

**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 August 3, 2024

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**

(State or other jurisdiction of  
incorporation or organization)

**500 Plaza Drive**

**Secaucus , New Jersey**

(Address of principal executive offices)

**31-1241495**

(I.R.S. Employer  
Identification No.)

**07094**

(Zip Code)

**( 201 ) 558-2400**

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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 ☒ 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 (§ 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 ☒ 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, par value \$0.10 per share, outstanding at September 5, 2024: 12,718,280 .

**THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE PERIOD ENDED AUGUST 3, 2024**

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# PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

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

#### CONSOLIDATED BALANCE SHEETS

(Unaudited)

	August 3, 2024	February 3, 2024	July 29, 2023
(in thousands, except par value)			
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 9,573	\$ 13,639	\$ 18,846
Accounts receivable	61,926	33,219	33,073
Inventories	520,593	362,099	536,980
Prepaid expenses and other current assets	35,251	43,169	65,108
Total current assets	627,343	452,126	654,007
Long-term assets:			
Property and equipment, net	111,296	124,750	141,244
Right-of-use assets	163,539	175,351	112,325
Tradenames, net	13,000	41,123	70,491
Deferred income taxes	—	—	35,798
Other assets	6,236	6,958	9,220
<b>Total assets</b>	<b>\$ 921,414</b>	<b>\$ 800,308</b>	<b>\$ 1,023,085</b>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>			
Current liabilities:			
Revolving loan	\$ 316,655	\$ 226,715	\$ 347,546
Accounts payable	215,793	225,549	262,369
Current portion of operating lease liabilities	67,610	69,235	65,266
Income taxes payable	3,384	5,297	2,938
Accrued expenses and other current liabilities	95,074	89,608	122,032
Total current liabilities	698,516	616,404	800,151
Long-term liabilities:			
Long-term debt	—	49,818	49,785
Related party long-term debt	165,354	—	—
Long-term portion of operating lease liabilities	110,596	118,073	63,714
Income taxes payable	—	9,486	9,610
Other tax liabilities	5,073	4,664	2,905
Other long-term liabilities	10,747	10,882	10,990
Total liabilities	990,286	809,327	937,155
Commitments and contingencies (see Note 8)			
Stockholders' (deficit) 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; 12,779 , 12,585 , and 12,544 issued; 12,718 , 12,529 , and 12,473 outstanding	1,278	1,259	1,254
Additional paid-in capital	151,859	141,083	145,117
Treasury stock, at cost ( 61 , 56 , and 71 shares)	( 2,975 )	( 2,909 )	( 3,884 )
Deferred compensation	2,975	2,909	3,884
Accumulated other comprehensive loss	( 17,235 )	( 16,496 )	( 15,964 )
Accumulated deficit	( 204,774 )	( 134,865 )	( 44,477 )
Total stockholders' (deficit) equity	( 68,872 )	( 9,019 )	85,930
<b>Total liabilities and stockholders' (deficit) equity</b>	<b>\$ 921,414</b>	<b>\$ 800,308</b>	<b>\$ 1,023,085</b>

See accompanying notes to these consolidated financial statements.

**THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
(in thousands, except loss per common share)				
Net sales	\$ 319,655	\$ 345,599	\$ 587,533	\$ 667,239
Cost of sales	207,861	257,840	382,998	483,019
<b>Gross profit</b>	<b>111,794</b>	<b>87,759</b>	<b>204,535</b>	<b>184,220</b>
Selling, general, and administrative expenses	96,065	111,965	205,159	224,895
Depreciation and amortization	9,505	11,953	21,140	23,801
Asset impairment charges	28,000	782	28,000	2,532
<b>Operating loss</b>	<b>( 21,776 )</b>	<b>( 36,941 )</b>	<b>( 49,764 )</b>	<b>( 67,008 )</b>
Related party interest expense	( 2,087 )	—	( 2,476 )	—
Other interest expense	( 7,158 )	( 7,658 )	( 14,501 )	( 13,594 )
Interest income	14	17	25	51
<b>Loss before provision (benefit) for income taxes</b>	<b>( 31,007 )</b>	<b>( 44,582 )</b>	<b>( 66,716 )</b>	<b>( 80,551 )</b>
Provision (benefit) for income taxes	1,107	( 9,227 )	3,193	( 16,363 )
<b>Net loss</b>	<b>\$ ( 32,114 )</b>	<b>\$ ( 35,355 )</b>	<b>\$ ( 69,909 )</b>	<b>\$ ( 64,188 )</b>
<b>Loss per common share</b>				
Basic	\$ ( 2.51 )	\$ ( 2.82 )	\$ ( 5.50 )	\$ ( 5.16 )
Diluted	\$ ( 2.51 )	\$ ( 2.82 )	\$ ( 5.50 )	\$ ( 5.16 )
<b>Weighted average common shares outstanding</b>				
Basic	12,772	12,522	12,707	12,448
Diluted	12,772	12,522	12,707	12,448

See accompanying notes to these consolidated financial statements.

**THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Unaudited)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
	(in thousands)			
<b>Net loss</b>	\$ ( 32,114 )	\$ ( 35,355 )	\$ ( 69,909 )	\$ ( 64,188 )
<b>Other comprehensive loss:</b>				
Foreign currency translation adjustment	( 413 )	1,101	( 739 )	283
<b>Total comprehensive loss</b>	<u>\$ ( 32,527 )</u>	<u>\$ ( 34,254 )</u>	<u>\$ ( 70,648 )</u>	<u>\$ ( 63,905 )</u>

See accompanying notes to these consolidated financial statements.

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

**Thirteen Weeks Ended August 3, 2024**

	Accumulated								
	Common Stock		Additional	Deferred	Accumulated	Other	Treasury Stock		Total
(in thousands)	Shares	Amount	Paid-In	Compensation	Deficit	Comprehensive	Shares	Amount	Stockholders' (Deficit)
Balance, May 4, 2024	12,739	\$ 1,274	\$ 153,358	\$ 2,957	\$ (172,660)	\$ (16,822)	(60)	\$ (2,957)	\$ (34,850)
Vesting of stock awards	61	6	(6)						—
Stock-based compensation benefit			(1,248)						(1,248)
Purchase and retirement of common stock	(21)	(2)	(245)						(247)
Other comprehensive loss						(413)			(413)
Deferral of common stock into deferred compensation plan				18			(1)	(18)	—
Net loss					(32,114)				(32,114)
Balance, August 3, 2024	12,779	\$ 1,278	\$ 151,859	\$ 2,975	\$ (204,774)	\$ (17,235)	(61)	\$ (2,975)	\$ (68,872)

**Twenty-six Weeks Ended August 3, 2024**

(in thousands)	Accumulated								
	Common Stock		Additional	Deferred	Accumulated	Other	Treasury Stock		Total
	Shares	Amount	Paid-In	Compensation	Deficit	Comprehensive	Shares	Amount	Stockholders'
			Capital			Loss			(Deficit)
Balance, February 3, 2024	12,585	\$ 1,259	\$ 141,083	\$ 2,909	\$ (134,865)	\$ (16,496)	(56)	\$ (2,909)	\$ (9,019)
Vesting of stock awards	265	26	(26)						—
Stock-based compensation expense			11,361						11,361
Purchase and retirement of common stock	(71)	(7)	(559)		—				(566)
Other comprehensive loss						(739)			(739)
Deferral of common stock into deferred compensation plan				66			(5)	(66)	—
Net loss					(69,909)				(69,909)
Balance, August 3, 2024	12,779	\$ 1,278	\$ 151,859	\$ 2,975	\$ (204,774)	\$ (17,235)	(61)	\$ (2,975)	\$ (68,872)

See accompanying notes to these consolidated financial statements.





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

**Thirteen Weeks Ended July 29, 2023**

(in thousands)	Common Stock		Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit	Accumulated Other Comprehensive Loss		Treasury Stock		Total Stockholders' Equity
	Shares	Amount	Capital	Compensation	Deficit	Loss		Shares	Amount	Equity
Balance, April 29, 2023	12,473	\$ 1,247	\$ 150,846	\$ 3,810	\$ ( 9,207 )	\$ ( 17,065 )		( 68 )	\$ ( 3,810 )	\$ 125,821
Vesting of stock awards	119	12	( 12 )							—
Stock-based compensation benefit			( 4,762 )							( 4,762 )
Purchase and retirement of common stock	( 48 )	( 5 )	( 955 )		85					( 875 )
Other comprehensive income						1,101				1,101
Deferral of common stock into deferred compensation plan				74				( 3 )	( 74 )	—
Net loss					( 35,355 )					( 35,355 )
Balance, July 29, 2023	12,544	\$ 1,254	\$ 145,117	\$ 3,884	\$ ( 44,477 )	\$ ( 15,964 )		( 71 )	\$ ( 3,884 )	\$ 85,930

**Twenty-six Weeks Ended July 29, 2023**

(in thousands)	Common Stock		Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit	Accumulated Other Comprehensive Loss		Treasury Stock		Total Stockholders' Equity
	Shares	Amount	Capital	Compensation	Deficit	Loss		Shares	Amount	Equity
Balance, January 28, 2023	12,292	\$ 1,229	\$ 150,956	\$ 3,736	\$ 22,540	\$ ( 16,247 )		( 67 )	\$ ( 3,736 )	\$ 158,478
Vesting of stock awards	455	46	( 46 )							—
Stock-based compensation benefit			( 1,679 )							( 1,679 )
Purchase and retirement of common stock	( 203 )	( 21 )	( 4,114 )		( 2,829 )					( 6,964 )
Other comprehensive income						283				283
Deferral of common stock into deferred compensation plan				148				( 4 )	( 148 )	—
Net loss					( 64,188 )					( 64,188 )
Balance, July 29, 2023	12,544	\$ 1,254	\$ 145,117	\$ 3,884	\$ ( 44,477 )	\$ ( 15,964 )		( 71 )	\$ ( 3,884 )	\$ 85,930

See accompanying notes to these consolidated financial statements.



**THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Twenty-six Weeks Ended	
	August 3, 2024	July 29, 2023
	(in thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ ( 69,909 )	\$ ( 64,188 )
Reconciliation of net loss to net cash used in operating activities:		
Non-cash portion of operating lease expense	39,184	37,757
Depreciation and amortization	21,140	23,801
Non-cash stock-based compensation expense (benefit), net	11,361	( 1,679 )
Asset impairment charges	28,000	2,532
Deferred income tax provision	—	828
Other non-cash charges, net	1,072	331
Changes in operating assets and liabilities:		
Inventories	( 159,211 )	( 88,959 )
Accounts receivable and other assets	( 27,831 )	19,215
Prepaid expenses and other current assets	( 5,050 )	( 798 )
Income taxes payable, net of prepayments	4,016	( 23,334 )
Accounts payable and other current liabilities	( 861 )	105,912
Lease liabilities	( 36,461 )	( 41,886 )
Other long-term liabilities	( 137 )	( 2,237 )
Net cash used in operating activities	( 194,687 )	( 32,705 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	( 12,478 )	( 18,152 )
Change in deferred compensation plan	—	( 109 )
Net cash used in investing activities	( 12,478 )	( 18,261 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings under revolving credit facility	618,891	317,144
Repayments under revolving credit facility	( 528,951 )	( 256,588 )
Purchase and retirement of common stock, including shares surrendered for tax withholdings and transaction costs	( 566 )	( 6,964 )
Proceeds from issuance of related party term loans	168,600	—
Repayment of term loan	( 50,000 )	—
Payment of debt issuance costs	( 4,322 )	( 623 )
Net cash provided by financing activities	203,652	52,969
Effect of exchange rate changes on cash and cash equivalents	( 553 )	154
Net (decrease) increase in cash and cash equivalents	( 4,066 )	2,157
Cash and cash equivalents, beginning of period	13,639	16,689
Cash and cash equivalents, end of period	\$ 9,573	\$ 18,846
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Net cash (received) paid for income taxes	\$ ( 527 )	\$ 5,944
Cash paid for interest	13,184	12,563
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:</b>		
Purchases of property and equipment not yet paid	2,144	7,344

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 its subsidiaries (collectively, the "Company") operate an omni-channel children's specialty portfolio of brands. Its global retail and wholesale network includes two digital storefronts, more than 500 stores in North America, wholesale marketplaces and distribution in 15 countries through five international franchise partners. The Company designs, contracts to manufacture, and sells fashionable, high-quality apparel, accessories and footwear predominantly at value prices, primarily under the Company's proprietary brands: "The Children's Place", "Gymboree", "Sugar & Jade", and "PJ Place".

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](http://www.childrensplace.com) and [www.gymboree.com](http://www.gymboree.com). The Company also has social media channels on Instagram, Facebook, X, formerly known as Twitter, YouTube and Pinterest.

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

- *Second Quarter 2024 — The thirteen weeks ended August 3, 2024*
- *Second Quarter 2023 — The thirteen weeks ended July 29, 2023*
- *First Quarter 2024 — The thirteen weeks ended May 4, 2024*
- *Year-To-Date 2024 — The twenty-six weeks ended August 3, 2024*
- *Year-To-Date 2023 — The twenty-six weeks ended July 29, 2023*
- *Fiscal 2024 — The fifty-two weeks ending February 1, 2025*
- *Fiscal 2023 — The fifty-three weeks ended February 3, 2024*
- *Fiscal 2022 — The fifty-two weeks ended January 28, 2023*
- *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 August 3, 2024, February 3, 2024 and July 29, 2023, 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.

