

THE CHILDREN'S
PLACE

COMPANY OVERVIEW AS OF Q1 | 2018



SAFE HARBOR STATEMENT

Forward Looking Statements

- This press release, and the above referenced conference call, contains or may contain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to statements relating to the Company's strategic initiatives and adjusted net income per diluted share. Forward-looking statements typically are identified by use of terms such as "may," "will," "should," "plan," "project," "expect," "anticipate," "estimate" and similar words, although some forward-looking statements are expressed differently. These forward-looking statements are based upon the Company's current expectations and assumptions and are subject to various risks and uncertainties that could cause actual results and performance to differ materially. Some of these risks and uncertainties are described in the Company's filings with the Securities and Exchange Commission, including in the "Risk Factors" section of its annual report on Form 10-K for the fiscal year ended February 3, 2018. 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 the weakness in the economy which continue to affect the Company's target customer, the risk that the Company's strategic initiatives to increase sales and margin are delayed or do not result in anticipated improvements, the risk of delays, interruptions and disruptions in the Company's global supply chain, including resulting from foreign sources of supply in less developed countries or more politically unstable countries, the risk that the cost of raw materials or energy prices will increase beyond current expectations or that the Company is unable to offset cost increases through value engineering or price increases, and the uncertainty of weather patterns. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they were made. The Company undertakes no obligation to release publicly any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.*

INVESTMENT HIGHLIGHTS

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

- \$1.8 billion in revenue, strong brand awareness and market share
- Strategic plan being executed based on four pillars: 1) superior product, 2) business transformation through technology, 3) global growth through alternate channels of distribution and 4) store fleet optimization
- Successful execution of this strategy is driving operating margin expansion, robust capital returns and increasing shareholder value
- Experienced and talented management team focused on consistent execution and operational excellence
- As of May 5, 2018, the Company operated 1,002 stores in the United States, Canada and Puerto Rico, online stores in the US and Canada at www.childrensplace.com and had 200 international points of distribution in 20 countries, open and operated by its 8 franchise partners.



INVESTMENT HIGHLIGHTS (CONTINUED)

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

- Deep knowledge of core customer results in consistent delivery of trend-right product, with an attractive price/value proposition, increasing brand reach by introducing extended sizes
- Inventory management transformation began mid 2015. Deployment of several tools continues to drive margin expansion, with significant runway ahead
- Developing a personalized customer contact strategy based upon three areas of focus: 1) customer insights, 2) customer strategy and 3) digital delivery, consisting of omni channel initiatives and digital architecture upgrades
- Re-launched an enhanced loyalty program and introduced a new private label credit card program, increasing customer engagement, revenue and profitability
- Growing alternate channels of distribution with significant international and wholesale opportunities
- Closed 181 stores since 2013 as part of ongoing store fleet optimization initiative



STRATEGIC INITIATIVES

Realizing the benefits of a company-wide, multi-year business transformation focused on a four pillar strategy



- ✓ **SUPERIOR PRODUCT**
- ✓ **BUSINESS TRANSFORMATION THROUGH TECHNOLOGY**
- ✓ **GLOBAL GROWTH THROUGH ALTERNATE CHANNELS OF DISTRIBUTION**
- ✓ **STORE FLEET OPTIMIZATION**



Built upon a strong foundation of operational excellence driven by an experienced and talented management team

