA for the above thirteen (13) bi-weekly period of salary continuation payments, subject to the terms and conditions hereof. The Employee agrees that the Employee shall promptly notify the Employer of the Employee's commencement of other employment(s) or engagement(s), whether as an employee, consultant, or otherwise, whether with another entity, person or other third party or on his own behalf (collectively, the "Other Engagement"). In the event that the Employee becomes covered by health insurance benefit coverage in connection with the Other Engagement, the waiver of premiums and COBRA coverage provided for in clause (ii) above shall cease.

(b) In consideration for the Employer's agreements set forth herein, including in Paragraphs 1 and 2 above, and as material conditions to the Employee's receipt of the payments and benefits set forth in Paragraph 3(a) above, the Employee shall: (i) execute and deliver to the Company the Reaffirmation of Agreement (the "Reaffirmation") attached hereto as Exhibit B on, or within five (5) business days following, but not before, the Departure Date and (ii) not revoke the Reaffirmation within the revocation period set forth therein (the "Revocation Period").

4. Acknowledgments Regarding Payments and Benefits. The Employee acknowledges and agrees that the consideration set forth in Paragraph 3(a) of this Agreement fully satisfies the amount, if any, that the Employee may be entitled to under any offer letter, employment agreement or equity or other award agreement, verbal or written, as well as any bonus, long-term incentive or other compensation or benefit plan or program, employment or personnel policies, procedures or handbooks, including but not limited to, severance plans, guidelines, policies or precedents utilized by the Employer, or any other legal obligation which the Employer may have to the Employee. The Employee acknowledges and agrees that any monetary or other benefits and consideration which, prior to the execution of this Agreement, the Employee may have earned or accrued or to which the Employee may have been entitled to be paid or to receive prior to the execution of this Agreement, have been fully paid, received or addressed in this Agreement, or such payments or other benefits and consideration have been released, waived or settled by the Employee pursuant to this Agreement. The Employee acknowledges and agrees that the Employee is not entitled to and will not seek any further payments, benefits or other consideration, including, but not limited to, any salary, wages, vacation pay, sick pay, disability pay, severance, bonus, or other compensation or benefit of any kind (including equity-based compensation), from the Released Parties (as defined in Paragraph 11 below) other than that the Employee is to receive in accordance with Paragraph 3(a) above, subject to the terms and conditions of this Agreement. The Employee acknowledges and agrees that the Employee shall not accrue any awards or rights pursuant to any equity plan or program, or bonus or other compensation or benefit plan or program of the Company and shall forfeit any and all rights to any awards or payments under any such plans or programs to the extent not vested, paid and received on or prior to the Departure Date.

5. Return of Company Property. On the Departure Date, the Employee shall immediately return to the Company all laptops, cellular telephones, iPhones, iPads, blackberries, keys, locks, credit cards, key cards, documents, records, materials, and other information of any type whatsoever that is the property of the Company or its affiliates. The Employee further agrees that, on such date, the Employee shall not retain and shall immediately return any copies, images, or reproductions of correspondence, memoranda, reports, financial information, notebooks, drawings, photographs, or other documents relating in any way to the business and affairs of the Company, its affiliates or their respective vendors, suppliers, landlords or other third-parties.

6. Consultation with Counsel and Voluntariness of Agreement.

(a) The Employee acknowledges and agrees that the Employer has advised the Employee in writing to consult with an attorney at the Employee’s own expense prior to executing this Agreement. The Employee further acknowledges and agrees that, to the extent desired, the Employee has consulted with the Employee’s own attorney in reviewing this Agreement, and that before executing, this Agreement, the Employee has carefully read and fully understands all the provisions of this Agreement, and that the Employee is voluntarily entering into this Agreement.

(b) The Employee further acknowledges and agrees that the Employee has had a period of at least twenty-one (21) days in which to consider the terms of this Agreement and that changes to this Agreement, whether material or immaterial, do not restart the running of the 21-day period.

(c) Unless revoked as provided below in this clause (c), this Agreement shall be effective and enforceable on the eighth (8th) day after execution and delivery of this Agreement to the Employer by the Employee. The parties to this Agreement understand and agree that the Employee may revoke this Agreement after having executed and delivered it to the Employer by so advising the Employer in writing no later than 11:59 p.m. on the seventh (7th) day after the

Employee's execution and delivery of this Agreement to the Employer. If the Employee revokes this Agreement in a timely manner, this Agreement shall not be effective or enforceable (except as set forth in this sentence), and the Employee shall not be entitled to receive the payments, deliveries, benefits or other consideration under Paragraph 3(a) above or to any other right or entitlement under this Agreement, and the Employee shall be deemed to have resigned from his employment with the Company and his employment with the Company shall terminate.