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

In the opinion of management, the accompanying unaudited consolidated financial statements contain all normal recurring adjustments necessary for a fair statement of the consolidated financial position of the Company as of August 3, 2024 and July 29, 2023, the results of its consolidated operations, consolidated comprehensive loss, and consolidated changes in stockholders' (deficit) equity for the thirteen weeks and twenty-six weeks ended August 3, 2024 and July 29, 2023, and consolidated cash flows for the twenty-six weeks ended August 3, 2024 and July 29, 2023. The consolidated balance sheet as of February 3, 2024 was derived from audited financial statements. Due to the seasonal nature of the Company's business, the results of operations for the thirteen weeks and twenty-six weeks ended August 3, 2024 and July 29, 2023 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 February 3, 2024.

Certain prior period financial statement disclosures have been conformed to the current period presentation.

**Liquidity**

The Company incurred net losses in the Second Quarter 2024, Fiscal 2023 and Fiscal 2022. As of August 3, 2024, the Company had an Accumulated deficit of \$ 204.8 million and a working capital deficit of \$ 71.2 million, which included borrowings of \$ 316.7 million under its asset-based revolving credit facility (the "ABL Credit Facility"), which will mature in November 2026, pursuant to its credit agreement, dated as of May 9, 2019, (as amended from time to time, the "Credit Agreement"), by and among the Company, certain of its subsidiaries and the lenders party thereto. As of August 3, 2024, the Company had availability under its ABL Credit Facility of \$ 67.3 million. The Company also has access to a senior unsecured credit facility of up to \$ 40.0 million (the "Mithaq Credit Facility"), pursuant to a commitment letter, dated as of May 2, 2024, entered into between the Company and its majority shareholder, Mithaq Capital SPC, a Cayman segregated portfolio company ("Mithaq"). The Mithaq Credit Facility will be available to draw on at any time prior to July 1, 2026 to augment the Company's liquidity position, if needed. The Company plans to address its ongoing liquidity needs with additional financing as necessary, including but not limited to a future rights offering that the Company is currently contemplating. The Company has determined that its existing cash on hand, expected cash generated from operations, and availability under its ABL Credit Facility and the Mithaq Credit Facility, will be sufficient to fund its capital and other cash requirements for at least the next twelve months from the date that the Company's consolidated financial statements for the Second Quarter 2024 were issued. For more information about the ABL Credit Facility and the Mithaq Credit Facility, see "Note 7. Debt" of the consolidated financial statements.

**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, impairment of indefinite-lived intangible assets, income taxes, stock-based compensation, and inventory valuation.

**Recent Accounting Standards Updates**

In November 2023, the FASB issued Accounting Standards Update No. 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," ("ASU 2023-07"). The amendments in ASU 2023-07 are designed to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses during interim and annuals periods. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this update on its consolidated financial statements.

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

In December 2023, the FASB issued Accounting Standards Update No. 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," ("ASU 2023-09"). The amendments in ASU 2023-09 are designed to enhance the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation, and income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this update on its consolidated financial statements.

## 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		Twenty-six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
(in thousands)				
Net sales:				
South	\$ 125,639	\$ 127,708	\$ 228,895	\$ 247,626
Northeast	50,453	59,935	104,680	124,468
West	38,837	46,750	72,753	89,352
Midwest	27,953	34,093	60,491	72,902
International and other <sup>(1)</sup>	76,773	77,113	120,714	132,891
Total net sales	<u>\$ 319,655</u>	<u>\$ 345,599</u>	<u>\$ 587,533</u>	<u>\$ 667,239</u>

<sup>(1)</sup> 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 \$ 12.6 million, \$ 3.1 million, and \$ 11.7 million within Accrued expenses and other current liabilities as of August 3, 2024, February 3, 2024, and July 29, 2023, 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 its wholesale business, the Company recognizes revenue, including shipping and handling fees billed to customers, when title of the goods passes to the customer, net of commissions, discounts, operational chargebacks, and cooperative advertising. The allowance for wholesale revenue included within Accounts receivable was \$ 8.0 million, \$ 9.0 million, and \$ 7.4 million as of August 3, 2024, February 3, 2024, and July 29, 2023, respectively.

For the sale of goods to retail customers 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 \$ 2.1 million, \$ 1.7 million, and \$ 2.5 million as of August 3, 2024, February 3, 2024, and July 29, 2023, respectively.

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

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](http://www.childrensplace.com) and [www.gymboree.com](http://www.gymboree.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 and an additional bonus to extend the term of the agreement. These bonuses are 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 term of the agreement. 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 recognized quarterly within an annual period when it can be estimated reliably. 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 \$ 3.6 million, \$ 1.7 million, and \$ 5.6 million as of August 3, 2024, February 3, 2024, and July 29, 2023, 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 August 3, 2024, February 3, 2024, and July 29, 2023 was \$ 6.4 million, \$ 6.8 million, and \$ 10.2 million, respectively. During Year-To-Date 2024, the Company recognized Net sales of \$ 2.7 million related to the gift card liability balance that existed at February 3, 2024.

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 recognizes revenue 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 its 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.

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

**3. RESTRUCTURING**

As a result of the strategic actions associated with the voluntary early termination and subsequent renewal of the Company's corporate office lease, the move of its distribution center operations from Toronto, Canada ("TODC") to Alabama in the United States, and workforce reductions, the Company incurred \$ 0.2 million and \$ 2.5 million in restructuring costs during the Second Quarter 2024 and Year-To-Date 2024, respectively, on a pretax basis, summarized in the following table:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
(in thousands)				
Employee-related costs	\$ —	\$ 5,433	\$ —	\$ 5,433
Lease termination costs <sup>(1)</sup>	241	4,947	701	4,947
TODC costs <sup>(2)</sup>	—	—	1,848	—
Professional fees	—	186	—	186
<b>Total restructuring costs <sup>(3)</sup></b>	<b>\$ 241</b>	<b>\$ 10,566</b>	<b>\$ 2,549</b>	<b>\$ 10,566</b>

<sup>(1)</sup> Includes non-cash charges related to accelerated depreciation on certain assets in the corporate office over the reduced term, amounting to \$ 0.2 million and \$ 0.7 million for the Second Quarter 2024 and Year-To-Date 2024, respectively.

<sup>(2)</sup> Includes non-cash charges related to accelerated depreciation on TODC assets, amounting to \$ 1.1 million during Year-To-Date 2024.

<sup>(3)</sup> Restructuring costs are recorded within Selling, general and administrative expenses, except accelerated depreciation charges noted above, which are recorded within Depreciation and amortization. TODC costs are recorded within The Children's Place International segment. The remaining restructuring costs are primarily recorded within The Children's Place U.S. segment.



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

The following table summarizes the restructuring costs that have been partially settled with cash payments and the remaining related liability as of August 3, 2024. The remaining related liability is expected to be settled with cash payments during the remainder of Fiscal 2024 and these costs are included in Accrued expenses and other current liabilities on the Consolidated Balance Sheets:

	<b>Employee-Related Costs</b>	<b>TODC Costs</b>	<b>Total</b>
	(in thousands)		
Balance at February 3, 2024	\$ 1,666	\$ —	\$ 1,666
Provision	—	751	751
Cash Payments	( 1,114 )	( 247 )	( 1,361 )
Balance at May 4, 2024	552	504	1,056
Cash Payments	( 304 )	( 185 )	( 489 )
Balance at August 3, 2024	\$ 248	\$ 319	\$ 567

	<b>Employee-Related Costs</b>	<b>Lease Termination Costs</b>	<b>Professional Fees</b>	<b>Total</b>
	(in thousands)			
Balance at April 29, 2023	\$ —	\$ —	\$ —	\$ —
Provision	5,433	4,040	186	9,659
Cash Payments	( 2,602 )	( 4,040 )	—	( 6,642 )
Balance at July 29, 2023	2,831	—	186	3,017
Provision	674	—	82	756
Cash Payments	( 2,652 )	—	( 268 )	( 2,920 )
Balance at October 28, 2023	853	—	—	853
Provision	1,275	—	—	1,275
Cash Payments	( 462 )	—	—	( 462 )
Balance at February 3, 2024	\$ 1,666	\$ —	\$ —	\$ 1,666

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

**4. INTANGIBLE ASSETS**

On April 4, 2019, the Company acquired certain intellectual property and related assets of Gymboree Group, Inc. and related entities, which included the worldwide rights to the names "Gymboree" and "Crazy 8" and other intellectual property, including trademarks, domain names, copyrights, and customer databases. These intangible assets, inclusive of acquisition costs, are recorded in the long-term assets section of the Consolidated Balance Sheets.

The Company recorded an impairment charge on the Gymboree tradename of \$ 29.0 million in Fiscal 2023, which reduced the carrying value to its fair value of \$ 41.0 million. The Company performed a quantitative impairment assessment of the Gymboree tradename as of June 30, 2024, and recorded additional asset impairment charges of \$ 28.0 million in the Second Quarter 2024, which reduced the carrying value to its fair value of \$ 13.0 million as of August 3, 2024.

The Company's intangible assets were as follows:

		August 3, 2024		
Useful Life		Gross Amount	Accumulated	Net Amount
			Amortization	
(in thousands)				
Gymboree tradename	Indefinite	\$ 13,000	\$ —	\$ 13,000
Total intangible assets		\$ 13,000	\$ —	\$ 13,000

		February 3, 2024		
Useful Life		Gross Amount	Accumulated	Net Amount
			Amortization	
(in thousands)				
Gymboree tradename	Indefinite	\$ 41,000	\$ —	\$ 41,000
Crazy 8 tradename	5 years	4,000	( 3,877 )	123
Total intangible assets		\$ 45,000	\$ ( 3,877 )	\$ 41,123

		July 29, 2023		
Useful Life		Gross Amount	Accumulated	Net Amount
			Amortization	
(in thousands)				
Gymboree tradename	Indefinite	\$ 69,953	\$ —	\$ 69,953
Crazy 8 tradename	5 years	4,000	( 3,462 )	538
Total intangible assets		\$ 73,953	\$ ( 3,462 )	\$ 70,491

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

**5. PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted of the following:

	August 3, 2024	February 3, 2024	July 29, 2023
	(in thousands)		
Property and equipment:			
Land and land improvements	\$ 3,403	\$ 3,403	\$ 3,403
Building and improvements	36,309	36,187	36,187
Material handling equipment	89,427	90,637	89,389
Leasehold improvements	164,054	162,898	178,536
Store fixtures and equipment	164,795	173,667	200,201
Capitalized software	335,762	333,953	347,343
Construction in progress	5,992	3,386	7,134
	799,742	804,131	862,193
Less: accumulated depreciation and amortization	( 688,446 )	( 679,381 )	( 720,949 )
Property and equipment, net	\$ 111,296	\$ 124,750	\$ 141,244

At August 3, 2024 and July 29, 2023, 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, the Company did not record asset impairment charges in the Second Quarter 2024 and Year-To-Date 2024. The Company recorded asset impairment charges in the Second Quarter 2023 and Year-To-Date 2023 of \$ 0.8 million and \$ 2.5 million, respectively, inclusive of right of use ("ROU") assets.

**6. 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 thirteen 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		Twenty-six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
	(in thousands)			
Fixed operating lease cost	\$ 23,139	\$ 21,481	\$ 45,641	\$ 42,387
Variable operating lease cost <sup>(1)</sup>	6,098	14,388	13,944	29,085
Total operating lease cost	\$ 29,237	\$ 35,869	\$ 59,585	\$ 71,472

<sup>(1)</sup> Includes short term leases with lease periods of less than 12 months.

As of August 3, 2024, the weighted-average remaining operating lease term was 4.3 years, and the weighted-average discount rate for operating leases was 7.8 %. Cash paid for amounts included in the measurement of operating lease liabilities during Year-To-Date 2024 was \$ 39.8 million. ROU assets obtained in exchange for new operating lease liabilities were \$ 34.8 million during Year-To-Date 2024.

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

As of August 3, 2024, the maturities of operating lease liabilities were as follows:

	August 3, 2024
	(in thousands)
Remainder of 2024	\$ 45,889
2025	64,141
2026	35,225
2027	16,619
2028	13,831
Thereafter	40,589
Total operating lease payments	216,294
Less: imputed interest	( 38,088 )
Present value of operating lease liabilities	\$ 178,206

## 7. DEBT

### ABL Credit Facility and 2021 Term Loan

The Company and certain of its subsidiaries maintain the \$ 433.0 million ABL Credit Facility and, before it was fully repaid, maintained a \$ 50.0 million term loan (the "2021 Term Loan") under its Credit Agreement with Wells Fargo Bank, National Association ("Wells Fargo"), Truist Bank, Bank of America, N.A., HSBC Business Credit (USA) Inc., JPMorgan Chase Bank, N.A., and PNC Bank, National Association, as the lenders party thereto (collectively, the "Credit Agreement Lenders") and Wells Fargo, as Administrative Agent, Collateral Agent, Swing Line Lender and, before the 2021 Term Loan was fully repaid, Term Agent. The ABL Credit Facility will mature and, before it was fully repaid, the 2021 Term Loan would have matured, in November 2026.

As of April 18, 2024, which is the effective date of the seventh amendment to the Credit Agreement (the "Seventh Amendment"), the ABL Credit Facility includes a \$ 25.0 million Canadian sublimit and a \$ 25.0 million sublimit for standby and documentary letters of credit.

Under the ABL Credit Facility, borrowings outstanding bear interest, at the Company's option, at:

- (i) the prime rate per annum, plus a margin of 2.000 %; or
- (ii) the Secured Overnight Financing Rate ("SOFR") per annum, plus 0.100 %, plus a margin of 3.000 %.