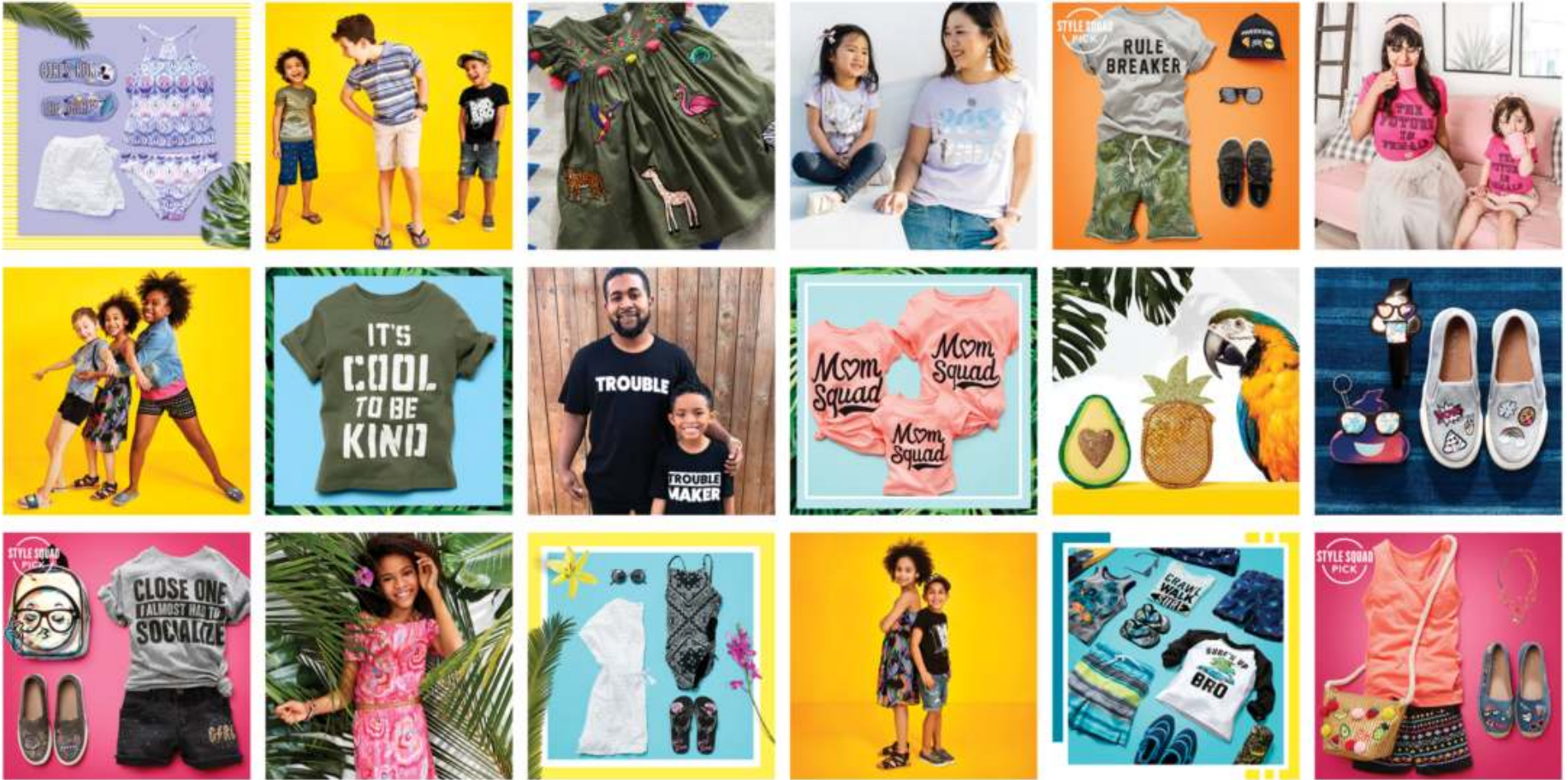
SUPERIOR PRODUCT

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

- Consistently strong customer response to product offering
- Continue to significantly differentiate and upgrade the look of our merchandise
- Trend-right and age-appropriate assortments, increasing reach with extended sizes
- Better able to service our customer by being in stock in key styles and sizes
- Balancing fashion and fashion basics with more frequent, wear now deliveries
- We also offer a full line of accessories and footwear so busy moms can quickly and easily put together head-to-toe outfits



SUMMER 2018



SUMMER 2018



BUSINESS TRANSFORMATION THROUGH TECHNOLOGY

Technology investments focused in the areas of Digital, Customer Engagement, Inventory Management, and Alternate Channels of Distribution are driving significant improvement in operating performance, with significant runway still ahead.

Capabilities	2015	2016	2017	2018
Digital	<ul style="list-style-type: none"> Organic Search Enhancements E-Receipt Launch 	<ul style="list-style-type: none"> Re-launched Loyalty Program Launched New Private Label Credit Card 	<ul style="list-style-type: none"> Personalized Customer Contact Strategy: <ul style="list-style-type: none"> Customer Insights Customer Strategy Digital Delivery –Digital Architecture Upgrades Mobile application enhancements 	<ul style="list-style-type: none"> Integrated data based acquisition, retention, and engagement strategies Auto trigger personalized email campaigns Dynamic Display retargeting Sophisticated paid search strategies Advanced and Predictive Analytics State of the Art Search Tool SMS Capabilities Mobile POS An advanced mobile app State of the art pricing, promotion, and coupon system State of the art loyalty system
Omni-Channel	<ul style="list-style-type: none"> Distributed Order Management 	<ul style="list-style-type: none"> Piloted Reserve Online – Pick Up in Store (ROPIS) 	<ul style="list-style-type: none"> Rolled out Buy Online – Pick Up in Store (BOPIS) to all stores Piloting Ship from Store Ship from Store roll out to US Connected Store 	<ul style="list-style-type: none"> Buy on line, ship to store (BOSS) Save a Sale foundation
Inventory Management	<ul style="list-style-type: none"> Allocation & Replenishment 	<ul style="list-style-type: none"> Order Planning & Forecasting Size & Pack Optimization Store Tiering 		
Alternate Channels of Distribution	<ul style="list-style-type: none"> EDI for Wholesale Product Development Enhancements 	<ul style="list-style-type: none"> Launched Amazon Replenishment Entered China via Tmall Developed Global UPC 		<ul style="list-style-type: none"> Partnership with Semir for China Amazon Fashion Replenishment

GROWTH THROUGH ALTERNATE CHANNELS OF DISTRIBUTION

INTERNATIONAL

- Operating in 20 countries through 8 franchise partners
- Stores, shop in shops and e-commerce launched in key markets
- Added 10 net points of distribution in Q1 2018 for a total of 200.
- Expect to add approximately 45 to 50 points of distribution in 2018.
- Partnered with Semir, owner of the #1 children's apparel retailer in China—Balabala, to open at least 300 locations in Greater China over first five years of the agreement and manage our ecommerce business in China.