7. Nondisclosure/Nondisparagement. Except as otherwise provided in Paragraph 19, the Employee will not disclose the existence of this Agreement or the terms and conditions of this Agreement to any person or entity, except: (i) to comply with this Agreement; (ii) to the Employee's legal, financial or tax advisors, immediate family members, and to the Internal Revenue Service to any similar state or local taxation authority; or (iii) as otherwise required by law. Except as otherwise provided in Paragraph 19, the Employee agrees that the Employee will not publicly or privately disparage, demean, or impugn the reputation of, or encourage, assist or direct another person or entity to, publicly or privately disparage, demean, or impugn the reputation of, the Company, the way it conducts its business and affairs, or any of the Company's products, services, affiliates, suppliers, vendors, or current or former officers, directors, trustees, employees, agents, administrators, representatives or fiduciaries.

8. Continuing Agreements. The Employee acknowledges and agrees that the Employee is, and following the Departure Date, will continue to be, bound by the terms of (i) the Confidentiality, Work Product and Nonsolicitation Agreement ("Confidentiality Agreement"), attached hereto as part of Exhibit A, and (ii) the "Non-Compete" provision ("Provision") contained in the Letter Agreement, which Letter Agreement is also attached hereto as part of Exhibit A, and the terms and conditions of the Confidentiality Agreement and the Provision shall continue in full force and effect following the Departure Date and are hereby incorporated into this Agreement.

9. <u>No Interference With Business Operations</u>.

(a) The Employee agrees that for a period of twelve (12) months following the Departure Date, the Employee will not directly or indirectly interfere with, disrupt or attempt to interfere with or disrupt the relationship, contractual or otherwise, between the Company and any of its vendors, suppliers, consultants, lessors, franchisees, wholesale customers, independent contractors, agents, employees, or any operator or owner of an internet (e-commerce) site with whom the Company does business on, or during the six (6) months immediately preceding, the Departure Date.

(b) The Employee acknowledges and agrees that the restrictions on the activities in which the Employee may engage that are set forth in Paragraph 9(a) above, in the Confidentiality Agreement and in the Provision, and the location and period of time for which such restrictions apply, are reasonable and necessary to protect the Company's legitimate business interests. The Employee understands and acknowledges that the Company's business is global and, accordingly, the foregoing restrictions cannot be limited to any particular geographic area. The Employee acknowledges and agrees that the restrictions contained in this Agreement will not prevent the Employee from earning a livelihood.

10. <u>Injunctive Relief</u>. The Employee acknowledges and agrees that a breach or threatened breach of any of the terms set forth in Paragraphs 5, 7, 8, 9, 14 or 15 of this Agreement by the Employee shall result in an immediate irreparable and continuing harm to the Employer for which there may be no adequate remedy of law. The Employer shall, without posting a bond, be entitled to seek injunctive and other equitable relief, in addition to any other remedies available to the Employer, in connection with Paragraphs 5, 7, 8, 9, 14 or 15 of this Agreement.

11. <u>Employee Release of Employer and Released Parties</u>.

(c) In exchange for the consideration and agreements set forth herein, the Employee, on behalf of the Employee and the Employee's agents, assignees, attorneys, heirs, executors and administrators, voluntarily, knowingly, unconditionally and irrevocably releases the Employer, as well as the Employer's successors, predecessors, assigns, parents, subsidiaries, divisions, affiliates, officers, directors, shareholders, employees, agents, representatives and fiduciaries, in both their individual and representative capacities (collectively, the "<u>Released Parties</u>"), from any and all claims, causes of action, suits, grievances, debts, sums of money, agreements, promises, damages, back and front pay, costs, expenses, and attorneys' fees by reason of any matter, cause, act or omission arising out of or in connection with the Employee's employment with the Employer or termination therefrom, including but not limited to any claims based upon common law, or any federal, state or local employment statutes or civil rights laws (hereafter the "<u>Claims</u>"). Claims, as included in this release, without limiting its scope, are claims arising under Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act ("<u>ADEA</u>"); the Older Workers Benefit Protection Act (the <u>OWBPA</u>"); the Americans with Disabilities Act; the Lily Ledbetter Act; the Employee Retirement Income Security Act of 1974; the New Jersey Conscientious Employee Protection Act; the New Jersey Law Against Discrimination; the New Jersey Family Leave Act; the New Jersey Wage Payment Act; the Sarbanes-Oxley Act of 2002; the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; and any other laws prohibiting or covering discrimination, retaliation, wrongful termination, failure to pay wages, breach of contract, defamation, invasion of privacy, whistleblowing or infliction of emotional distress, or any other matter. This release releases all Claims, including those of which the Employee is not aware and those not mentioned in this Agreement, up to the date of the execution and delivery of this Agreement to the Company. The Employee expressly acknowledges and agrees that, by entering into this Agreement, the Employee is releasing and waiving any and all Claims, including, without limitation, claims that the Employee may have arising under ADEA, which have arisen on or before the date of the Employee's execution and delivery of this Agreement to the Employer.

(d) This release does not waive rights or claims that may arise after this release is executed, including any right or claim to enforce the terms of this Agreement, and does not waive any rights or Claims hereunder or which cannot be waived as a matter of law.