Prior to April 18, 2024, the Company was charged a fee of 0.200 % on the unused portion of the commitments. As of April 18, 2024, based on the size of the unused portion of the commitments, the Company is charged a fee ranging from 0.250 % to 0.375 %. Letter of credit fees are at 1.125 % for commercial letters of credit and 1.750 % for standby letters of credit. 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 and an availability block.

From and after February 4, 2025 and on the first day of each fiscal quarter thereafter, based on the amount of the Company's average daily excess availability under the facility, borrowings outstanding under the ABL Credit Facility will bear interest, at the Company's option, at:

- (i) the prime rate per annum, plus a margin of 1.750 % or 2.000 %; or
- (ii) the SOFR per annum, plus 0.100 %, plus a margin of 2.750 % or 3.000 %.

Letter of credit fees will range from 1.000 % to 1.125 % for commercial letters of credit and will range from 1.500 % to 1.750 % for standby letters of credit. Letter of credit fees will be determined based on the amount of the Company's average daily excess availability under the facility.

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

For the Second Quarter 2024 and Year-To-Date 2024, the Company recognized \$ 6.3 million and \$ 12.0 million, respectively, in interest expense related to the ABL Credit Facility. For the Second Quarter 2023 and Year-To-Date 2023, the Company recognized \$ 6.1 million and \$ 10.8 million, respectively, in interest expense related to the ABL Credit Facility.

Prior to April 18, 2024, when the 2021 Term Loan was fully repaid, credit extended under the ABL Credit Facility was 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. As of April 18, 2024, the ABL Credit Facility is secured on a first priority basis by all of the foregoing collateral.

The outstanding obligations under the ABL Credit Facility may be accelerated upon the occurrence of certain customary events of default, as described below. 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. Pursuant to the Seventh Amendment, the requisite payment condition thresholds for some of these covenants have been heightened, resulting in certain actions such as the repurchase of shares and payment of cash dividends becoming more difficult to perform. Additionally, if the Company is unable to maintain a certain amount of excess availability for borrowings (the "excess availability threshold"), the Company may be subject to cash dominion.

The ABL Credit Facility contains 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, such as a change of control.

In October 2023, the Company became aware of inadvertent calculation errors contained in the June, July and August 2023 borrowing base certificates provided to the Credit Agreement Lenders, all of which have since been remedied. As the Credit Agreement Lenders determined that the calculation errors resulted in certain technical defaults under the Credit Agreement (including the Company not being in compliance with certain debt covenants), the Company and the Credit Agreement Lenders entered into a Waiver and Amendment Agreement (the "Waiver Agreement") on October 24, 2023, pursuant to which the Credit Agreement Lenders waived all of the defaults and the Company agreed to certain temporary enhanced reporting requirements and temporary restrictions on certain payments. These enhanced reporting requirements and restrictions will cease once the Company achieves certain excess availability thresholds. At no time prior to or following entering into the Waiver Agreement was the Company prevented from borrowing under the Credit Agreement in the ordinary course in accordance with its terms.

During the First Quarter 2024, Mithaq became the controlling shareholder of the Company and this change of control triggered an event of default under the Credit Agreement, thus subjecting the Company to cash dominion by the Credit Agreement Lenders. Subsequently, the Credit Agreement Lenders agreed to forbear from enforcing certain other rights and remedies during a limited forbearance period. On April 16, 2024, the Company and certain of its subsidiaries entered into the Seventh Amendment with the Credit Agreement Lenders that, among other things, provided a permanent waiver of the change of control event of default. As of April 18, 2024, the ABL Credit Facility was reduced from \$ 445.0 million to \$ 433.0 million, and until the Company achieved certain excess availability thresholds, the Seventh Amendment preserved the temporary enhanced reporting requirements under the Waiver Agreement and continued to impose cash dominion.

As of August 29, 2024, the Company is no longer under cash dominion and it has reverted to the standard reporting requirements under the Credit Agreement.

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

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

	August 3, 2024	February 3, 2024	July 29, 2023
	(in millions)		
Total borrowing base availability <sup>(1)</sup>	\$ 396.2	\$ 258.4	\$ 422.3
Credit facility availability <sup>(2)</sup>	433.0	400.5	400.5
Maximum borrowing availability <sup>(3)</sup>	396.2	258.4	400.5
Outstanding borrowings	316.7	226.7	347.5
Letters of credit outstanding—standby	12.2	7.4	7.4
Utilization of credit facility at end of period	328.9	234.1	354.9
Availability <sup>(4)</sup>	\$ 67.3	\$ 24.3	\$ 45.6
Interest rate at end of period	8.6 %	8.1 %	8.1 %
	Year-To-Date 2024	Fiscal 2023	Year-To-Date 2023
	(in millions)		
Average end of day loan balance during the period	\$ 252.7	\$ 315.5	\$ 315.2
Highest end of day loan balance during the period	\$ 328.0	\$ 379.4	\$ 379.4
Average interest rate	9.3 %	7.5 %	6.3 %

<sup>(1)</sup> In the Second Quarter 2024, given that the Company was under cash dominion, the excess availability threshold was not applicable to the total borrowing base availability. As of August 29, 2024, the Company is no longer under cash dominion. In Fiscal 2023, the total borrowing base availability was calculated net of the excess availability threshold, as prior to the Seventh Amendment, crossing that threshold would have resulted in cash dominion, which would have triggered a fixed charge coverage ratio covenant test and would likely have led to a default under the Credit Agreement. As of the Seventh Amendment, the fixed charge coverage ratio covenant has been removed from the Credit Agreement.

<sup>(2)</sup> In the Second Quarter 2024, given that the Company was under cash dominion, the excess availability threshold was not applicable to the determination of the credit facility availability. As of August 29, 2024, the Company is no longer under cash dominion. In Fiscal 2023, the credit facility availability was calculated net of the excess availability threshold, as prior to the Seventh Amendment, crossing that threshold would have resulted in cash dominion, which would have triggered a fixed charge coverage ratio covenant test and would likely have led to a default under the Credit Agreement. As of the Seventh Amendment, the fixed charge coverage ratio covenant has been removed from the Credit Agreement.

<sup>(3)</sup> The lower of the credit facility availability and the total borrowing base availability.

<sup>(4)</sup> The sub-limit availability for letters of credit was \$ 12.8 million at August 3, 2024, and \$ 42.6 million at February 3, 2024 and July 29, 2023.

The 2021 Term Loan bore interest, payable monthly, at (a) the SOFR per annum plus 2.750 % for any portion that was a SOFR loan, or (b) the base rate per annum plus 2.000 % for any portion that was a base rate loan. The 2021 Term Loan was pre-payable at any time without penalty, and did not require amortization. The Company recognized \$ 1.1 million in interest expense related to the 2021 Term Loan during Year-To-Date 2024. For the Second Quarter 2023 and Year-To-Date 2023, the Company recognized \$ 1.0 million and \$ 1.9 million, respectively, in interest expense related to the 2021 Term Loan.

As of April 18, 2024, the 2021 Term Loan was fully repaid.

As of August 3, 2024, unamortized deferred financing costs amounted to \$ 2.4 million related to the Company's ABL Credit Facility.

#### Mithaq Term Loans

The Company and certain of its subsidiaries maintain an interest-free, unsecured and subordinated promissory note with Mithaq for a \$ 78.6 million term loan (the "Initial Mithaq Term Loan"), consisting of (a) a first tranche in an aggregate principal amount of \$ 30.0 million (the "First Tranche") and (b) a second tranche in an aggregate principal amount of \$ 48.6 million (the "Second Tranche"). The Company received the First Tranche on February 29, 2024 and the Second Tranche on March 8, 2024.

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

The Initial Mithaq Term Loan matures on February 15, 2027. The Initial Mithaq Term Loan is guaranteed by each of the Company's subsidiaries that guarantee the Company's ABL Credit Facility.

The Company and certain of its subsidiaries also maintain an unsecured and subordinated \$ 90.0 million term loan with Mithaq (the "New Mithaq Term Loan"; and together with the Initial Mithaq Term Loan, collectively, the "Mithaq Term Loans").

The New Mithaq Term Loan matures on April 16, 2027, and requires monthly payments equivalent to interest charged at the SOFR plus 4.000 % per annum, with such monthly payments to Mithaq deferred until April 30, 2025. The New Mithaq Term Loan is guaranteed by each of the Company's subsidiaries that guarantee the Company's ABL Credit Facility. For the Second Quarter 2024 and Year-To-Date 2024, the Company recognized \$ 2.1 million and \$ 2.5 million, respectively, in deferred interest-equivalent expense related to the New Mithaq Term Loan.

The Mithaq Term Loans are subject to an amended and restated subordination agreement (as amended from time to time, the "Subordination Agreement"), dated as of April 16, 2024, by and among the Company and certain of its subsidiaries, Wells Fargo and Mithaq, pursuant to which the Mithaq Term Loans are subordinated in payment priority to the obligations of the Company and its subsidiaries under the Credit Agreement. Subject to such subordination terms, the Mithaq Term Loans are prepayable at any time and from time to time without penalty and do not require any mandatory prepayments.

The Mithaq Term Loans contain customary affirmative and negative covenants substantially similar to a subset of the covenants set forth in the Credit Agreement, including limits on the ability of the Company and its subsidiaries to incur certain liens, to incur certain indebtedness, to make certain investments, acquisitions, dispositions or restricted payments, or to change the nature of its business. The Mithaq Term Loans, however, do not provide for any closing, prepayment or exit fees, or other fees typical for transactions of this nature, do not impose additional reserves on borrowings under the Credit Agreement, and do not contain certain other restrictive covenants.

The Mithaq Term Loans contain certain customary events of default, which include (subject in certain cases to customary grace periods), nonpayment of principal, breach of other covenants of the Mithaq Term Loans, inaccuracy in representations or warranties, acceleration of certain other indebtedness (including under the Credit Agreement), certain events of bankruptcy, insolvency or reorganization, such as a change of control, and invalidity of any part of the Mithaq Term Loans.

As of August 3, 2024 unamortized deferred financing costs amounted to \$ 3.2 million related to the Mithaq Term Loans.

Maturities of the Company's principal debt payments as of August 3, 2024 are as follows:

	August 3, 2024 (in thousands)
Remainder of 2024	\$ —
2025	—
2026	—
2027	168,600
Thereafter	—
Total related party debt	<u>\$ 168,600</u>

**Mithaq Commitment Letter**

On May 2, 2024, the Company entered into a commitment letter ("the Commitment Letter") with Mithaq for a \$ 40.0 million Mithaq Credit Facility. Under the Mithaq Credit Facility, the Company had the ability to request for advances at any time prior to July 1, 2025. On September 10, 2024, the Company and Mithaq entered into an Amendment No. 1 to the Commitment Letter, that extended the deadline for requesting advances until July 1, 2026.

If any debt is incurred under the Mithaq Credit Facility, it shall require monthly payments equivalent to interest charged at the SOFR plus 5.000 % per annum. Such debt shall be unsecured and shall be guaranteed by each of the Company's subsidiaries that guarantee the Company's ABL Credit Facility. Similar to the Mithaq Term Loans, such debt shall also be subject to the Subordination Agreement, contain customary affirmative and negative covenants substantially similar to a subset of the covenants set forth in the Credit Agreement, and contain certain customary events of default. Additionally, such debt shall require no mandatory prepayments and shall mature no earlier than July 1, 2026. As of August 3, 2024, no debt had been incurred under the Mithaq Credit Facility.

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

**8. 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 were eligible for redemption in multiple rounds through November 2023. On February 23, 2024, a hearing on motion for preliminary injunction and permanent injunction and to enforce judgement and settlement agreement was held. Pending receipt of the court's ruling, upon the court's order, the plaintiff filed a renewed motion for attorneys' fees, costs and incentive awards on March 4, 2024, to which the Company filed a statement of non-opposition on April 1, 2024. Because the plaintiff was seeking less than the maximum amount agreed to in the settlement, the Company requested that such difference in amount be distributed as vouchers to authorized class members, pursuant to the settlement agreement. The hearing for the motion for attorneys' fees, costs, and incentive awards resulted in the court granting the plaintiff's counsel approximately \$ 0.3 million in fees, costs and incentive awards. The balance of funds initially reserved for the plaintiff counsel's fees and costs will now be issued as a single, final round of merchandise vouchers for qualified class members. 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. Following the court's recent decision(s), the Company released \$ 2.3 million from its previously established reserve during the First Quarter 2024.

Similar to the *Rael* case above, the Company is also a defendant in *Gabriela Gonzalez v. The Children's Place, Inc.*, a purported class action, pending in the U.S. District Court, Central District of California. The plaintiff alleged that the Company had falsely advertised discounts that do not exist, in violation of California's Unfair Competition Laws, False Advertising Law and the California Consumer Legal Remedies Act. The Company filed a motion to compel arbitration, which the plaintiff did not oppose, and the court granted the motion on August 17, 2022—staying the case pending the outcome of the arbitration. The demand for arbitration was filed on October 4, 2022, in connection with the individual claim of the plaintiff. A mass arbitration firm associated with plaintiff's counsel then conducted an advertising campaign for claimants to conduct a mass arbitration. In part, to avoid the mass arbitration, the parties stipulated to return the original plaintiff's claim to court to proceed as a class action. Accordingly, the arbitration would not be proceeding and the Company's response to the original plaintiff's complaint in court was filed on July 20, 2023. On August 16, 2023, however, the Company began to receive notices regarding an initial tranche of approximately 1,300 individual demands that were filed with Judicial Arbitration and Mediation Services, Inc. ("JAMS") as part of a related mass arbitration claim. The parties participated in mediation proceedings on November 15, 2023 and February 9, 2024. The parties agreed to further discuss settlement options in May 2024, which occurred without resolution. In late May, due to the judge's retirement, the *Gonzalez* action was transferred and reassigned to a different judge. Deadlines were therefore reset, including the Company's motion to dismiss. On June 10, 2024, JAMS advised that it would be pausing its administration of the claims until the parties resolve their dispute over which set of arbitration terms apply to the case.