ECOMMERCE

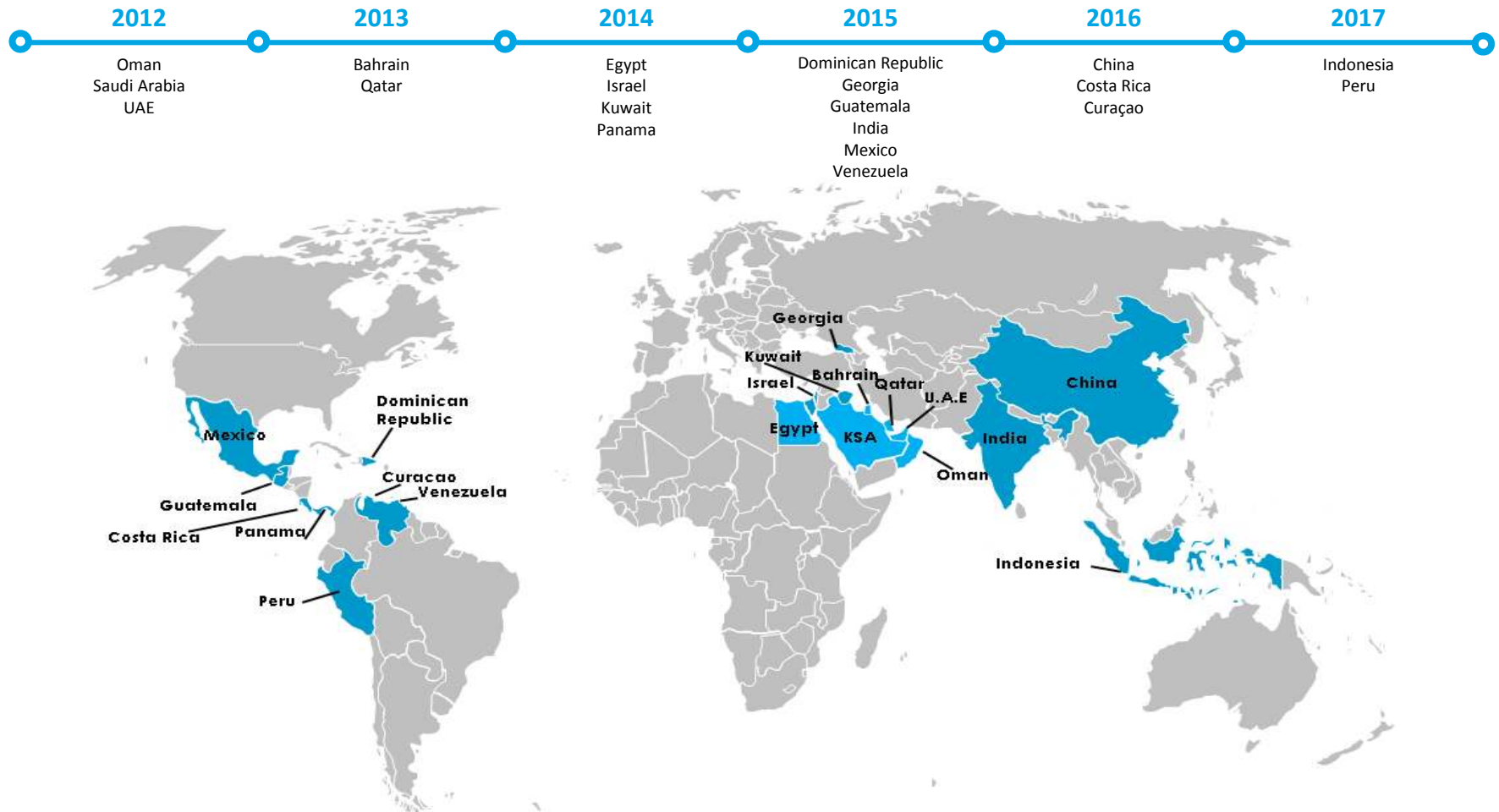
- Over 26% of total sales in Q1 2018.
- Penetration increased 700 bps from 2014 to 2017.
- Accelerating digital and omni-channel capabilities.

WHOLESALE

- Continued growth in replenishment program in basics and fashion with Amazon.
 - Identified additional styles and categories to add to the program.
- Launching TCP brand store with Amazon
- Participating in the launch of Amazon Prime Wardrobe
- Focus on the growing off-price and club channels.

GLOBAL OMNI-CHANNEL RETAILER

Have 200 international points of distribution in 20 countries at the end of Q1 2018 outside U.S./Canada, consisting of brick and mortar stores, shop-in-shops and e-commerce. We expect to add 45 to 50 points of distribution in 2018.



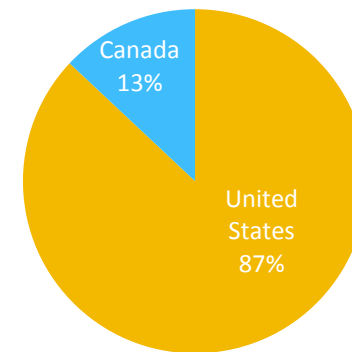
STORE FLEET OPTIMIZATION

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

- 181 stores closed in the period 2013 through Q1 2018, with a target of a minimum of 300 closures by 2020
- Realization of more than 20 percent sales transfer rate to nearby stores and e-commerce business in the first 12 months after closure
- 1000 lease renewals over the next 3 years
- Average lease term of 2.5 years and reduced occupancy cost on renewals

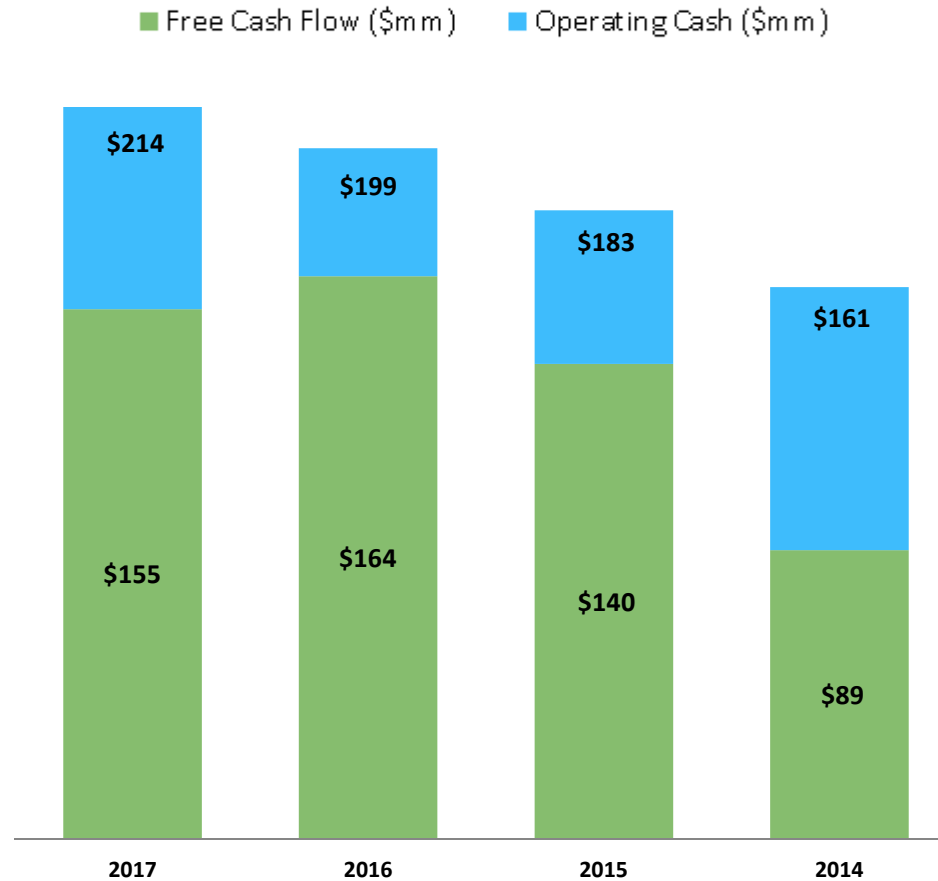
FLEET FACTS

1,002 STORES IN NORTH AMERICA



STRONG BALANCE SHEET AND CASH FLOW

Our consistent strong cash flow and liquidity profile provide us with the financial flexibility to continue to fund our strategic initiatives