(e) Notwithstanding anything set forth in this Agreement to the contrary, nothing in this Agreement shall affect or be used to interfere with the Employee's protected right to test in any court, under the OWBPA, or like statute or regulation, the validity of the waiver of rights under ADEA set forth in this Agreement.

12. Representations. (a) Except as otherwise provided in Paragraph 19, the Employee hereby represents and warrants to the Released Parties that: (a) as of the date of this Agreement, the Employee has not filed, caused, or permitted to be filed any pending lawsuit or complaint against any of the Released Parties, nor has the Employee agreed to do any of the foregoing; and (b) the Employee has not assigned, transferred, sold, encumbered, pledged, hypothecated, mortgaged, distributed, or otherwise disposed of or conveyed to any third party any right or Claim against any of the Released Parties that has been released in this Agreement.

(b) The Employee represents and warrants that the Employee: (i) has not made any misrepresentations or engaged in any misconduct or malfeasance during the Employee's employment that would constitute a material violation under the Company's Code of Business Conduct; (ii) is not aware of any misconduct or malfeasance by any employee, agent, independent contractor or director of the Company that the Employee should report in accordance with the Company's Code of Business Conduct; and (iii) is not aware of any irregularity in the Company's books or records, or any other matter relating to the Company's operations, policies or practices or to the Company's financial disclosures or accounting, that should properly be reported by the Employee pursuant to the procedures established by the Company for making such reports, except any that has already been reported by the Employee in writing to the appropriate personnel of the Company.

13. Removal from Company Positions and Indemnification. The Employee agrees that as of the Departure Date, the Employee hereby resigns from all positions held on behalf of the Company, including but not limited to, officer, director, agent, representative, trustee, administrator, fiduciary and signatory; it being agreed that following the date of this Agreement, in complying with his agreements set forth in Paragraph 2 above, the Employee will act as a fiduciary or signatory of the Company only as agreed to by the Employee. In addition, with respect to all acts or omissions of the Employee which occurred prior to the Departure Date, the Company agrees to continue to indemnify the Employee to the same extent that the Employee was indemnified prior to the Departure Date and that the Employee shall retain the benefit of all directors and officers liability insurance and coverage maintained by the Company with respect to claims made during the period provided by the Company's current policy and to the extent provided by any future policy from time to time maintained by the Company with respect to other former executives of the Company, in each case on the terms and conditions of such policy(s).

14. Cooperation. Except as otherwise provided in Paragraph 19, for a period of twelve (12) months following the Departure Date, the Employee shall furnish such information as may be in the Employee's possession to, and cooperate with, the Company as may reasonably be requested by the Company, including in the orderly transfer of the Employee's duties and responsibilities to other officers of the Company, or in connection with any litigation, regulatory proceeding, inquiry, matter, or other proceeding in which the Company is or may be involved or a party. The Employee shall execute and deliver to the Company such instruments and

documents, as may be reasonably requested by the Company, including to evidence that contained in the first sentence of Paragraph 13 above.

15. Violation of Terms. Should the Employee violate any provision of this Agreement in a material way, which violation remains uncured for a period of five (5) business days after written notice of such violation is provided to the Employee by the Employer by mail or courier to 18 Harvest Road, New City, NY 10956 or by email to rfhelmjr@gmail.com, or should the Employee contest or seek to contest the validity or enforceability of Paragraph 11 above (other than as set forth in Paragraph 11(c) above), then, in addition to all other damages or legal remedies available to the Employer (including without limitation, injunctive relief), the Employee shall immediately return to the Employer all monies paid and benefits provided to the Employee pursuant to Paragraph 3(a) of this Agreement, less $10,000. The Employee agrees that if the Employee is required to return such payments and benefits, this Agreement shall continue to be binding on the Employee and the Released Parties shall be entitled to enforce the provisions of this Agreement as if the payments, provision and deliveries had not been repaid or returned to the Company, and the Company shall have no further obligations to pay, provide or deliver to the Employee any of the payments, benefits or other consideration set forth in Paragraph 3(a) of this Agreement or otherwise. Should the Employer violate any provision of this Agreement, then the Employee shall have all remedies and civil actions available to remedy the Employee's damages. The parties agree that, should either party seek to enforce the terms of this Agreement through mediation, arbitration or litigation, then the prevailing party, in addition to all other legal remedies, shall be reimbursed by the other party for all reasonable attorneys' fees in relation to such mediation, arbitration or litigation. However, in accordance with applicable laws, if the Employee commences a proceeding under the OWBPA and/or the ADEA to challenge the validity of the release contained herein and prevails on the merits of an ADEA claim, the above shall not apply, and the court shall have discretion to determine whether the Company is entitled to restitution, recoupment or set off (a "reduction") against a monetary or other award obtained by the Employee, which cannot exceed the amount the Employee recovers or the amount the Employee received pursuant to this Agreement, whichever is less.