As of February 2024, the Company is also a defendant in *Randeep Singh Khalsa v. The Children's Place, Inc. et al.*, a purported class action, pending in the United States District Court of New Jersey. The complaint purports to assert claims under the federal securities laws, alleging that between March 16, 2023, and February 8, 2024, the Company made materially false and/or misleading statements, and failed to disclose material adverse facts to its investors, which the complaint alleges led to a drop in the price of the Company's common stock. The Company intends to defend this case vigorously and it is currently too early to assess the possible outcome of this case.



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

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 is not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flows.

**9. STOCKHOLDERS' (DEFICIT) EQUITY**

**Share Repurchase Program**

In November 2021, the Company's Board of Directors authorized a \$ 250.0 million share repurchase program (the "Share Repurchase Program"). Under this program, 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 the 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 program at any time and may thereafter reinstitute purchases, all without prior announcement. Currently, given the terms of the Company's Credit Agreement as amended by its Seventh Amendment described above, the Company is not expecting to repurchase any shares in Fiscal 2024, except as described below, pursuant to our practice as a result of our insider trading policy. As of August 3, 2024, there was \$ 156.7 million remaining availability under the Share Repurchase Program.

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:

	Twenty-six Weeks Ended			
	August 3, 2024		July 29, 2023	
	Shares	Amount	Shares	Amount
	(in thousands)			
Share repurchases related to:				
Share repurchase program	65	\$ 566	203	\$ 6,964
Shares acquired and held in treasury	5	\$ 66	4	\$ 148

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 Accumulated deficit. The portion charged against Additional paid-in capital is determined using a pro-rata allocation based on total shares outstanding.

**Dividends**

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. Currently, given the terms of the Credit Agreement as amended by the Seventh Amendment as described above, the Company is not expecting to pay any cash dividends in Fiscal 2024.

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

**10. 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 (benefit):

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
(in thousands)				
Deferred Awards	\$ ( 589 )	\$ 1,690	\$ 1,829	\$ 4,190
Performance Awards	( 659 )	( 6,452 )	9,532	( 5,869 )
Total stock-based compensation expense (benefit) <sup>(1)</sup>	<u>\$ ( 1,248 )</u>	<u>\$ ( 4,762 )</u>	<u>\$ 11,361</u>	<u>\$ ( 1,679 )</u>

(1) Stock-based compensation expense (benefit) recorded within Cost of sales amounted to \$ 0.1 million and \$( 0.5 ) million in the Second Quarter 2024 and Second Quarter 2023, respectively, and \$ 1.1 million and \$( 0.1 ) million in Year-To-Date 2024 and Year-To-Date 2023, respectively. All other stock-based compensation expense (benefit) is included in Selling, general, and administrative expenses.

During the First Quarter 2024, there was a change of control of the Company, which triggered a conversion of all Performance Awards into service-based Performance Awards in accordance with their terms. As a result, the Fiscal 2023, Fiscal 2022, and fiscal year 2021 Performance Awards will all vest at their target shares on their respective vesting dates without regard to the achievement of any of the performance metrics associated with those awards. The fiscal year 2021 Performance Awards vested during the First Quarter 2024. The incremental expense recorded for Performance Awards during Year-To-Date 2024 due to the change of control was \$ 9.9 million.

**11. LOSS PER COMMON SHARE**

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

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
(in thousands)				
Net loss	<u>\$ ( 32,114 )</u>	<u>\$ ( 35,355 )</u>	<u>\$ ( 69,909 )</u>	<u>\$ ( 64,188 )</u>
Basic weighted average common shares outstanding	12,772	12,522	12,707	12,448
Dilutive effect of stock awards	—	—	—	—
Diluted weighted average common shares outstanding	<u>12,772</u>	<u>12,522</u>	<u>12,707</u>	<u>12,448</u>
Anti-dilutive shares excluded from diluted loss per common share calculation	34	74	56	151

**12. FAIR VALUE MEASUREMENT**

The Company's cash and cash equivalents, accounts receivable, investments in the rabbi trust, accounts payable, and revolving loan are all short-term in nature. As such, their carrying amounts approximate fair value. The Company's deferred compensation plan assets and liabilities fall within Level 1 of the fair value hierarchy. The Company stock included in the deferred compensation plan is not subject to fair value measurement.

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

The fair value of the Company's Initial Mithaq Term Loan with a carrying value (gross of debt issuance costs) of \$ 78.6 million at August 3, 2024, was approximately \$ 55.1 million. The fair value of the Company's New Mithaq Term Loan with a carrying value (gross of debt issuance costs) of \$ 90.0 million at August 3, 2024, was approximately \$ 78.8 million. The fair value of debt was estimated using a market approach, which considers the Company's credit risk and market related conditions, and is therefore within Level 2 of the fair value hierarchy.

The Company's non-financial assets measured at fair value on a nonrecurring basis include long-lived assets, such as intangible assets, fixed assets, and ROU assets. The Company reviews the carrying amounts of such assets when events indicate that their carrying amounts may not be recoverable. Any resulting asset impairment would require that the asset be recorded at its fair value. The resulting fair value measurements of the assets are considered to fall within Level 3 of the fair value hierarchy.

**Impairment of Long-Lived Assets**

The fair value of the Company's long-lived assets is primarily calculated using a discounted cash-flow model directly associated with those assets, which consist principally of property and equipment and ROU assets. These assets are tested for impairment when events indicate that their carrying value may not be recoverable.

The Company performed periodic quantitative impairment assessments of its long-lived assets and did not record an impairment charge in the Second Quarter 2024 and Year-To-Date 2024. The Company recorded asset impairment charges in the Second Quarter 2023 and Year-To-Date 2023 of \$ 0.8 million and \$ 2.5 million, respectively, inclusive of ROU assets.

**Impairment of Indefinite-Lived Intangible Assets**

The Company estimates the fair value of its indefinite-lived Gymboree tradename based on an income approach using the relief-from-royalty method. Estimating fair value using this method requires management to estimate future revenues, royalty rates, discount rates, long-term growth rates, and other factors in order to project future cash flows.

The Company performed a quantitative impairment assessment of the Gymboree tradename as of June 30, 2024, in accordance with FASB ASC 350—*Intangibles – Goodwill and Other*. Based on this assessment, the Company recorded an impairment charge of \$ 28.0 million in the Second Quarter 2024, primarily due to reductions in Gymboree sales forecasts and a reduction in the royalty rate used to value the tradename, which reduced the carrying value to its fair value of \$ 13.0 million as of August 3, 2024.

Unfavorable changes in certain of the Company's key assumptions may affect future testing results. For example, keeping all other assumptions constant, a 100-basis point increase in the discount rate or a 10% decrease in forecasted revenue would result in further impairment charges of approximately \$ 1.0 million.

**13. INCOME TAXES**

The Company computes income taxes using the asset and 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.

The Company's effective income tax rate for the Second Quarter 2024 was a provision of ( 3.6 )%, or \$ 1.1 million, compared to a benefit of 20.7 %, or \$( 9.2 ) million, during the Second Quarter 2023. The change in the effective income tax rate and income tax provision (benefit) for the Second Quarter 2024 compared to the Second Quarter 2023 was primarily driven by the establishment of a valuation allowance against the Company's net deferred tax assets in Fiscal 2023.

The Company's effective income tax rate for Year-To-Date 2024 was a provision of ( 4.8 )%, or \$ 3.2 million, compared to a benefit of 20.3 %, or \$( 16.4 ) million, for Year-To-Date 2023. The change in the effective income tax rate and income tax provision (benefit) for Year-To-Date 2024 compared to Year-To-Date 2023 was primarily driven by the establishment of a valuation allowance against the Company's net deferred tax assets in Fiscal 2023.

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

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 \$ 150.0 million to prior years. As of August 3, 2024, the remaining income tax receivable of \$ 19.1 million is included within Prepaid expenses and other current assets on the Consolidated Balance Sheets.

The Company accrues interest and penalties related to unrecognized tax benefits as part of the provision for income taxes. The total amount of unrecognized tax benefits was \$ 7.8 million, \$ 7.0 million, and \$ 4.3 million as of August 3, 2024, February 3, 2024, and July 29, 2023, respectively, and is included within long-term liabilities. Additional interest expense recognized in the Second Quarter 2024 and Second Quarter 2023 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 2015 and prior.

The Internal Revenue Service is currently conducting an examination of the Company's tax return for fiscal year 2020 in conjunction with its review of the CARES Act NOL carryback to earlier fiscal years. The Company believes that its reserves for uncertain tax positions are adequate to cover existing risks or exposures. 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.

During the First Quarter 2024, Mithaq became the controlling shareholder of the Company. This change of control constituted an "ownership change" under the Internal Revenue Code Section 382, subjecting the Company to an annual limitation on its ability to utilize its existing NOLs and tax credits as of the ownership change date to offset future taxable income. The application of such limitation may cause U.S. federal income taxes to be paid by the Company earlier than they otherwise would be paid if such limitation was not in effect, which would adversely affect the Company's operating results and cash flows if it has taxable income in the future. In addition to the aforementioned federal income tax implications pursuant to Section 382 of the Code, most U.S. states follow the general provision of Section 382 of the Code, either explicitly or implicitly resulting in separate state NOL limitations. This could cause state income taxes to be paid earlier than otherwise would be paid if such limitation was not in effect and could cause such NOLs to expire unused.

#### **14. 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](http://www.childrensplace.com) and [www.gymboree.com](http://www.gymboree.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 one U.S. wholesale customer that individually accounted for more than 10% of its net sales, amounting to \$ 44.5 million and \$ 61.0 million for the Second Quarter 2024 and Year-To-Date 2024, respectively, and accounts for a majority of the Company's accounts receivable. As of August 3, 2024, The Children's Place U.S. had 452 stores and The Children's Place International had 63 stores. As of July 29, 2023, The Children's Place U.S. had 525 stores and The Children's Place International had 71 stores.

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

The following table provides segment level financial information:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
(in thousands)				
<b>Net sales:</b>				
The Children's Place U.S.	\$ 292,393	\$ 313,217	\$ 538,581	\$ 606,703
The Children's Place International <sup>(1)</sup>	27,262	32,382	48,952	60,536
Total net sales	<u>\$ 319,655</u>	<u>\$ 345,599</u>	<u>\$ 587,533</u>	<u>\$ 667,239</u>
<b>Operating loss:</b>				
The Children's Place U.S.	\$ ( 19,673 )	\$ ( 36,739 )	\$ ( 43,652 )	\$ ( 64,766 )
The Children's Place International	( 2,103 )	( 202 )	( 6,112 )	( 2,242 )
Total operating loss	<u>\$ ( 21,776 )</u>	<u>\$ ( 36,941 )</u>	<u>\$ ( 49,764 )</u>	<u>\$ ( 67,008 )</u>
<b>Operating loss as a percentage of net sales:</b>				
The Children's Place U.S.	( 6.7 %)	( 11.7 %)	( 8.1 %)	( 10.7 )%
The Children's Place International	( 7.7 %)	( 0.6 %)	( 12.5 %)	( 3.7 )%
Total operating loss as a percentage of net sales	( 6.8 %)	( 10.7 %)	( 8.5 %)	( 10.0 )%
<b>Depreciation and amortization:</b>				
The Children's Place U.S.	\$ 8,835	\$ 11,079	\$ 18,489	\$ 21,984
The Children's Place International	670	874	2,651	1,817
Total depreciation and amortization	<u>\$ 9,505</u>	<u>\$ 11,953</u>	<u>\$ 21,140</u>	<u>\$ 23,801</u>
<b>Capital expenditures:</b>				
The Children's Place U.S.	\$ 7,720	\$ 7,170	\$ 12,398	\$ 18,142
The Children's Place International	64	—	80	10
Total capital expenditures	<u>\$ 7,784</u>	<u>\$ 7,170</u>	<u>\$ 12,478</u>	<u>\$ 18,152</u>

<sup>(1)</sup> 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 results of operations, including adjusted net income (loss) 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 Part I, Item 1A. Risk Factors of its annual report on Form 10-K for the fiscal year ended February 3, 2024. Included among the risks and uncertainties that could cause actual results and performance to differ materially are the risk that the Company will be unable to achieve operating results at levels sufficient to fund and/or finance the Company's current level of operations and repayment of indebtedness, 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 (including inflation), the risk that changes in the Company's plans and strategies with respect to pricing, capital allocation, capital structure, investor communications and/or operations may have a negative effect on the Company's business, the risk that the Company's strategic initiatives to increase sales and margin, improve operational efficiencies, enhance operating controls, decentralize operational authority and reshape the Company's culture are delayed or do not result in anticipated improvements, the risk of delays, interruptions, disruptions and higher costs in the Company's global supply chain, including resulting from 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 securities, 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, risks related to the existence of a controlling shareholder, 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 February 3, 2024.