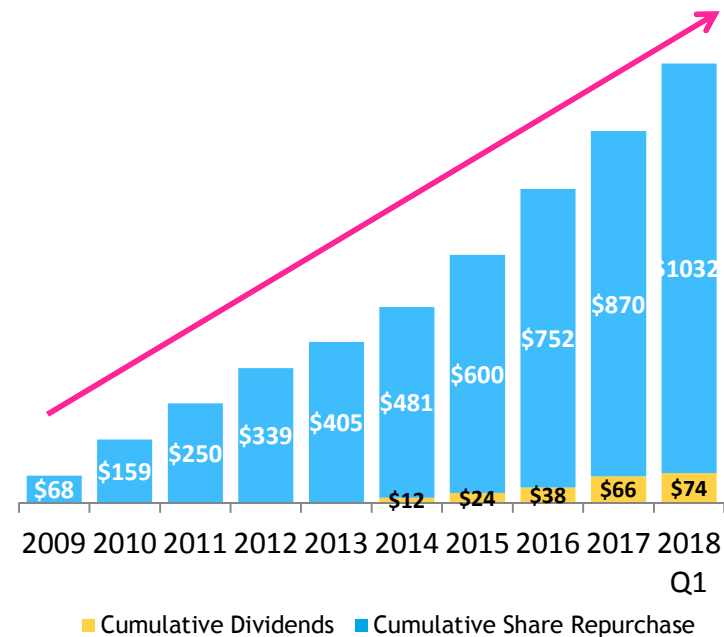


INCREASED CAPITAL RETURN TO SHAREHOLDERS

Consistent track record of returning capital to shareholders

- Since 2009, we have repurchased approximately \$1 billion of our common stock and since 2014, paid approximately \$75 million in dividends.
- Repurchased \$162 million in stock in Q1 2018.
- \$332 million remaining on existing share repurchase programs as of end of Q1 2018
- Tripled our quarterly dividend since inception in 2014

Cumulative Shares Repurchased Plus Dividends (\$mm)

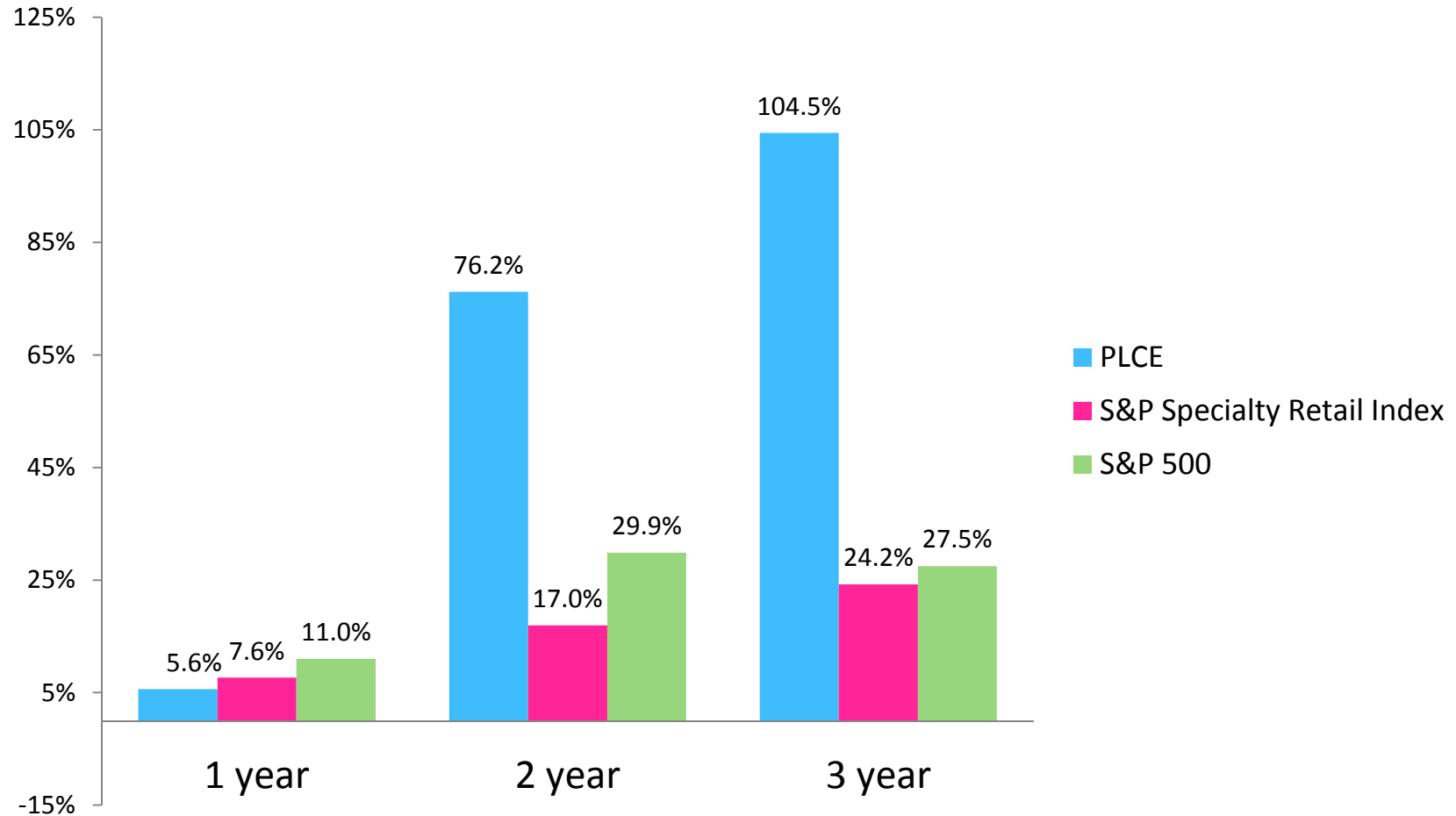


Shares Outstanding (mm)