16. No Admission. Nothing contained in this Agreement nor the fact that the parties have signed this Agreement shall be construed as an admission by either party.

17. Waiver of Reinstatement. By entering into this Agreement, the Employee acknowledges and agrees that the Employee waives any claim to reinstatement following the Departure Date, and/or future employment with the Employer.

18. Section 409A of the Code. The Employee hereby acknowledges and agrees with the Company that the interpretation of Section 409A of the Internal Revenue Code (the "Code") and its application to the terms of this Agreement is uncertain and may be subject to change as additional guidance and interpretations become available. Anything to the contrary herein notwithstanding, all benefits or payments provided by the Company to the Employee that would be deemed to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code are intended to comply with Section 409A of the Code. If, however, any such benefit or payment is deemed to not comply with Section 409A of the Code, the Employee and the Company agree to renegotiate in good faith any such benefit or payment (including, without limitation, as to the timing of any payment payable hereof), if possible, so that either (i) Section 409A of the Code will not apply or (ii) compliance with Section 409A of the Code will be achieved. Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments. The Company shall consult with the Employee in good faith regarding the implementation of the provisions of this Paragraph 18; provided, that neither the Company nor any of its employees or representatives shall have any liability to the Employee with respect to Section 409A of the Code.

19. Exceptions. Nothing in this Agreement is intended to waive claims (i) for unemployment or workers' compensation benefits, (ii) for vested rights under ERISA-covered employee benefit plans as applicable on the date the Employee signs this Agreement, (iii) that may arise after the Employee signs this Agreement, or (iv) which cannot be released by private agreement. In addition, nothing in this Agreement including but not limited to the release of Claims, proprietary information, confidentiality, cooperation, and non-disparagement provisions, prevent the Employee from filing a charge or complaint with or from voluntarily participating in an investigation or proceeding conducted by the EEOC, or any other any federal, state or local agency charged with the enforcement of any laws, although by signing this Agreement the Employee is waiving rights to individual relief based on claims asserted in such a charge or complaint, except where such a waiver of individual relief is prohibited.

20. Miscellaneous. This Agreement contains the entire understanding and agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any and all previous agreements, offer letters or other binding provisions, whether written or oral, between the Employee and the Employer. There are no other representations, agreements or understandings, oral or written, between the parties relating to the subject matter of this Agreement. No amendment to or modification of this Agreement shall be valid unless made in writing and executed by the parties hereto subsequent to the date of this Agreement. This Agreement may be executed in counterparts, including by fax or pdf, and all counterparts so executed shall constitute one agreement, binding upon the parties hereto. This Agreement shall be binding upon and inure to the benefit of the parties, as well as their administrators, representatives, agents, executors, successors and assigns.

21. Choice of Law and Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey applicable to contracts made and performed in such State and without regard to the conflicts or choice of law provisions thereof that would give rise to the application of the substantive law of any other jurisdiction. Except in the event the Company seeks to enforce its rights under Paragraphs 5, 7, 8, 9, 14 or 15 of this Agreement, or in the event the Employee seeks to enforce his rights under the third or fourth sentences of Paragraph 15 of this Agreement, the parties agree to mediate any dispute arising under this Agreement. In the event of any such dispute subject to mediation, the parties, within thirty (30) days of a written request for mediation, shall attend a mediation to be conducted in New Jersey in order to make a good faith reasonable effort to resolve such dispute. The parties shall attempt, in good faith, to agree to a mediator. If the parties are unable to agree to a mediator, the parties shall submit the matter to the American Arbitration Association to appoint a mediator and conduct the mediation in New Jersey. If this good faith mediation effort fails to resolve the dispute arising under this Agreement or in the event the Company seeks to enforce its rights under Paragraphs 5, 7, 8, 9, 14 or 15 of this Agreement, or in the event the Employee seeks to enforce his rights under the third or fourth sentences of Paragraph 15 of this Agreement, then either party may commence a legal suit, action or proceeding to resolve such dispute, provided that such legal suit, action or proceeding arising out of or relating to this Agreement shall be instituted in a New Jersey federal or state court. The Employee and Employer agree to waive any objection which either may now or hereafter have to the laying of venue of any such suit, action or proceeding and the Employee and Employer irrevocably submit to the exclusive jurisdiction of any such court in any suit, action or proceeding.

22. Severability. If any term, provision or part of this Agreement shall be determined to be in conflict with any applicable federal, state or other governmental law or regulation, or otherwise shall be invalid or unlawful, such term, provision or part shall continue in effect to the extent permitted by such law or regulation. Such invalidity, unenforceability or unlawfulness shall not affect or impair any other terms, provisions and parts of this Agreement not in conflict, invalid or unlawful, and such terms, provisions and parts shall continue in full force and effect and remain binding upon the parties hereto.

23. Confirmation of Employment. The Employee shall direct all reference requests to the Company's automated reference service (The Work Number at 1-800-367-5690; Employer Code 10048) and consistent with the Company's general policy regarding requests for employee references, the Company shall provide the Employee's dates of employment and position.