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

- Second Quarter 2024 — The thirteen weeks ended August 3, 2024
- Second Quarter 2023 — The thirteen weeks ended July 29, 2023
- First Quarter 2024 — The thirteen weeks ended May 4, 2024
- Year-To-Date 2024 — The twenty-six weeks ended August 3, 2024
- Year-To-Date 2023 — The twenty-six weeks ended July 29, 2023
- Fiscal 2024 — The fifty-two weeks ending February 1, 2025
- Fiscal 2023 — The fifty-three weeks ended February 3, 2024
- 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.*

- *Gross Margin — Gross profit expressed as a percentage of net sales*
- *SG&A — Selling, general, and administrative expenses*

## **OVERVIEW**

### **Our Business**

We are an omni-channel children's specialty portfolio of brands. We design, contract to manufacture, and sell fashionable, high quality apparel, accessories and footwear predominantly at value prices, primarily under our proprietary brands: "The Children's Place", "Gymboree", "Sugar & Jade", and "PJ Place". As of August 3, 2024, we had 515 stores across North America, our e-commerce business at [www.childrensplace.com](http://www.childrensplace.com) and [www.gymboree.com](http://www.gymboree.com), social media channels on Instagram, Facebook, X, formerly known as Twitter, YouTube and Pinterest, and 202 international points of distribution with our five franchise partners in 15 countries.

### **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](http://www.childrensplace.com) and [www.gymboree.com](http://www.gymboree.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 one U.S. wholesale customer that individually accounted for more than 10% of our net sales for the Second Quarter 2024 and Year-To-Date 2024.

### **Recent Developments**

Macroeconomic conditions, including inflationary pressures, higher interest rates, and other domestic and geo-political factors, continue to adversely affect our core customer, resulting in a decrease in discretionary apparel purchases during the Second Quarter 2024. These macroeconomic conditions are expected to continue to have an adverse impact during the remainder of Fiscal 2024.

On May 20, 2024, our Board of Directors (the "Board") appointed Muhammad Umair, who is currently a Board member, as President and Interim Chief Executive Officer of the Company. Mr. Umair succeeded Jane Elfers, who departed as our President and Chief Executive Officer and as a member of the Board pursuant to a mutual agreement with the Company effective as of May 20, 2024.

On August 23, 2024, we appointed Claudia Lima-Guinehut as Brand President, effective as of September 9, 2024. Ms. Lima-Guinehut succeeded Maegan Markee, who departed pursuant to a mutual agreement with the Company effective as of June 14, 2024.

## Operating Highlights

Net sales decreased \$25.9 million, or 7.5%, to \$319.7 million during the Second Quarter 2024 from \$345.6 million during the Second Quarter 2023, primarily due to an anticipated decrease in e-commerce revenue, as we proactively rationalized our unprofitable promotional strategies, inflated marketing spend and “free shipping” offers to significantly improve profitability, which was successful during the Second Quarter 2024. These efforts not only improved the profitability of our e-commerce business, despite the lower revenue, but also benefited the brick-and-mortar channel as the stores business experienced a positive comparable store sales for the first time in ten fiscal quarters. The wholesale business also rebounded with double-digit growth after a decline in the First Quarter 2024. During the Second Quarter 2024, we closed three stores and did not open any new stores. Comparable retail sales decreased 7.2% for the Second Quarter 2024, largely driven by the planned decrease in e-commerce as this business decreased by a double-digit percentage, as we proactively sacrificed unprofitable sales to improve profitability. Stores experienced a positive comparable store sales result for the first time since the post COVID-19 period of 2021, driven by stronger units per transaction and conversion metrics, and improving traffic trends.

Gross profit increased \$24.0 million to \$111.8 million or 35.0% of net sales during the Second Quarter 2024 from \$87.8 million or 25.4% of net sales during the Second Quarter 2023. The 960 basis point increase was caused by a combination of factors, including reductions in product input costs, including cotton and supply chain costs, which negatively impacted margins in the prior year. These improvements were combined with the success of our rationalization of profit-draining promotional strategies and shipping offers, which resulted in a significant improvement in the leverage of e-commerce freight costs due to our new shipping threshold for free shipping.

Operating loss decreased \$15.1 million to \$(21.8) million during the Second Quarter 2024 compared to a loss of \$(36.9) million during the Second Quarter 2023. Operating loss was impacted by incremental expenses of \$36.0 million, which included an impairment charge of \$28.0 million on the Gymboree tradename, primarily due to reductions in Gymboree sales forecasts and a reduction in the royalty rate used to value the tradename, and restructuring costs of \$6.1 million due to recent changes in our senior leadership team. Operating margin leveraged 390 basis points to (6.8)% of net sales.

Net loss decreased \$3.3 million to \$(32.1) million, or \$(2.51) per diluted share, during the Second Quarter 2024 compared to \$(35.4) million, or \$(2.82) per diluted share, during the Second Quarter 2023, due to the factors discussed above.

While we continue to face a challenging macroeconomic environment, including inflationary pressures, higher interest rates, and other domestic and geo-political concerns, we continue to focus on our key strategic growth initiatives – superior product, digital transformation, alternative channels of distribution, and fleet optimization.

Digital remains our top priority and we continue to expand our digital capabilities. 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. We continue to position marketing as a key growth lever in Fiscal 2024 and beyond. As our digital business continues to expand, we continue to strengthen our partnership with our third party logistics providers in an effort to provide our customers with a best-in-class digital experience.

We have closed 684 stores since the announcement of our fleet optimization initiative in 2013, including three during the Second Quarter 2024. 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. The average unexpired lease term for our stores is approximately 1.5 years in the United States, Puerto Rico, and Canada.

In November 2021, our Board authorized a \$250.0 million share repurchase program (the “Share Repurchase Program”). Currently, given the terms of our credit agreement, dated as of May 9, 2019 (as amended from time to time, the “Credit Agreement”), by and among the Company and certain of its subsidiaries, and the lenders party thereto (collectively, the “Credit Agreement Lenders”), as amended by the seventh amendment to the Credit Agreement (the “Seventh Amendment”), we are not expecting to repurchase any shares in Fiscal 2024, except pursuant to our practice as a result of our insider trading policy. As of August 3, 2024, there was \$156.7 million remaining availability under the Share Repurchase Program.



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		Twenty-six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
<b><u>Average Translation Rates</u></b> <sup>(1)</sup>				
Canadian dollar	0.7287	0.7494	0.7327	0.7440
Hong Kong dollar	0.1281	0.1277	0.1279	0.1276

<sup>(1)</sup> The average translation rates are the average of the monthly translation rates used during each period to translate the respective statements 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 Consolidated Financial Statements included in our most recent Annual Report on Form 10-K for the fiscal year ended February 3, 2024. 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 February 3, 2024. Our critical accounting estimates include impairment of long-lived assets, impairment of indefinite-lived intangible 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**

Refer to “Note 1. Basis of Presentation” of the accompanying consolidated financial statements for discussion regarding the impact of recently issued accounting standards on our consolidated financial statements.

## **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 data from our Statements of Operations 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 decreased 230 basis points to 30.1% of Net sales during the Second Quarter 2024 from 32.4% during the Second Quarter 2023. 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., “deleveraging”), we have less efficiently utilized the investments we have made in our business.

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	65.0	74.6	65.2	72.4
Gross profit	35.0	25.4	34.8	27.6
Selling, general, and administrative expenses	30.1	32.4	34.9	33.7
Depreciation and amortization	3.0	3.5	3.6	3.6
Asset impairment charges	8.7	0.2	4.8	0.4
Operating loss	(6.8)	(10.7)	(8.5)	(10.0)
Interest expense, net	(2.9)	(2.2)	(2.9)	(2.0)
Loss before provision (benefit) for income taxes	(9.7)	(12.9)	(11.4)	(12.1)
Provision (benefit) for income taxes	0.3	(2.7)	0.5	(2.5)
Net loss	(10.0)%	(10.2)%	(11.9)%	(9.6)%
Number of Company stores, end of period	515	596	515	596

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

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
(in thousands)				
<b>Net sales:</b>				
The Children's Place U.S.	\$ 292,393	\$ 313,217	\$ 538,581	\$ 606,703
The Children's Place International	27,262	32,382	48,952	60,536
Total net sales	<u>\$ 319,655</u>	<u>\$ 345,599</u>	<u>\$ 587,533</u>	<u>\$ 667,239</u>

#### Second Quarter 2024 Compared to Second Quarter 2023

Net sales decreased \$25.9 million or 7.5%, to \$319.7 million during the Second Quarter 2024 from \$345.6 million during the Second Quarter 2023, primarily due to an anticipated decrease in e-commerce revenue, as we proactively rationalized our unprofitable promotional strategies, inflated marketing spend and “free shipping” offers to significantly improve profitability, which was successful during the Second Quarter 2024. These efforts not only improved the profitability of our e-commerce business, despite the lower revenue, but also benefited the brick-and-mortar channel as the stores business experienced a positive comparable store sales for the first time in ten fiscal quarters. The wholesale business also rebounded with double-digit growth after a decline in the First Quarter 2024. Comparable retail sales decreased 7.2% for the Second Quarter 2024, largely driven by the planned decrease in e-commerce as this business decreased by a double-digit percentage, as we proactively sacrificed unprofitable sales to improve profitability. Stores experienced a positive comparable store sales result for the first time since the post COVID-19 period of 2021, driven by stronger units per transaction and conversion metrics, and improving traffic trends.

The Children's Place U.S. net sales decreased \$20.8 million or 6.6%, to \$292.4 million in the Second Quarter 2024, compared to \$313.2 million in the Second Quarter 2023. This decrease was primarily due to an anticipated decrease in e-commerce revenue, as we proactively rationalized our unprofitable promotional strategies, inflated marketing spend and “free shipping” offers to significantly improve profitability. The wholesale business also rebounded with double-digit growth after a decline in the First Quarter 2024.

The Children's Place International net sales decreased \$5.1 million or 15.8%, to \$27.3 million in the Second Quarter 2024, compared to \$32.4 million in the Second Quarter 2023. This decrease was primarily due to an anticipated decrease in e-commerce revenue, as we proactively rationalized our unprofitable promotional strategies, inflated marketing spend and "free shipping" offers to significantly improve profitability.

Total e-commerce sales, which include postage and handling, were 49.3% of net retail sales and 41.7% of net sales during the Second Quarter 2024, compared to 50.8% and 44.3%, respectively, during the Second Quarter 2023.

Gross profit increased \$24.0 million to \$111.8 million in the Second Quarter 2024, compared to \$87.8 million in the Second Quarter 2023. Gross margin increased 960 basis points to 35.0% of net sales in the Second Quarter 2024. The 960 basis point increase was caused by a combination of factors, including reductions in product input costs, including cotton and supply chain costs, which negatively impacted margins in the prior year. These improvements were combined with the success of our rationalization of profit-draining promotional strategies and shipping offers, which resulted in a significant improvement in the leverage of e-commerce freight costs due to our new shipping threshold for free shipping.

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 shipping and 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 \$15.9 million to \$96.1 million during the Second Quarter 2024 from \$112.0 million during the Second Quarter 2023. SG&A leveraged 230 basis points to 30.1% of net sales in the Second Quarter 2024. The Second Quarter 2024 results included incremental operating expenses of \$7.8 million, including restructuring costs of \$6.1 million and credit agreement lender-required consulting costs of \$1.1 million. The Second Quarter 2023 results included incremental operating expenses of \$10.3 million, including restructuring costs of \$9.7 million. Excluding the impact of these incremental charges, SG&A leveraged 180 basis points to 27.6% of net sales, primarily as a result of significant reductions in store payroll and home office payroll, and the elimination of inflated and unprofitable marketing costs. This represents the lowest level of Adjusted selling, general, and administrative expenses in over 15 years for the second quarter of a fiscal year.

Depreciation and amortization was \$9.5 million during the Second Quarter 2024, compared to \$12.0 million during the Second Quarter 2023. The decrease was primarily driven by reduced depreciation of capitalized software and the permanent closure of 81 stores during the past twelve months.

Asset impairment charges were \$28.0 million during the Second Quarter 2024 due to the reduction in fair value of the Gymboree tradename, which was primarily due to reductions in Gymboree sales forecasts and a reduction in the royalty rate used to value the tradename. Asset impairment charges were \$0.8 million during the Second Quarter 2023, inclusive of right-of-use ("ROU") assets. These charges were related to underperforming stores identified in our ongoing store portfolio evaluation primarily as a result of decreased net sales and cash flow projections.

Operating loss decreased \$15.1 million to \$(21.8) million during the Second Quarter 2024, compared to \$(36.9) million during the Second Quarter 2023. Operating loss was impacted by incremental expenses of \$36.0 million, which included an impairment charge of \$28.0 million on the Gymboree tradename, and restructuring costs of \$6.1 million due to recent changes in our senior leadership team. These charges have been classified as non-GAAP adjustments, leading to a shift back to profitability with an adjusted operating income of \$14.2 million in the Second Quarter 2024, or an improvement of \$39.2 million compared to an adjusted operating loss of \$(25.0) million in the Second Quarter 2023, and leveraged 1,170 basis points to 4.5% of net sales.

Net interest expense was \$9.2 million during the Second Quarter 2024, compared to \$7.6 million during the Second Quarter 2023. The increase in interest expense was primarily driven by higher average interest rates associated with our revolving credit facility due to the impact of refinancings and continued market-based rate increases, partially offset by continued benefits associated with certain non-interest bearing loans from our majority shareholder, Mithaq Capital SPC, a Cayman segregated portfolio company ("Mithaq").

Provision (benefit) for income taxes was a provision of \$1.1 million during the Second Quarter 2024, compared to a benefit of \$(9.2) million during the Second Quarter 2023. Our effective tax rate was a provision of (3.6)% and a benefit of 20.7% in the Second Quarter 2024 and Second Quarter 2023, respectively. The change in our effective tax rate and income tax provision (benefit) for the Second Quarter 2024 compared to the Second Quarter 2023 was primarily driven by the establishment of a valuation allowance against our net deferred tax assets in Fiscal 2023.