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u> <u>Q1</u>
27.6	26.1	24.5	23.1	22.0	20.8	19.4	17.7	17.2	16.9

SUPERIOR TOTAL SHAREHOLDER RETURN

Substantially outpacing S&P 500 and S&P Specialty Retail Indices on a trailing 2 year and 3 years basis as of 05/05/2018



FY 2018 – 2020 OUTLOOK

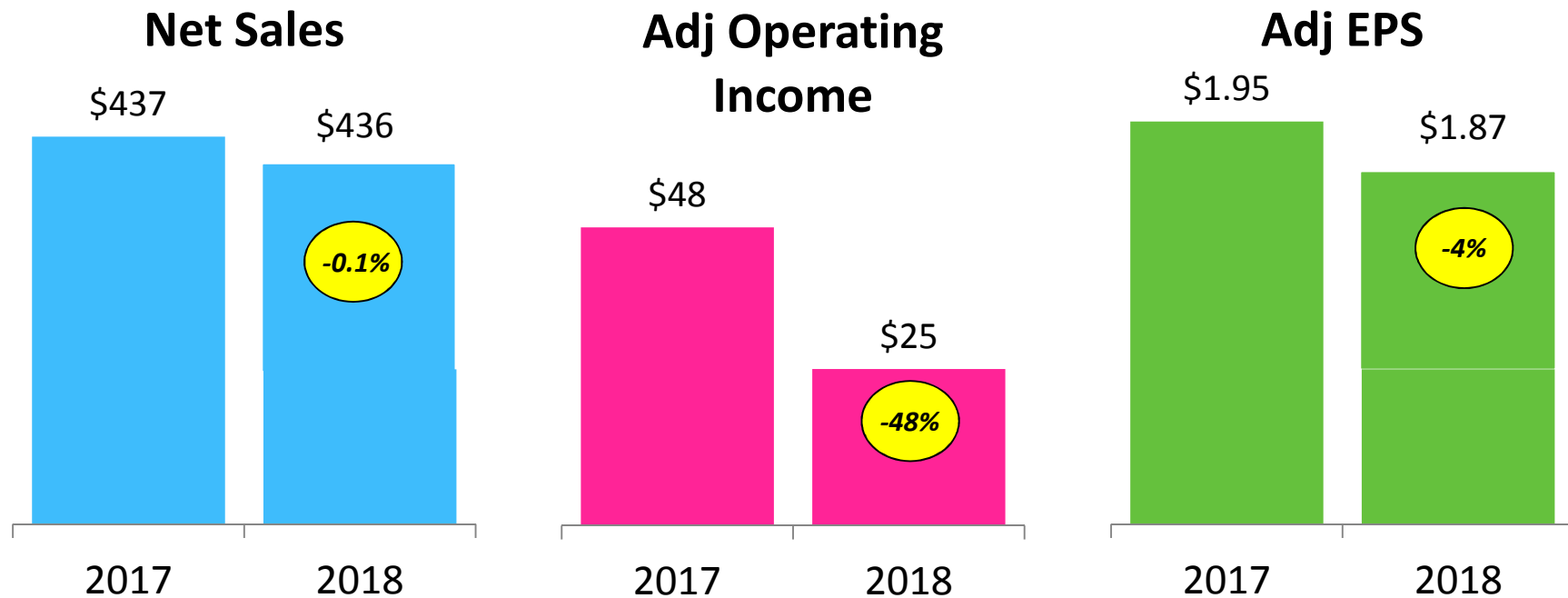
For the period 2018 – 2020, given the significant runway ahead in each of our four strategic pillars, we are targeting an operating margin of 12% and EPS of \$12.00 by the end of 2020.

During the 2018 to 2020 period, we expect the following –

- \$50 million invested in incremental SG&A consisting of \$30 million in 2018, \$15 million in 2019 and \$5 million in 2020.
 - \$30 million in 2018 consists of –
 - \$17M on digital technologies which includes enhancements to our ecommerce and mobile sites, customer analytics and personalization.
 - \$5M on supply chain and inventory management enhancements.
 - \$5M on our connected in-store experience to deliver customer personalization, primarily focusing on the areas of loyalty and couponing.
 - \$3M growing our partnership with Semir in China and continued growth of our wholesale business.
- Capex of approximately \$250 million over this period, with the majority of this attributed to our transformation initiatives.
- Operating margin to be in the range of 10.0% to 10.5% in 2019.
- Total net sales of approximately \$2.1 billion by 2020, based on comp sales growth of 3.5% to 4.5% in 2018 and mid-single digit comp sales growth in 2019 and 2020.
- Our digital business to grow at a CAGR in the low 20% range, increasing our digital penetration to approximately 35% of our total sales by 2020.
- We project to repurchase approximately \$500 million in shares over the next 3 years (inclusive of \$125M ASR in 2018).