[The remainder of this page is intentionally left blank.]

THE EMPLOYEE STATES THAT THE EMPLOYEE HAS CAREFULLY READ THIS AGREEMENT PRIOR TO SIGNING IT, THAT THE AGREEMENT HAS BEEN FULLY EXPLAINED TO THE EMPLOYEE PRIOR TO SIGNING IT, THAT THE EMPLOYEE HAS HAD THE OPPORTUNITY TO HAVE IT REVIEWED BY AN ATTORNEY AT THE EMPLOYEE'S OWN EXPENSE AND THE EMPLOYEE UNDERSTANDS THE AGREEMENT'S FINAL AND BINDING EFFECT PRIOR TO SIGNING IT, AND THAT THE EMPLOYEE IS SIGNING THIS AGREEMENT (INCLUDING THE RELEASE CONTAINED HEREIN) KNOWINGLY AND VOLUNTARILY, AND WITH THE FULL INTENTION OF COMPROMISING, SETTLING, AND RELEASING THE RELEASED PARTIES AS STATED IN THIS AGREEMENT.

Agreed to and accepted by, on this 6th day of September, 2022.

EMPLOYEE:

/s/ Robert Helm

Name: Robert Helm

Agreed to and accepted by, on this 6th day of September, 2022.

THE CHILDREN'S PLACE SERVICES COMPANY, LLC:

By: /s/ Jane Elfers

Name: Jane Elfers
Title: President and Chief Executive Officer

EXHIBIT A

**Letter Agreement dated February 16, 2021 (including the Provision)**

**and**

**Confidentiality, Work Product and Non-Solicitation Agreement**

EXHIBIT B

**REAFFIRMATION OF AGREMEENT**

**This Reaffirmation must be executed and delivered to the Company (Attn: Senior Vice President, Human Resources) on, or within five (5) business days following (but not before), the Departure Date**

1. Capitalized terms used but not defined in this Reaffirmation of Agreement (the "Reaffirmation") shall have the meaning set forth in the Agreement and General Release between Robert Helm ("you") and the Company, dated as of September 6, 2022 (the "Agreement"), to which this Reaffirmation is attached.

2. You hereby affirm the validity of the general release of the Released Parties set forth in Paragraph 11 of the Agreement and all other provisions of the Agreement. You also affirm that you are not in default of any provision of the Agreement. You acknowledge and agree that the Agreement is complete, true, accurate, valid and remains in full force and effect.

3. In consideration of the payments, benefits, other consideration and agreements set forth in the Agreement, including Paragraph 3(a) thereof, you hereby voluntarily, knowingly, unconditionally and irrevocably release, waive, discharge and give up, to the full extent permitted by law, any and all Claims (as defined below) that you may have against any of the Released Parties, arising on or prior to the date of your execution and delivery of this Reaffirmation to the Company. "Claims" shall have the meaning set forth in Paragraph 11 of the Agreement. This Section 3 releases all Claims, including those of which you are not aware and those not mentioned in the Agreement or this Reaffirmation. You specifically release any and all Claims arising out of your employment with the Company or the termination therefrom. You expressly acknowledge and agree that, by entering into this Reaffirmation, you are releasing, waiving, discharging ad giving up any and all Claims which have arisen on or before the date of your execution and delivery of this Reaffirmation to the Company.

4. The Company and you acknowledge and agree that neither the Agreement nor this Reaffirmation waive rights or claims that may arise after this Reaffirmation is executed and delivered to the Company, including any right or claim to enforce the terms of the Agreement, and does not waive any rights or Claims which cannot be waived as a matter of law. Notwithstanding anything set forth in the Agreement or this Reaffirmation to the contrary, nothing in the Agreement or this Reaffirmation shall affect or be used to interfere with your protected right to test in any court, under the OWBPA, or like statute or regulation, the validity of the waiver of rights under ADEA set forth in the Agreement and this Reaffirmation.

5. (a) You acknowledge and agree that the Company has advised you in writing to consult with an attorney at your own expense prior to executing this Reaffirmation. You further acknowledge that, to the extent desired, you have consulted with your own attorney in reviewing

this Reaffirmation, that you have carefully read and fully understand all the provision of this Reaffirmation, and that you are voluntarily entering into this Reaffirmation.

(b) You further acknowledge and agree that you have a had a period of at least twenty-one (21) days in which to consider the terms of this Reaffirmation and changes to the Reaffirmation, whether material or immaterial, do not restart the running of the 21-day period.

(c) Unless revoked as provided below in this clause (c), this Reaffirmation shall be effective and enforceable on the eighth (8$^{th}$) day after execution and delivery of this Reaffirmation to the Company by you. The parties hereto understand and agree that you may revoke this Reaffirmation after having executed and delivered it to the Company by so advising the Company in writing no later than 11:59 p.m. on the seventh (7$^{th}$) day after your execution and delivery of this Reaffirmation to the Company. If you revoke this Reaffirmation in a timely manner, this Reaffirmation t shall not effective or enforceable.