*Net loss*, which included certain non-cash impairment charges and non-operating restructuring charges, decreased \$3.3 million to \$(32.1) million, or \$(2.51) per diluted share during the Second Quarter 2024, compared to \$(35.4) million, or \$(2.82) per diluted share during the Second Quarter 2023, due to the factors discussed above. Adjusted net income shifted back to profitability after two years of losses during the Second Quarter 2024, improving by \$30.4 million to \$3.9 million, or \$0.30 per diluted share, compared to an adjusted net loss of \$(26.5) million, or \$(2.12) per diluted share during the Second Quarter 2023.

#### **Year-To-Date 2024 Compared to Year-To-Date 2023**

*Net sales* decreased \$79.7 million or 11.9%, to \$587.5 million during Year-To-Date 2024 from \$667.2 million during Year-To-Date 2023, primarily due to reductions in retail sales due to lower store count, and anticipated declines in e-commerce demand due to the rationalization of promotions, reductions in inflated and unprofitable marketing spend, and the strategic decision to change “free shipping” offers, as we proactively sacrificed unprofitable sales in an effort to improve profitability. Comparable retail sales decreased 9.4% during Year-To-Date 2024.

The Children’s Place U.S. net sales decreased \$68.1 million or 11.2%, to \$538.6 million during Year-To-Date 2024, compared to \$606.7 million during Year-To-Date 2023. This decrease was primarily due to lower store count, and anticipated declines in e-commerce demand due to the rationalization of promotions, reductions in inflated and unprofitable marketing spend, and the strategic decision to change “free shipping” offers, as we proactively sacrificed unprofitable sales in an effort to improve profitability.

The Children’s Place International net sales decreased \$11.5 million or 19.1%, to \$49.0 million during Year-To-Date 2024, compared to \$60.5 million during Year-To-Date 2023. This decrease was primarily due to lower store count, and anticipated declines in e-commerce demand due to the rationalization of promotions, reductions in inflated and unprofitable marketing spend, and the strategic decision to change “free shipping” offers, as we proactively sacrificed unprofitable sales in an effort to improve profitability.

Total e-commerce sales, which include postage and handling, were 51.2% of net retail sales and 45.1% of net sales during Year-To-Date 2024, compared to 48.0% and 42.9%, respectively, during Year-To-Date 2023.

*Gross profit* increased \$20.3 million to \$204.5 million during Year-To-Date 2024, compared to \$184.2 million during Year-To-Date 2023. Gross margin leveraged 720 basis points to 34.8% of net sales during Year-To-Date 2024. The increase was primarily due to reductions in product input costs, including cotton and supply chain costs, which negatively impacted margins in the prior year. These improvements were combined with the success of our rationalization of profit-draining promotional strategies and shipping offers, which resulted in a significant improvement in the leverage of e-commerce freight costs due to our new shipping threshold for free shipping.

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 shipping and 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 \$19.7 million to \$205.2 million during Year-To-Date 2024 from \$224.9 million during Year-To-Date 2023. SG&A deleveraged 120 basis points to 34.9% of net sales during Year-To-Date 2024. The Year-To-Date 2024 results included incremental operating expenses, including costs associated with our change of control of \$13.7 million, financing related charges of \$6.7 million, restructuring costs of \$6.4 million, and credit agreement lender-required consulting costs of \$1.9 million, partially offset by the reversal of a legal settlement accrual of \$2.3 million. The Year-To-Date 2023 results included incremental operating expenses, including restructuring costs of \$9.9 million, contract termination fees of \$3.0 million, and fleet optimization costs of \$1.2 million. Excluding the impact of these incremental charges, SG&A leveraged 150 basis points to 30.1% of net sales, primarily as a result of significant reductions in store payroll and home office payroll, and the elimination of inflated and unprofitable marketing costs. This represents the lowest level of Adjusted selling, general, and administrative expenses in over 15 years for the first two quarters of a fiscal year.

*Depreciation and amortization* was \$21.1 million during Year-To-Date 2024, compared to \$23.8 million during Year-To-Date 2023. The decrease was primarily driven by reduced depreciation of capitalized software and the permanent closure of 81 stores during the past twelve months, partially offset by the accelerated depreciation related to the voluntary early termination of the corporate office lease.

*Asset impairment charges* were \$28.0 million during Year-To-Date 2024 due to the reduction in fair value of the Gymboree tradename, which was primarily due to reductions in Gymboree sales forecasts and a reduction in the royalty rate used to value the tradename. Asset impairment charges were \$2.5 million during Year-To-Date 2023, inclusive of ROU assets. These charges were related to underperforming stores identified in our ongoing store portfolio evaluation primarily as a result of decreased net sales and cash flow projections.

*Operating loss* decreased \$17.2 million to \$(49.8) million during Year-To-Date 2024, compared to \$(67.0) million during Year-To-Date 2023. Operating loss was impacted by incremental expenses of \$58.9 million, which included an impairment charge of \$28.0 million on the Gymboree tradename, primarily due to reductions in Gymboree sales forecasts and a reduction in the royalty rate used to value the tradename, restructuring costs of \$6.4 million primarily due to recent changes in our senior leadership team, and several charges due to our recent change of control, due to the investment in us by Mithaq, and several new financing initiatives, which include \$10.8 million of non-cash equity compensation charges and \$3.8 million in other fees associated with the change of control, and \$6.7 million of financing-related charges. These charges have been classified as non-GAAP adjustments, leading to a shift back to profitability with an adjusted operating income of \$9.2 million during Year-To-Date 2024, or an improvement of \$58.7 million compared to an adjusted operating loss of \$(49.5) million during Year-To-Date 2023, and leveraged 900 basis points to 1.6% of net sales.

*Net interest expense* was \$17.0 million during Year-To-Date 2024, compared to \$13.5 million during Year-To-Date 2023. The increase was primarily driven by higher average interest rates associated with our revolving credit facility due to the impact of refinancings and continued market-based rate increases, partially offset by continued benefits associated with certain non-interest bearing loans from our majority shareholder, Mithaq.

*Provision (benefit) for income taxes* was a provision of \$3.2 million during Year-To-Date 2024 compared to a benefit of \$(16.4) million during Year-To-Date 2023. Our effective tax rate was a provision of (4.8)% and a benefit of 20.3% during Year-To-Date 2024 and Year-To-Date 2023, respectively. The change in our effective tax rate and income tax provision (benefit) for Year-To-Date 2024 compared to Year-To-Date 2023 was primarily driven by the establishment of a valuation allowance against our net deferred tax assets in Fiscal 2023.

*Net loss*, which included certain non-cash impairment charges and non-operating restructuring charges, increased \$(5.7) million to \$(69.9) million, or \$(5.50) per diluted share during Year-To-Date 2024, compared to \$(64.2) million, or \$(5.16) per diluted share during Year-To-Date 2023, due to the factors discussed above. Adjusted net loss, which was driven by losses in the First Quarter 2024 and partially offset by profits in the Second Quarter 2024, was \$(11.0) million, or \$(0.87) per diluted share during Year-To-Date 2024, compared to \$(51.2) million, or \$(4.12) per diluted share during Year-To-Date 2023.

## **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 payment of interest expense on our revolving credit facility and interest-equivalent expenses on our term loans, and the financing of capital projects.

Our working capital deficit decreased \$74.9 million to \$71.2 million at August 3, 2024, compared to \$146.1 million at July 29, 2023, primarily reflecting a decrease in borrowings on our \$433.0 million asset-based revolving credit facility (the "ABL Credit Facility") under our Credit Agreement and in our accounts payable balances, partially offset by an increase in accounts receivable balances.

At August 3, 2024, we had \$316.7 million of outstanding borrowings under our \$433.0 million ABL Credit Facility and no borrowings under our \$40.0 million senior unsecured credit facility with Mithaq (the "Mithaq Credit Facility"). We had total liquidity of \$116.9 million, including \$67.3 million of availability under our ABL Credit Facility, \$40.0 million of availability under our Mithaq Credit Facility, and \$9.6 million of cash on hand. At August 3, 2024, we had \$12.2 million of outstanding letters of credit, with an additional \$12.8 million available for issuing letters of credit under our ABL Credit Facility.

We expect to be able to meet our working capital, capital expenditure, and debt service requirements for at least the next twelve months from the date that our consolidated financial statements for the Second Quarter 2024 were issued, by using our cash on hand, cash flows from operations, and availability under our ABL Credit Facility and Mithaq Credit Facility. This liquidity may be further supplemented with proceeds from a future rights offering, if any, that we are currently contemplating.

### **ABL Credit Facility and 2021 Term Loan**

We and certain of our subsidiaries maintain the \$433.0 million ABL Credit Facility and, before it was fully repaid, maintained a \$50.0 million term loan (the "2021 Term Loan") under our Credit Agreement with Wells Fargo Bank, National Association ("Wells Fargo"), Truist Bank, Bank of America, N.A., HSBC Business Credit (USA) Inc., JPMorgan Chase Bank, N.A., and PNC Bank, National Association as the Credit Agreement Lenders and Wells Fargo, as Administrative Agent, Collateral Agent, Swing Line Lender and, before the 2021 Term Loan was fully repaid, Term Agent. The ABL Credit Facility will mature and, before it was fully repaid, the 2021 Term Loan would have matured, in November 2026.

As of April 18, 2024, which is the effective date of the Seventh Amendment, the ABL Credit Facility includes a \$25.0 million Canadian sublimit and a \$25.0 million sublimit for standby and documentary letters of credit.

Under the ABL Credit Facility, borrowings outstanding bear interest, at our option, at:

- (i) the prime rate per annum, plus a margin of 2.000%; or
- (ii) the Secured Overnight Financing Rate ("SOFR") per annum, plus 0.100%, plus a margin of 3.000%.

Prior to April 18, 2024, we were charged a fee of 0.200% on the unused portion of the commitments. As of April 18, 2024, based on the size of the unused portion of the commitments, we are charged a fee ranging from 0.250% to 0.375%. Letter of credit fees are at 1.125% for commercial letters of credit and 1.750% for standby letters of credit. 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 and an availability block.

From and after February 4, 2025 and on the first day of each fiscal quarter thereafter, based on the amount of our average daily excess availability under the facility, borrowings outstanding under the ABL Credit Facility will bear interest, at our option, at:

- (i) the prime rate per annum, plus a margin of 1.750% or 2.000%; or
- (ii) the SOFR per annum, plus 0.100%, plus a margin of 2.750% or 3.000%.

Letter of credit fees will range from 1.000% to 1.125% for commercial letters of credit and will range from 1.500% to 1.750% for standby letters of credit. Letter of credit fees will be determined based on the amount of our average daily excess availability under the facility.

For the Second Quarter 2024 and Year-To-Date 2024, we recognized \$6.3 million and \$12.0 million, respectively, in interest expense related to the ABL Credit Facility. For the Second Quarter 2023 and Year-To-Date 2023, we recognized \$6.1 million and \$10.8 million, respectively, in interest expense related to the ABL Credit Facility.

Prior to April 18, 2024, when the 2021 Term Loan was fully repaid, credit extended under the ABL Credit Facility was 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. As of April 18, 2024, the ABL Credit Facility is secured on a first priority basis by all of the foregoing collateral.

The outstanding obligations under the ABL Credit Facility may be accelerated upon the occurrence of certain customary events of default, as further described below. 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. Pursuant to the Seventh Amendment, the requisite payment condition thresholds for some of these covenants have been heightened, resulting in certain actions such as the repurchase of shares and payment of cash dividends becoming more difficult to perform. Additionally, if we are unable to maintain a certain amount of excess availability for borrowings (the "excess availability threshold"), we may be subject to cash dominion.

The ABL Credit Facility contains 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, such as a change of control.

In October 2023, we became aware of inadvertent calculation errors contained in the June, July and August 2023 borrowing base certificates provided to the Credit Agreement Lenders under our Credit Agreement, all of which have since been remedied. As the Credit Agreement Lenders determined that the calculation errors resulted in certain technical defaults under the Credit Agreement (including us not being in compliance with certain debt covenants), we and the Credit Agreement Lenders entered into a Waiver and Amendment Agreement (the "Waiver Agreement") on October 24, 2023, pursuant to which the Credit Agreement Lenders waived all of the defaults and we agreed to certain temporary enhanced reporting requirements and temporary restrictions on certain payments. These enhanced reporting requirements and restrictions will cease once we achieve certain excess availability thresholds. At no time prior to or following entering into the Waiver Agreement were we prevented from borrowing under the Credit Agreement in the ordinary course in accordance with its terms.

During the First Quarter 2024, Mithaq became the controlling shareholder of the Company and this change of control triggered an event of default under the Credit Agreement, thus subjecting us to cash dominion by the Credit Agreement Lenders. Subsequently, the Credit Agreement Lenders agreed to forbear from enforcing certain other rights and remedies during a limited forbearance period. On April 16, 2024, we and certain of our subsidiaries entered into the Seventh Amendment to the Credit Agreement with the Credit Agreement Lenders that, among other things, provided a permanent waiver of the change of control event of default. As of April 18, 2024, the ABL Credit Facility was reduced from \$445.0 million to \$433.0 million, and until we achieved certain excess availability thresholds, the Seventh Amendment preserved the temporary enhanced reporting requirements under the Waiver Agreement and continued to impose cash dominion.

As of August 29, 2024, we are no longer under cash dominion and we have reverted to the standard reporting requirements under the Credit Agreement.