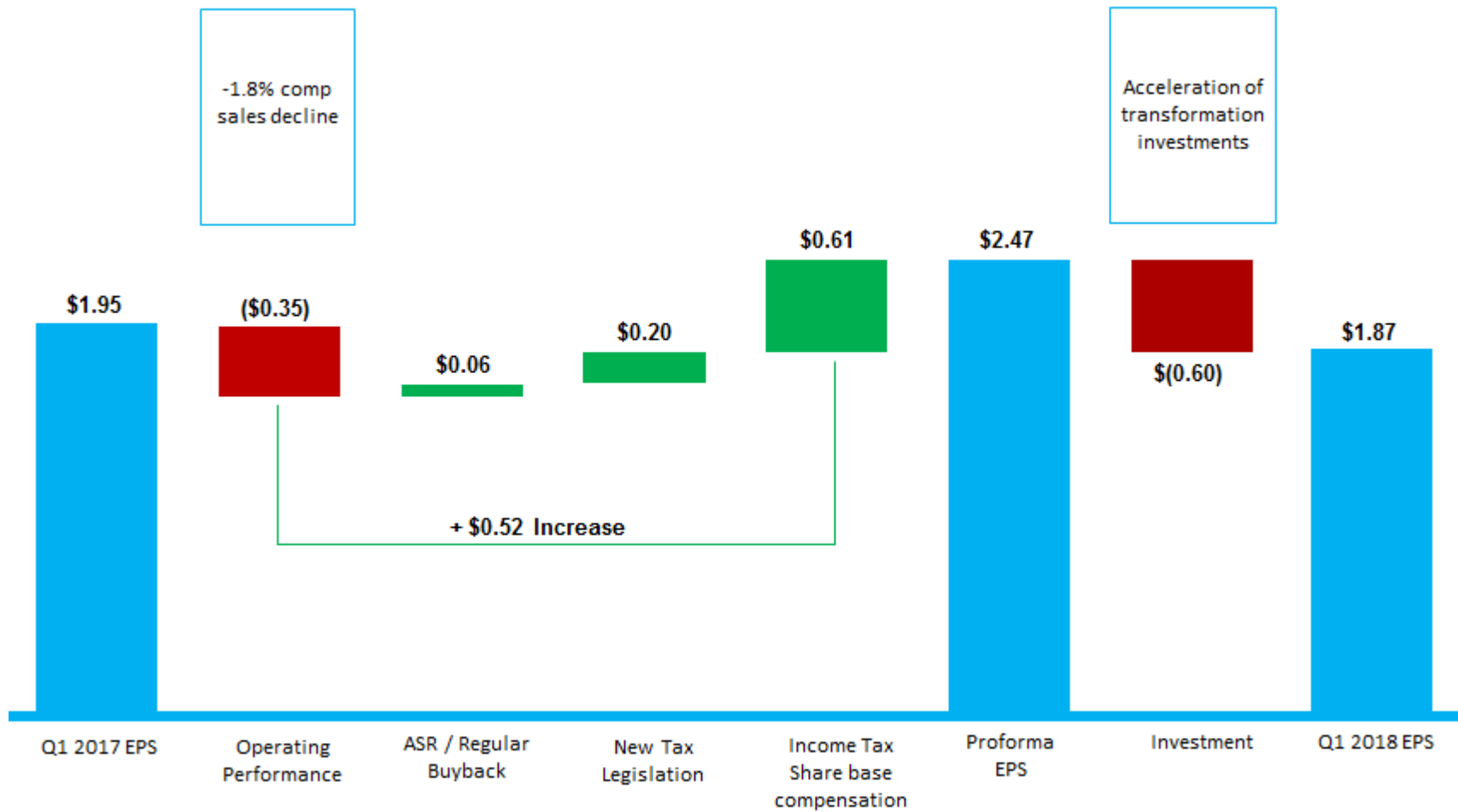
FIRST QUARTER 2018

Our 1st quarter results were significantly impacted by the challenging weather which resulted in lower than anticipated traffic throughout the quarter and our planned incremental investment of \$12M in our transformation initiatives



- **Net Sales** decreased (0.1%) to \$436M dollars, comparable retail sales decreased (1.8%) compared to a positive 6.1% comp in the first quarter of 2017
- **Adjusted Gross Margin** deleveraged 220 basis points to 37.0% of sales
- **Adjusted SG&A** deleveraged 270 basis points to 27.2% due to a \$12M incremental investment in our transformation initiatives and a \$4M increase driven by the reclassification of certain items due to new revenue recognition rules, partially offset by lower incentive compensation expenses
- **Adjusted Operating Income** was \$25.4M compared to \$48.4M LY, deleveraging 530 basis points to 5.8% of net sales
- **Adjusted EPS** was \$1.87 compared to \$1.95 last year

Q1 2018 EPS – KEY COMPONENTS



FIRST QUARTER 2018 GAAP RESULTS

	<u>Q1</u> <u>2018</u>	<u>% Sales</u>	<u>Q1</u> <u>2017</u>	<u>% Sales</u>	<u>Increase /</u> <u>(Decrease)</u>
Net Sales	\$436.3		\$436.7		(0.1%)
Ext. Gross Profit	160.2	36.7%	170.6	39.1%	(6.1%)
SG&A	119.7	27.4%	112.6	25.8%	6.3%
Depreciation	<u>17.4</u>	<u>4.0%</u>	<u>15.7</u>	<u>3.6%</u>	10.9%
Op Income	23.1	5.3%	42.3	9.7%	(45.5%)
Income Tax	<u>(8.8)</u>	<u>(2.0%)</u>	<u>6.0</u>	<u>1.4%</u>	(246.7%)
Net Income	31.5	7.2%	36.2	8.3%	(13.0%)
Shares	17.7		18.4		(3.6%)
EPS	\$1.78		\$1.97		(9.6%)

*Q1 FY18 EPS includes \$0.80 benefit resulting from the accounting rules for the income tax impact on share-based compensation vs. a \$0.19 benefit in the first quarter 2017

*2018 includes \$4M of Revenue Recognition in Sales, Margin, and SG&A

*Adjusted measures are non-GAAP and exclude transactions that are not indicative of the performance of the core business. A reconciliation of GAAP and non-GAAP measures is provided in the Company's earnings releases which are available at <http://investor.childrensplace.com>