Agreed to and accepted by, on this ____ day of _______, 2022.

By:_______________
Name: Robert Helm

Agreed to and accepted by, on this ____ day of _______, 2022.

THE CHILDREN'S PLACE SERVICES COMPANY, LLC

By:_______________
Name:
Title:

5 0 0 PLAZA DRIVE
SECAUCUS, NJ 07094
PHONE 201.453.6400

October 16, 2022

Sheamus Toal

Dear Sheamus,

On behalf of The Children's Place, it is my pleasure to confirm our offer of employment for the position of Senior Vice President, Chief Financial Officer, reporting to me. Your offer of employment is contingent upon the successful completion of your background check. Details of our offer are as follows:

- EFFECTIVE DATE: November 7, 2022
- ANNUAL BASE SALARY: $650,000.00

- BONUS: You will be eligible to participate in our annual management incentive plan beginning with fiscal 2023. Your target bonus will be 75% of your annual salary. You must be employed on the date of the bonus payout to be eligible to receive your bonus.

  We believe that achieving our annual financial and business objectives is important to executing our business strategy and delivering value to our shareholders. The Children's Place Management Incentive Plan (the "Bonus Plan") is designed to reward eligible associates for their role in achieving these objectives. The Company must meet threshold funding requirements in order to make bonus payments. The plan is funded based on Adjusted Operating Income achievement. Operating Income is reported on the Income Statement in the Company's 10K and is adjusted to exclude one-time or unusual items, including the effect of any change in accounting principles. Once the bonus pool is funded at a given level, the Company will consider an associate's target percentage. Actual bonus payouts may differ based on Company and individual performance. An associate must achieve an overall performance rating of "Meets All Expectations" at his or her annual review. The Company reserves the right to modify the plan at any time, with or without notice.

- PAYMENT FOR FOREGONE BONUS: You will be paid $100,000.00 within ten (10) business days of your employment commencement date, provided you are employed on such payment date. You agree that in the event that you voluntarily terminate your employment with the Company for any reason or you are terminated for Cause (as defined in the Change in Control Severance Agreement, as defined below) on or before November 7, 2023, you will repay to the Company the full amount of the payment to be paid pursuant to this paragraph within ten (10) business days of the date of termination of employment.

- NEW HIRE EQUITY AWARD: Based upon your position with the Company, you will receive an equity award. All equity awards are subject to the Company's Amended and Restated 2011 Equity Incentive Plan ("2011 Equity Plan") and must be awarded in accordance with the Company's Policy Regarding the Award of Equity-Based Incentives to Executives Officers and Other Employees (the "Equity Award Policy").

    1. Value of Award: An award valued at $1,700,000.00 with the number of shares constituting the award based on the closing stock price of the Company's Common Stock on the Grant Date, as defined below.
    2. Types of Awards. The award will be in the form of Time-Based RSUs and will be set forth in and subject to the 2022 form of TRSU Award Agreement heretofore approved by the Human Capital and Compensation Committee for TRSUs issued to executives who are Senior Vice Presidents and above.
    3. Grant Date. The grant date for Time-Based RSUs will be December 1, 2022 (the "Grant Date").
    4. Vesting of Time-Based RSUs. The Time-Based RSUs will vest as to 25%, 25% and 50% of the number of shares covered thereby on the first, second and third anniversaries of the Grant Date respectively.

- ANNUAL EQUITY AWARD: In 2023, you will be eligible to receive an equity award under the 2011 Equity Plan at the same time as other senior executives in the Company, with the value of this equity award to be $1,300,000.00, comprised of $650,000.00 in the form of Time-Based RSUs and $650,000.00 in the form of Performance-Based RSUs, and with the number of shares constituting this equity award being determined based on the closing stock price of the Company's Common Stock on the date of grant, all subject to the approval of the Compensation Committee of the Board of Directors and the Equity Award Policy.

- 401(k) PLAN: You will be eligible as of the first of the month following your commencement date to participate in The Children's Place 401(k) Savings Plan. Immediately upon enrollment, the Company will match on a dollar-for-dollar basis the first 3% of eligible pay you contribute each pay period and then $0.50 for every dollar you contribute between 4% and 5% of your eligible pay. You are 100% vested in the matching contributions. You will receive additional information during your new hire orientation.

- PAID TIME OFF: You will be eligible for 20 days of Paid Time Off (PTO) each fiscal year (February through January), subject to the Company's accrual policy. PTO accruals increase after 2 years of service, and again after 5 years of service. Full-time associates in New Jersey may carry over up to 40 hours of PTO time a year to the next fiscal year. You will not be paid out any accrued or unused PTO upon termination of employment. The number of days you are eligible to receive during the current fiscal year will be prorated based on your commencement date. Your PTO days do not include ten (10) Company paid holidays. The Company's PTO policy and Company paid holidays are subject to change annually. Please review the Corporate Time Off Policy for additional details.