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

	August 3, 2024	February 3, 2024	July 29, 2023
	(in millions)		
Total borrowing base availability <sup>(1)</sup>	\$ 396.2	\$ 258.4	\$ 422.3
Credit facility availability <sup>(2)</sup>	433.0	400.5	400.5
Maximum borrowing availability <sup>(3)</sup>	396.2	258.4	400.5
Outstanding borrowings	316.7	226.7	347.5
Letters of credit outstanding—standby	12.2	7.4	7.4
Utilization of credit facility at end of period	328.9	234.1	354.9
Availability <sup>(4)</sup>	\$ 67.3	\$ 24.3	\$ 45.6
Interest rate at end of period	8.6%	8.1%	8.1%

  

	Year-To-Date 2024	Fiscal 2023	Year-To-Date 2023
	(in millions)		
Average end of day loan balance during the period	\$ 252.7	\$ 315.5	\$ 315.2
Highest end of day loan balance during the period	\$ 328.0	\$ 379.4	\$ 379.4
Average interest rate	9.3%	7.5%	6.3%

<sup>(1)</sup> In the Second Quarter 2024, given that we were under cash dominion, the excess availability threshold was not applicable to the total borrowing base availability. As of August 29, 2024, we are no longer under cash dominion. In Fiscal 2023, the total borrowing base availability was calculated net of the excess availability threshold under the Credit Agreement, as prior to the Seventh Amendment, crossing that threshold would have resulted in cash dominion, which would have triggered a fixed charge coverage ratio covenant test and would likely have led to a default under the Credit Agreement. As of the Seventh Amendment, the fixed charge coverage ratio covenant has been removed from the Credit Agreement.

<sup>(2)</sup> In the Second Quarter 2024, given that we were under cash dominion, the excess availability threshold was not applicable to the determination of the credit facility availability. As of August 29, 2024, we are no longer under cash dominion. In Fiscal 2023, the credit facility availability was calculated net of the excess availability threshold, as prior to the Seventh Amendment, crossing that threshold would have resulted in cash dominion, which would have triggered a fixed charge coverage ratio covenant test and would likely have led to a default under the Credit Agreement. As of the Seventh Amendment, the fixed charge coverage ratio covenant has been removed from the Credit Agreement.

<sup>(3)</sup> The lower of the credit facility availability and the total borrowing base availability.

<sup>(4)</sup> The sub-limit availability for letters of credit was \$12.8 million at August 3, 2024, and \$42.6 million at February 3, 2024 and July 29, 2023.

The 2021 Term Loan bore interest, payable monthly, at (a) the SOFR per annum plus 2.750% for any portion that was a SOFR loan, or (b) the base rate per annum plus 2.000% for any portion that was a base rate loan. The 2021 Term Loan was pre-payable at any time without penalty, and did not require amortization. We recognized \$1.1 million in interest expense related to the 2021 Term Loan during Year-To-Date 2024. For the Second Quarter 2023 and Year-To-Date 2023, we recognized \$1.0 million and \$1.9 million, respectively, in interest expense related to the 2021 Term Loan.

As of April 18, 2024, the 2021 Term Loan was fully repaid.

As of August 3, 2024, unamortized deferred financing costs amounted to \$2.4 million related to our ABL Credit Facility.

## Mithaq Term Loans

We and certain of our subsidiaries maintain an interest-free, unsecured and subordinated promissory note with Mithaq for a \$78.6 million term loan (the "Initial Mithaq Term Loan"), consisting of (a) a first tranche in an aggregate principal amount of \$30.0 million (the "First Tranche") and (b) a second tranche in an aggregate principal amount of \$48.6 million (the "Second Tranche"). We received the First Tranche on February 29, 2024 and the Second Tranche on March 8, 2024.

The Initial Mithaq Term Loan matures on February 15, 2027. The Initial Mithaq Term Loan is guaranteed by each of our subsidiaries that guarantee our ABL Credit Facility.

We and certain of our subsidiaries also maintain an unsecured and subordinated \$90.0 million term loan with Mithaq (the "New Mithaq Term Loan"; and together with the Initial Mithaq Term Loan, collectively, the "Mithaq Term Loans").

The New Mithaq Term Loan matures on April 16, 2027, and requires monthly payments equivalent to interest charged at the SOFR plus 4.000% per annum, with such monthly payments to Mithaq deferred until April 30, 2025. The New Mithaq Term Loan is guaranteed by each of our subsidiaries that guarantee our ABL Credit Facility. For the Second Quarter 2024 and Year-To-Date 2024, we recognized \$2.1 million and \$2.5 million, respectively, in deferred interest-equivalent expense related to the New Mithaq Term Loan.

The Mithaq Term Loans are subject to an amended and restated subordination agreement (as amended from time to time, the "Subordination Agreement"), dated as of April 16, 2024, by and among us and certain of our subsidiaries, Wells Fargo and Mithaq, pursuant to which the Mithaq Term Loans are subordinated in payment priority to our obligations under the Credit Agreement. Subject to such subordination terms, the Mithaq Term Loans are prepayable at any time and from time to time without penalty and do not require any mandatory prepayments.

The Mithaq Term Loans contain customary affirmative and negative covenants substantially similar to a subset of the covenants set forth in the Credit Agreement, including limits on our ability to incur certain liens, to incur certain indebtedness, to make certain investments, acquisitions, dispositions or restricted payments, or to change the nature of our business. The Mithaq Term Loans, however, do not provide for any closing, prepayment or exit fees, or other fees typical for transactions of this nature, do not impose additional reserves on borrowings under the Credit Agreement, and do not contain certain other restrictive covenants.

The Mithaq Term Loans contain certain customary events of default, which include (subject in certain cases to customary grace periods), nonpayment of principal, breach of other covenants of the Mithaq Term Loans, inaccuracy in representations or warranties, acceleration of certain other indebtedness (including under the Credit Agreement), certain events of bankruptcy, insolvency or reorganization, such as a change of control, and invalidity of any part of the Mithaq Term Loans.

As of August 3, 2024 unamortized deferred financing costs amounted to \$3.2 million related to the Mithaq Term Loans.

Maturities of our principal debt payments as of August 3, 2024 are as follows:

	August 3, 2024
	(in thousands)
Remainder of 2024	\$ —
2025	—
2026	—
2027	168,600
Thereafter	—
Total related party debt	\$ 168,600

## Mithaq Commitment Letter

On May 2, 2024, we entered into a commitment letter ("the Commitment Letter") with Mithaq for a \$40.0 million Mithaq Credit Facility. Under the Mithaq Credit Facility, we had the ability to request for advances at any time prior to July 1, 2025. On September 10, 2024, we entered into an Amendment No. 1 to the Commitment Letter with Mithaq, that extended the deadline for requesting advances until July 1, 2026.



If any debt is incurred under the Mithaq Credit Facility, it shall require monthly payments equivalent to interest charged at the SOFR plus 5.000% per annum. Such debt shall be unsecured and shall be guaranteed by each of our subsidiaries that guarantee our ABL Credit Facility. Similar to the Mithaq Term Loans, such debt shall also be subject to the Subordination Agreement, contain customary affirmative and negative covenants substantially similar to a subset of the covenants set forth in the Credit Agreement, and contain certain customary events of default. Additionally, such debt shall require no mandatory prepayments and shall mature no earlier than July 1, 2026. As of August 3, 2024, no debt had been incurred under the Mithaq Credit Facility.

#### **Cash Flows and Capital Expenditures**

Cash used in operating activities was \$194.7 million during Year-To-Date 2024, compared to \$32.7 million during Year-To-Date 2023. Cash used in operating activities during Year-To-Date 2024 was primarily the result of higher inventory purchases and a lower accounts payable balance compared to Fiscal 2023.

Cash used in investing activities was \$12.5 million during Year-To-Date 2024, compared to \$18.3 million during the Year-To-Date 2023, driven by lower capital expenditures.

Cash provided by financing activities was \$203.7 million during Year-To-Date 2024, compared to \$53.0 million during Year-To-Date 2023. The increase primarily resulted from proceeds from higher net borrowings under our ABL Credit Facility and the Mithaq Term Loans, partially offset by the repayment of the 2021 Term Loan.

Our ability to continue to meet our capital requirements in Fiscal 2024 depends on our cash on hand, our ability to generate cash flows from operations, and available borrowings under our ABL Credit Facility and Mithaq Credit Facility. Cash flows generated from operations depends on our ability to achieve our financial plans. We believe that our cash on hand, cash generated from operations, and funds available to us through our ABL Credit Facility and Mithaq Credit Facility will be sufficient to fund our capital and other cash requirements for at least the next twelve months from the date that our consolidated financial statements for the Second Quarter 2024 were issued.

### 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

Until February 4, 2025, our ABL Credit Facility bears interest at a floating rate equal to the prime rate plus 2.000% or SOFR, plus 0.100%, plus 3.000%. As of August 3, 2024, we had \$316.7 million in borrowings under our ABL Credit Facility. A 10% change in the prime rate or SOFR would not have had a material impact on our interest expense.

Our 2021 Term Loan bore interest, payable monthly, at (a) the SOFR per annum plus 2.750% for any portion that was a SOFR loan, or (b) the base rate per annum plus 2.000% for any portion that was a base rate loan. As of April 18, 2024, our 2021 Term Loan was fully repaid.

The New Mithaq Term Loan requires monthly payments equivalent to interest charged at the SOFR per annum plus 4.000% per annum, with such monthly payments to Mithaq deferred until April 30, 2025. A 10% change in the prime rate or SOFR would not have had a material impact on our interest expense.

As of August 3, 2024, we had no borrowings under our Mithaq Credit Facility. If any debt is incurred under the Mithaq Credit Facility, it shall require monthly payments equivalent to interest charged at the SOFR plus 5.000% per annum. A 10% change in the prime rate or SOFR 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 August 3, 2024, net assets in Canada and Hong Kong amounted to \$1.2 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 \$0.1 million. All changes in the net investments in our foreign subsidiaries are recorded in other comprehensive loss.

As of August 3, 2024, we had \$4.2 million of our cash and cash equivalents held in foreign subsidiaries, of which \$1.5 million was in India, \$1.3 million was in China, \$0.9 million was in Canada, \$0.3 million was in Hong Kong, and \$0.2 million was held in other foreign countries.

#### 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 Second Quarter 2024 net sales would have decreased or increased by approximately \$4.5 million, and total costs and expenses would have decreased or increased by approximately \$6.7 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 Vietnam, Bangladesh, Ethiopia, Cambodia, Kenya, 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 President and Interim Chief Executive Officer, and our Chief Operating Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of August 3, 2024.

Based on that evaluation, our President and Interim Chief Executive Officer, and our Chief Operating Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level, as of August 3, 2024, 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 identified in connection with the evaluation required by Rule 13a-15(f) and 15d-15(f) of the Exchange Act that occurred during the quarter ended August 3, 2024 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

Certain legal proceedings in which we are involved are discussed in "Note 8. 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 February 3, 2024.

### ITEM 1A. RISK FACTORS.

Except for the new risk factor described in our Quarterly Report on Form 10-Q for the quarter ended May 4, 2024, 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 February 3, 2024.

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

In November 2021, our Board authorized a \$250.0 million share repurchase program (the "Share Repurchase Program"). Under this program, 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 the 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 program at any time and may thereafter reinstitute purchases, all without prior announcement. Pursuant to the Credit Agreement as amended by the Seventh Amendment as described above, we are not expecting to repurchase any shares in Fiscal 2024, except as described below, pursuant to our practice as a result of our insider trading policy. As of August 3, 2024, there was \$156.7 million remaining availability under the Share Repurchase Program.

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 Second Quarter 2024:

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
5/5/24-6/1/24 <sup>(1)</sup>	22,998	\$ 11.56	21,474	\$ 156,657
6/2/24-7/6/24	—	—	—	156,657
7/7/24-8/3/24	—	—	—	156,657
Total	<u>22,998</u>	<u>\$ 11.56</u>	<u>21,474</u>	<u>\$ 156,657</u>

<sup>(1)</sup> Includes 1,524 shares acquired as treasury stock as directed by participants in the deferred compensation plan and 21,474 shares withheld to cover taxes in conjunction with the vesting of stock awards.

### ITEM 5. OTHER INFORMATION.

During the Second Quarter 2024, none of the Company's directors or officers, as defined in Section 16 of the Exchange Act, adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K of the Exchange Act.

## ITEM 6. EXHIBITS.

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

<a href="#"><u>.3(+)</u></a>	<a href="#"><u>Separation and Release Agreement dated June 14, 2024, between Maegan Markee and The Children's Place, Inc.</u></a>
<a href="#"><u>.4(+)</u></a>	<a href="#"><u>Letter Agreement dated August 9, 2024 between Claudia Lima-Guinehut and The Children's Place, Inc.</u></a>
<a href="#"><u>.5(+)</u></a>	<a href="#"><u>Amendment No. 1 to Commitment Letter for \$40 Million Senior Unsecured Credit Facility (Third), dated as of September 10, 2024, among the Company, certain subsidiaries of the Company, and Mithaq Capital SPC.</u></a>
<a href="#"><u>.1(+)</u></a>	<a href="#"><u>Certificate of Principal Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.</u></a>
<a href="#"><u>.2(+)</u></a>	<a href="#"><u>Certificate of Principal Financial Officer and Principal Accounting Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.</u></a>
<a href="#"><u>(+)</u></a>	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
1.INS*	Inline XBRL Instance Document.
1.SCH*	Inline XBRL Taxonomy Extension Schema.
1.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase.
1.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase.
1.LAB*	Inline XBRL Taxonomy Extension Label Linkbase.
1.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase.
4*	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

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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: September 11, 2024

By: /S/ Muhammad Umair  
Muhammad Umair  
*President and Interim Chief Executive Officer*  
*(Principal Executive Officer)*

Date: September 11, 2024

By: /S/ Sheamus Toal  
Sheamus Toal  
*Chief Operating Officer and Chief Financial Officer*  
*(Principal Financial Officer and Principal Accounting Officer)*

**SEPARATION AND RELEASE AGREEMENT**

This SEPARATION AND RELEASE AGREEMENT (the "Agreement") is made and entered into as of the date set forth on the signature block and effective as of June 14, 2024 (the "Effective Date"), by and between Maegan Markee (the "EXECUTIVE"), on the one hand, and The Children's Place, Inc. (hereinafter referred to as the "COMPANY"), on the other. The EXECUTIVE and the COMPANY are sometimes referred to herein individually as a "Party" and are collectively referred to herein as the "Parties."