FIRST QUARTER 2018 ADJUSTED RESULTS

	<u>Q1</u> <u>2018</u>	<u>% Sales</u>	<u>Q1</u> <u>2017</u>	<u>% Sales</u>	<u>Increase /</u> <u>(Decrease)</u>
Net Sales	\$436.3		\$436.7		(0.1%)
Ext. Gross Profit	161.5	37.0%	171.0	39.2%	(5.5%)
SG&A	118.7	27.2%	106.9	24.5%	11.1%
Depreciation	<u>17.4</u>	<u>4.0%</u>	<u>15.7</u>	<u>3.6%</u>	10.9%
Op Income	25.4	5.8%	48.4	11.1%	(47.6%)
Income Tax	<u>(8.1)</u>	<u>(1.9%)</u>	<u>12.4</u>	<u>2.8%</u>	(165.4%)
Net Income	33.2	7.6%	35.9	8.2%	(7.6%)
Shares	17.7		18.4		(3.6%)
EPS	\$1.87		\$1.95		(4.1%)

*Q1 FY18 EPS includes \$0.80 benefit resulting from the accounting rules for the income tax impact on share-based compensation vs. a \$0.19 benefit in the first quarter 2017

*2018 includes \$4M of Revenue Recognition in Sales, Margin, and SG&A

*Adjusted measures are non-GAAP and exclude transactions that are not indicative of the performance of the core business. A reconciliation of GAAP and non-GAAP measures is provided in the Company's earnings releases which are available at <http://investor.childrensplace.com>

BALANCE SHEET AND CASH FLOW

		2018	2017
BALANCE SHEET (at Q1 End)	Cash & ST Invest	\$90	\$231
	Accounts Receivable	32	32
	Inventory	335	257
	Accounts Payable	219	152
CASH FLOW (Q1)		2018	2017
	Operating Cash Flow	(\$13)	\$29
	Capital Expenditures	11	13
	Free Cash Flow	(\$2)	\$42
RETURN OF CAPITAL (Q1)		2018	2017
	Share Repurchases	\$162	\$33
	Dividends	8	7
	Total	\$170	\$40

- Our cash and ST investments reflected the impact of the \$175M in cash repatriated in Q1 which was utilized to fund an Accelerated Share Repurchase program and working capital.
- Inventory was up 30% at the end of the quarter, in line with guidance. This was primarily result of a calendar shift and investment in basics.
- Operating Cash Flow was driven by the timing of inventory purchases, an additional rent payment in the quarter resulting from the calendar shift and lower operating income.
- We purchased \$162M in stock in Q1. This includes the repurchase shares related to our \$125M Accelerated Share Repurchase program to date and shares surrendered to cover tax withholdings associated with the vesting of equity awards.
- We made dividend payments of \$8M in Q1.

SECOND QUARTER GUIDANCE

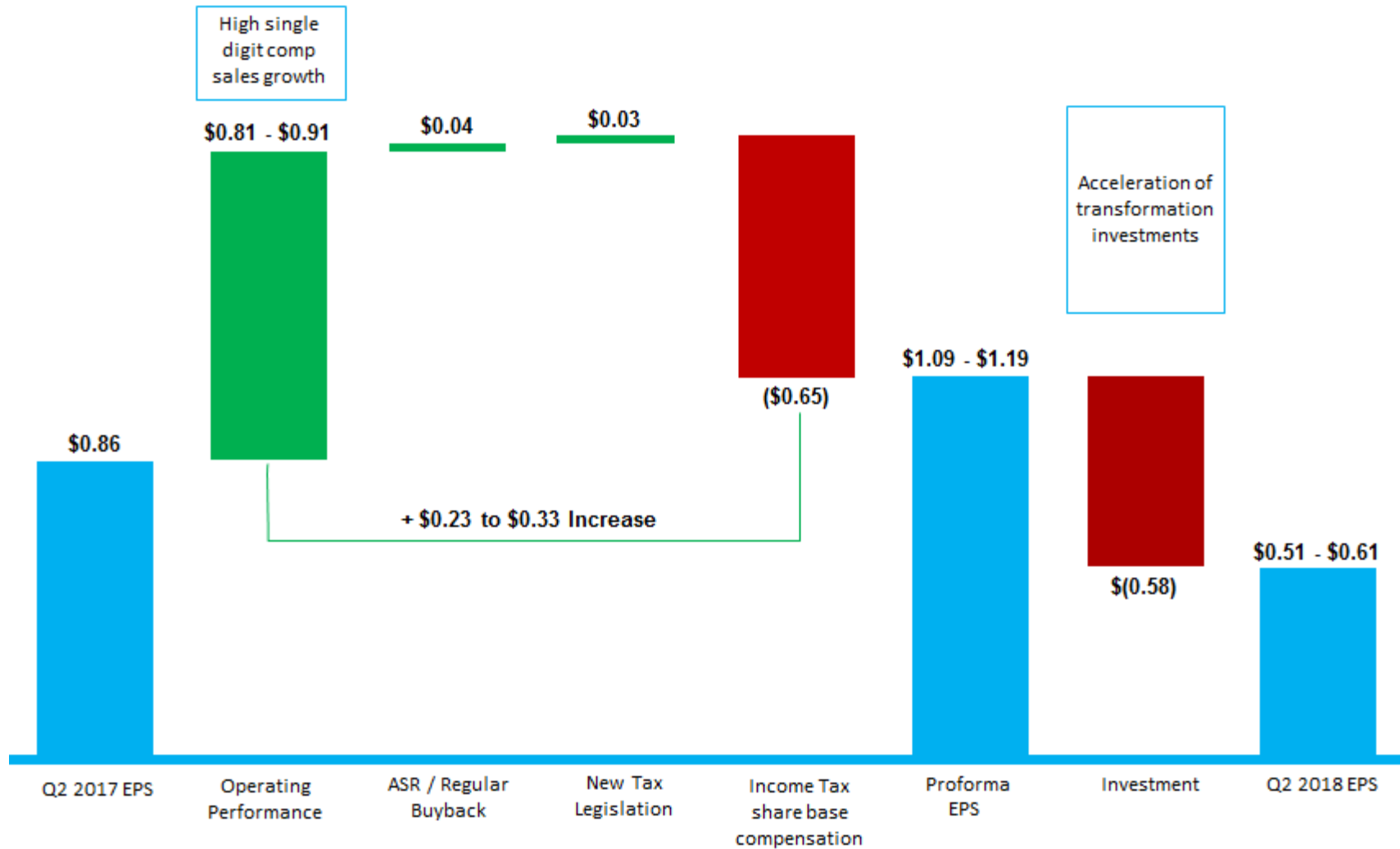
		2Q18 GUIDANCE	2Q17	2Q16	2Q15
Comp Sales		Positive High Single Digits	+3.1%	+2.4%	-3.5%
Operating Margin	Adjusted*	2.8% to 3.4%	1.4%	0.0%	(2.4%)
EPS	Adjusted*	\$0.51 to \$0.61	\$0.86	(\$0.01)	(\$0.33)