- OTHER BENEFITS: You will be eligible as of the first of the month following your commencement date for other benefits (long term disability, health and life insurance) available to other associates at your level.

- CHANGE IN CONTROL: Subject to your execution and delivery to the Company of a Change in Control Severance Agreement (the "Change in Control Severance Agreement"), you will receive severance if you are terminated other than for Cause (as defined in the Change in Control Severance Agreement) or resign for Good Reason (as defined in the Change in Control Severance Agreement) in anticipation of, or subsequent to, a Change in Control (as defined in the Change in Control Severance Agreement). Under the Change in Control Severance Agreement, the severance period is 18 months. Treatment of your equity awards in connection with a Change in Control will be as set forth in the applicable equity award agreement. The terms of the equity award agreements are subject to change by the Compensation Committee at any time. Unless the Change in Control Severance Agreement is otherwise terminated earlier pursuant to its terms, it will remain in force for two years from the execution thereof and it will renew for additional one year periods unless the Company provides you with notice of nonrenewal at least 90 days prior to the second anniversary date thereof or, if renewed, at least 90 days prior to each subsequent renewal.

- SEVERANCE: In the event that you are terminated by the Company without Cause (as defined in the Change in Control Severance Agreement), the amount you will be entitled to will be the greater of (i) twelve month's severance in the form of salary continuation payments at your then current salary or (ii) the amount available to other associates at your level under the Company's severance guidelines, provided, in all cases, that such severance shall automatically and immediately be reduced by the amount of salary or other like compensation you receive from employment or engagement as an independent contractor during the applicable severance period with any other person or entity. Further, the Company agrees to waive the applicable premium cost that you would otherwise be required to pay for continued group health benefit coverage under COBRA for the corresponding period of severance as provided above unless otherwise prohibited under applicable law. All such payments are intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations there under such that no payment made, or benefit provided, to you hereunder shall be subject to an "additional tax" within the meaning of the Code. Receipt of the payments set forth in this paragraph are conditioned upon the execution and delivery of an agreement containing, among other terms, a release of claims, an agreement of confidentiality, and an agreement of non-solicitation and non-competition for a period of 12 months following termination in such form as the Company shall reasonably determine, which release of claims shall, to the extent permitted by law, waive all claims and actions against the Company and its employees, officers, directors, affiliates and such other related parties and entities as the Company chooses to include in the release.

- WITHHOLDING: The Company is authorized to withhold from any payment to be made hereunder to you such amounts for income tax, social security, unemployment compensation, excise taxes and other taxes and penalties as in the Company's judgment is required to comply with applicable laws and regulations.

- 409A COMPLIANCE: Notwithstanding anything in this offer letter to the contrary, if you are a "specified employee" (determined in accordance with Section 409A of the Code and Treasury Regulation Section 1.409A-3(i)(2)) as of the termination of your employment with the Company, and, if any payment, benefit or entitlement provided for in this offer letter or otherwise both (i) constitutes a "deferral of compensation" within the meaning of Section 409A of the Code and (ii) cannot be paid or provided in a manner otherwise provided herein or otherwise without subjecting you to additional tax, interest, and/or penalties under Section 409A of the Code, then any such payment, benefit or entitlement that is payable during the first six months following the date of your termination of employment shall be paid or provided to you (or your estate, if applicable) in a lump sum cash payment (together with interest on such amount during the period of such restriction at a rate, per annum, equal to the applicable federal short-term rate (compounded monthly) in effect under Section 1274(d) of the Code on the date of termination) on the earlier of (x) your death or (y) the first business day of the seventh calendar month immediately following the month in which your termination of employment occurs.

- CONFIDENTIALITY, ETC.: At the time of the commencement of your employment and as a condition of your employment, you will execute and deliver the Company's Confidentiality, Work Product, and Non-Solicitation Agreement.

- PRIOR EMPLOYMENT: During your employment with the Company, you shall not bring any of your prior employers' confidential information or trade secrets to any Company office or other location, or download any such confidential information or trade secrets onto any Company system or device. You further acknowledge that the Company expects and directs its associates to fully comply with any contractual and other legal obligations to their former employers, including any non-solicitation obligations and prohibitions on the unauthorized use or disclosure of confidential information and trade secrets. You represent that you do not have any restrictions, such as a non-compete with your prior employer, that would prohibit you from commencing employment with The Children's Place.

- INDEMNIFICATION/D&O: As an officer of the Company, you will be indemnified on the same terms and conditions, and will be covered by the Company's directors' and officers' insurance coverage, as other senior executives of the Company.