*Q2 FY18 EPS includes \$0.03 benefit resulting from the accounting rules for the income tax impact on share-based compensation vs. a \$0.68 benefit in the first quarter 2017

*2018 includes \$4M of Revenue Recognition in Sales, Margin, and SG&A

*Adjusted measures are non-GAAP and exclude transactions that are not indicative of the performance of the core business. A reconciliation of GAAP and non-GAAP measures is provided in the Company's earnings releases which are available at <http://investor.childrensplace.com>

Q2 2018 EPS GUIDANCE – KEY COMPONENTS



FULL YEAR GUIDANCE

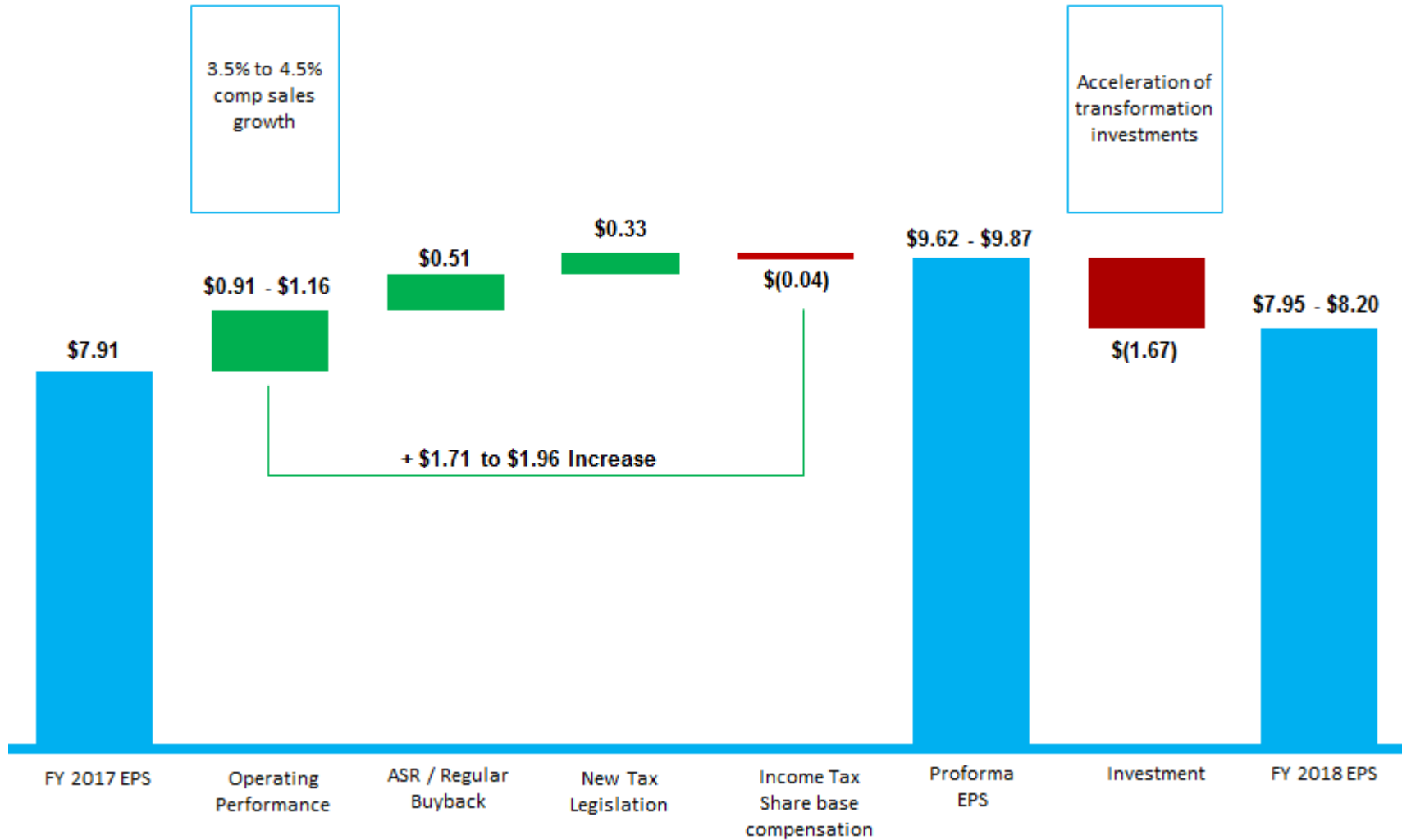
		FY18 GUIDANCE	FY17	FY16	FY15
Comp Sales		3.5% to 4.5%	+5.8%	+4.9%	+0.4%
Operating Margin	Adjusted*	8.5% to 8.7%	9.6%	8.5%	6.4%
EPS	Adjusted*	\$7.95 to \$8.20	\$7.91	\$5.43	\$3.60

*FY FY18 EPS includes \$0.88 benefit resulting from the accounting rules for the income tax impact on share-based compensation vs. a \$0.92 benefit in the first quarter 2017

*2018 includes \$17M of Revenue Recognition in Sales, Margin, and SG&A

*Adjusted measures are non-GAAP and exclude transactions that are not indicative of the performance of the core business. A reconciliation of GAAP and non-GAAP measures is provided in the Company's earnings releases which are available at <http://investor.childrensplace.com>

FY 2018 EPS GUIDANCE – KEY COMPONENTS



THE CHILDREN'S
PLACE