- NON-COMPETE: You agree that for a period of twelve (12) months following the date that you are no longer in the employ of the Company or any of its subsidiaries for any reason (the "Separation Date"), you will not, without the express prior written consent of the Company, anywhere, either directly or indirectly, whether alone or as an owner, shareholder, partner, member, joint venturer, officer, director, consultant, independent contractor, agent, employee or otherwise of any company or other business enterprise, assist in, engage in, be connected with or otherwise provide services or advice to, any business that is competitive with that of the Company. A "business that is competitive with that of the Company" is (i) one that designs, manufactures, contracts to manufacture or sells children's apparel, footwear or accessories, or intends so to do, and (ii) without limiting the generality of clause (i) above, any of the following companies, entities, or organizations, or any business enterprise that, directly or indirectly, owns, operates or is affiliated with any of the following companies or brands operated by any of the following companies: Carter's, Inc., The Gap, Inc., J. Crew Group, Inc., Target Corporation, Kohl's Corporation, Walmart Inc., Primark, Amazon.com, Inc., Hennes & Mauritz AB (H&M), or Zara SA, or, in any case, any of their respective subsidiaries, affiliates or related businesses (a "Competitive Business"). Notwithstanding the foregoing, nothing herein shall be deemed to prohibit your ownership of less than 1% of the outstanding shares of any publicly traded corporation that conducts a Competitive Business.

  You acknowledge and agree that the restrictions on the activities in which you may engage that are set forth above, and the location and period of time for which such restrictions apply, are reasonable and necessary to protect the Company's legitimate business interests. You acknowledge and agree that the Company's business is global and, accordingly, the foregoing restrictions cannot be limited to any particular geographic area. You acknowledge and agree that the foregoing restrictions will not prevent you from earning a livelihood.

  In consideration for the Company's agreements in this offer letter, you also acknowledge and agree that, in the event that you are no longer in the employ of the Company or any of its subsidiaries for any reason (whether termination of employment is voluntary or involuntary and whether termination of employment is affected by you or by the Company), the foregoing non-competition agreement will remain in full force and effect, and that the Company would not have entered into this offer letter unless such was the case.

- STOCK OWNERSHIP GUIDELINES: As a senior executive of the Company, you will be subject to stock ownership guidelines adopted from time to time by the Compensation Committee of the Company's Board of Directors. Please refer to the Stock Ownership Guidelines for Senior Executives document.
- GOVERNING LAW: This offer letter shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflict of laws principles.

Unless specifically stated in this offer letter, all terms and conditions of your employment are as provided by the policies and practices of The Children's Place, Inc. and its affiliates as in effect from time to time.

This offer of employment is not to be construed as an employment contract, expressed or implied, and it is specifically understood that your employment is at-will (this means that either you or the Company may terminate your employment at any time with or without cause) and further that there is no intent on the part of the Company or yourself, for continued employment of any specified period of time.

Sheamus, please give this offer your utmost consideration. We hope you will join our team and are confident that you will make a strong contribution to our continued growth and success. Should you have any questions concerning the specifics of our offer to you, or the benefit programs, please do not hesitate to reach out to Nancy Straface, Global Human Resources.

Please indicate your acceptance of and agreement with the foregoing by executing this offer letter and returning a copy to Nancy Straface.

Sincerely,

/s/ Jane Elfers

Jane Elfers
President & Chief Executive Officer

Agreed and Accepted:

| | |
|---|---|
| /s/ Sheamus Toal | 10/16/2022 |
| Sheamus Toal | Date |

**EXHIBIT 31.1**

**Certificate of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jane T. Elfers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Children's Place, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 30, 2022

By: /S/ JANE T. ELFERS

JANE T. ELFERS
*Chief Executive Officer and President*
*(Principal Executive Officer)*

**EXHIBIT 31.2**

**Certificate of Principal Financial Officer pursuant to**
**Section 302 of the Sarbanes-Oxley Act of 2002**

I, Sheamus Toal, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Children's Place, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 30, 2022

By: /S/ SHEAMUS TOAL
SHEAMUS TOAL
*Chief Financial Officer*
*(Principal Financial Officer and Principal Accounting Officer)*

**EXHIBIT 32**

**Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Jane T. Elfers, Chief Executive Officer and President of The Children's Place, Inc. (the "Company"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify that to my knowledge:

1. The Quarterly Report of the Company on Form 10-Q for the quarter ended October 29, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in such quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, I have executed this Certification this 30th day of November, 2022.

By: /S/ JANE T. ELFERS
*Chief Executive Officer and President*
*(Principal Executive Officer)*

I, Sheamus Toal, Chief Financial Officer of The Children's Place, Inc. (the "Company"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify that to my knowledge:

1. The Quarterly Report of the Company on Form 10-Q for the quarter ended October 29, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in such quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, I have executed this Certification this 30th day of November, 2022.

By: /S/ SHEAMUS TOAL
*Chief Financial Officer*
*(Principal Financial Officer and Principal Accounting Officer)*

This certification accompanies the Quarterly Report on Form 10-Q of The Children's Place, Inc. for the quarter ended October 29, 2022 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original copy of this written statement required by Section 906 of the Sarbanes Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission and its staff upon request.