WHEREAS, the EXECUTIVE is employed by the COMPANY as the Brand President;

WHEREAS, the Parties mutually agree that the EXECUTIVE's service with the COMPANY and its predecessors, successors, assigns, affiliates and subsidiaries (collectively, the "COMPANY Entities") in all capacities, including as Brand President of the COMPANY, shall terminate effective as of the Effective Date; and

WHEREAS, the Parties mutually wish to reflect their respective rights and obligations relating to the separation of the EXECUTIVE's service from the COMPANY Entities, effective as of the Effective Date.

NOW, THEREFORE, for good and valuable consideration, the sufficiency of which is acknowledged hereby, and in consideration of the mutual covenants and undertakings set forth herein, the Parties agree as follows:

1. Separation Payment. In consideration for the EXECUTIVE's execution of this Agreement, the COMPANY shall provide (or cause to be provided), for the benefit of the EXECUTIVE, a one-time cash payment in the aggregate of \$1,450,000.00 (the "Separation Payment"), paid on or before the first regularly-scheduled payroll date of the COMPANY that is processed following the EXECUTIVE's execution and delivery to the COMPANY of this Agreement. The date the Separation Payment is received by EXECUTIVE pursuant to the terms of this Paragraph 1 shall be referred to herein as the "Payment Date." Payment of the Separation Payment to the EXECUTIVE shall constitute a full and valid discharge of the COMPANY's payment obligation pursuant to this Agreement. The Separation Payment and other consideration described herein represents a settlement of any and all claims the EXECUTIVE or any of the EXECUTIVE Releasing Parties have or ever had against the COMPANY or any of the COMPANY Released Parties (as defined in Paragraph 4(a)) from the beginning of time to the Effective Date, except for the Indemnification Rights (as defined in Paragraph 3) and the Executive Protections (as defined in Paragraph 4(d)).

(a) The Separation Payment will be paid to the EXECUTIVE through the COMPANY's payroll, less applicable tax withholding.

(b) The EXECUTIVE acknowledges and agrees that: (i) the Separation Payment and other consideration that she is receiving pursuant to this Agreement constitute just and sufficient consideration for the waivers, releases, and promises set forth herein; (ii) the consideration set forth in this Agreement constitutes full accord and satisfaction for all amounts

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due and owing to the EXECUTIVE, including, but not limited to, all salary, draw, incentive compensation, commissions, bonuses, wages, overtime, expense reimbursements, or other payments or forms of remuneration of any kind or nature, except for the Accrued Obligations (as defined in Paragraph 3), the Indemnification Rights (as defined in Paragraph 3), and the Executive Protections (as defined in Paragraph 4(d)); and (iii) the EXECUTIVE has consulted with an attorney before executing this Agreement.

2. Equity Based Compensation Forfeiture. The EXECUTIVE and the COMPANY further acknowledge and agree that, subject to payment under Paragraph 1, the EXECUTIVE hereby has no right to and/or forfeits any rights to, and the COMPANY has no obligations to the EXECUTIVE in respect of, any restricted stock units of the COMPANY's common stock that were otherwise scheduled to vest after the Effective Date.

3. Accrued Obligations. In addition to amounts to be paid under this Agreement, (i) the COMPANY shall pay to the EXECUTIVE her earned but unpaid base salary, in each case, through the Effective Date, to be paid on the first regularly scheduled payroll date following the Effective Date; (ii) the EXECUTIVE shall continue to participate in the COMPANY-sponsored benefit plans in accordance with the terms of such plans; (iii) any benefits entitlements that were vested as of the Effective Date pursuant to the terms of any COMPANY-sponsored benefit plan (which benefits entitlements, for the avoidance of doubt, do not include any bonus payments, deferred or otherwise, or any paid time off nor restricted stock units forfeited pursuant to Paragraph 2); and (iv) the EXECUTIVE shall receive payment for unreimbursed business expenses subject to, and in accordance with, the terms of the COMPANY's expense reimbursement policies, which payment shall be made within thirty (30) days after the EXECUTIVE submits the applicable supporting documentation to the COMPANY, with such documentation to be submitted no later than five (5) business days following the Effective Date (the foregoing, collectively the "Accrued Obligations"). For the avoidance of doubt, with respect to all acts or omissions of the EXECUTIVE which occurred prior to the Effective Date, the COMPANY agrees to continue to indemnify the EXECUTIVE to the same extent that the EXECUTIVE was indemnified prior to the Effective Date and that the EXECUTIVE 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 (collectively, the "Indemnification Rights"). Nothing in this Agreement shall be construed as a waiver of or amendment to the EXECUTIVE's Indemnification Rights.

4. Release by the EXECUTIVE.

(a) In exchange for and subject to receipt of the Separation Payment in accordance with Paragraph 1(a), and the release provided by the COMPANY and the other COMPANY Releasing Parties pursuant to Paragraph 5, and the COMPANY's and the other COMPANY Entities' other covenants pursuant to this Agreement, upon the Effective Date, the EXECUTIVE, for herself and on behalf of her spouse, domestic partner, children, present and



former representatives, agents, advisors, attorneys, predecessors, successors, insurers, administrators, heirs, executors, assigns, trusts, trustees and beneficiaries, and all others acting or purporting to act on her behalf (collectively, the "EXECUTIVE Releasing Parties"), hereby unconditionally and irrevocably waives, releases and forever discharges the COMPANY, the other COMPANY Entities, and each of their respective predecessors, successors, assigns, parent companies, subsidiaries, and affiliates, and in their official capacities as such, each of their respective current and former agents, advisors, representatives, beneficiaries, executors, administrators, insurers, reinsurers, sureties, auditors, attorneys, officers, directors, employees, employee benefit programs (and trustees, administrators, fiduciaries, and insurers of such programs), and all others acting or purporting to act on their behalf, past and present (collectively, the "COMPANY Released Parties"), from any and all debts, demands, actions, causes of action, complaints, suits, accounts, covenants, contracts, agreements, damages, losses, judgments, executions, orders, fees, costs, and expenses, and any and all claims, demands and liabilities whatsoever of any kind, whether in law or in equity, known or unknown, suspected or unsuspected, whether sounding in tort, contract, under municipal, state, or federal law or any other rule, regulation or authority, that the EXECUTIVE Releasing Parties have, or ever had, against the COMPANY Released Parties, based on any fact or thing occurring from the beginning of time to the Effective Date, except as otherwise set forth in Paragraph 4(d) (which carves out the Executive Protections, as that term is defined in Paragraph 4(d)) (collectively, the "EXECUTIVE Released Claims"). Without limiting the generality of the foregoing, this waiver, release, and discharge includes, but is not limited to, any EXECUTIVE Released Claims based upon or arising out of or relating in any way to the EXECUTIVE's employment relationship or any other associations with the COMPANY Entities or any termination thereof, including, but not limited to, the Change in Control Severance Agreement between the COMPANY and EXECUTIVE and any awards with respect to the COMPANY's common stock, any claim for wrongful discharge, harassment, race discrimination, gender discrimination, national origin discrimination, hostile and/or toxic work environment, retaliation, or any claim or right arising under any federal, state, or local fair employment practices or equal opportunity laws, including, but not limited to the following federal laws and, as applicable, the laws of the state and/or city in which the EXECUTIVE is or has been employed the Worker Adjustment and Retraining Notification Act, 42 U.S.C. Section 1981, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Employee Retirement Income Security Act (including, but not limited to, claims for breach of fiduciary duty), the Fair Labor Standards Act ("FLSA"), as amended, the Occupational Safety and Health Act of 1970 ("OSHA"), claims for individual relief under the Sarbanes-Oxley Act of 2002 or the Dodd-Frank Wall Street Reform and Consumer Protection Act, the New York State Human Rights Law, New York State Constitution, New York Labor Law, New York Civil Rights Law, New York City Human Rights Law, New York Executive Law, the New Jersey Civil Rights Act, the New Jersey Law Against Discrimination, the New Jersey Family Leave Act, the New Jersey Fair Credit Reporting Act, the New Jersey Paid Sick Leave Act, the New Jersey Smokers' Rights Law, the New Jersey Genetic Privacy Act, the New Jersey Statutory Provision Regarding Retaliation/Discrimination for Filing a Workers' Compensation Claim, the New Jersey Public Employees' Occupational Safety and Health Act, the New Jersey laws regarding Political Activities of Employees, Lie Detector Tests, Jury Duty, Employment Protection, and Discrimination, the New Jersey Minimum Wage Law, the Equal Pay Law for New Jersey, the New Jersey Conscientious Employee Protection Act or any other

federal, state, or local constitutions, statutes, regulations, ordinances, or laws, including, but not limited to, any and all laws or regulations prohibiting employment discrimination, harassment or retaliation. From and after the Payment Date, any COMPANY Released Party may plead this Agreement as a complete defense and bar to any Executive Released Claim brought in contravention hereof. For the purposes of clarity, the EXECUTIVE does not agree to release any claims based on any fact or thing occurring after the Effective Date. The release set forth in this Paragraph 4(a) is hereinafter referred to as the "Release."

(b) The EXECUTIVE acknowledges that she may later discover facts different from, or in addition to, those she now knows or believes to be true with respect to her employment, the separation from her employment (including the reasons for such separation), and/or the Executive Released Claims in this Agreement, and agrees that the Release shall be and remain in effect in all respects as a complete and general release as to all matters released, notwithstanding any such different or additional facts.

(c) The EXECUTIVE acknowledges and agrees, that, except as prohibited by law, she hereby waives any right that she may have to seek or to share in any relief, monetary or otherwise, relating to any Executive Released Claim, whether such Executive Released Claim was initiated by her or not. To the extent the EXECUTIVE receives any such relief, the COMPANY will be entitled to an offset for any payments made under this Agreement, except as prohibited by law.

(d) Notwithstanding anything to the contrary set forth in this Paragraph 4 herein, the Release shall not include the following matters: (i) the Accrued Obligations or obligations created by or arising out of this Agreement; (ii) unemployment, state disability, and/or worker's compensation insurance benefits pursuant to the terms of applicable law; (iii) any benefits entitlements that were vested as of the Effective Date pursuant to the terms of any COMPANY-sponsored benefit plan (which benefits entitlements, for the avoidance of doubt, do not include any bonus payments, deferred or otherwise, or any paid time off nor restricted stock units forfeited pursuant to Paragraph 2); (iv) continuation of existing participation in COMPANY-sponsored group health benefit plans at EXECUTIVE's sole cost under COBRA and/or under applicable state law counterpart(s) if EXECUTIVE elects continued participation in any such health benefit plans; (v) any claim not waivable by law; (vi) any claim or right that may arise after the Effective Date; and (vii) the Indemnification Rights. In particular, for the avoidance of doubt, nothing in this Agreement shall be construed as a waiver of the EXECUTIVE's right to bring any whistleblower claim that cannot be waived as a matter of law or from making a claim that does not include a request for monetary relief with any governmental agency or from participating in an administrative, legislative, or judicial proceeding concerning harassment or discrimination if she has been required or requested to attend such a proceeding pursuant to a court order, subpoena, or written request from an administrative agency or legislature. Without limiting the generality of the foregoing, nothing in this Agreement or otherwise limits the EXECUTIVE's ability to communicate directly with and provide information, including documents, not otherwise protected from disclosure by any applicable law or privilege to the U.S. Department of Justice, the U.S. Securities and Exchange Commission (the "SEC"), Nasdaq, or any other self-regulatory organization or other federal,

state, or local governmental agency or commission (a "Government Agency") regarding possible legal violations, without disclosure to any COMPANY Entity. The COMPANY Entities may not retaliate against the EXECUTIVE for any of these activities, and nothing in this Agreement requires the EXECUTIVE to waive any monetary award or other payment that the EXECUTIVE might become entitled to from the SEC or any other Government Agency. Further, nothing in this Agreement precludes the EXECUTIVE from filing a charge with a Government Agency. In addition, notwithstanding the EXECUTIVE's confidentiality obligations set forth in this Agreement, the EXECUTIVE understands that, pursuant to the Defend Trade Secrets Act of 2016, the EXECUTIVE will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (I) is made (A) in confidence to a federal, state, local or non-U.S. government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (II) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The EXECUTIVE also understands that if the EXECUTIVE files a lawsuit for retaliation by any COMPANY Entity for reporting a suspected violation of law, the EXECUTIVE may disclose the trade secret to the EXECUTIVE's attorney and use the trade secret information in the court proceeding, if the EXECUTIVE (x) files any document containing the trade secret under seal; and (y) does not disclose the trade secret, except pursuant to court order. The EXECUTIVE understands that if a disclosure of trade secrets was not done in good faith pursuant to the above, then the EXECUTIVE may be subject to liability to the fullest extent provided by applicable law. Each of the protections and exceptions set forth in this Paragraph 4(d) shall constitute an "Executive Protection", and collectively, shall constitute the "Executive Protections".

5. Release by the COMPANY. In exchange for the Release provided by the EXECUTIVE described in Paragraph 4(a) and the EXECUTIVE's other covenants pursuant to this Agreement, effective from and after the Effective Date, the COMPANY, for itself and on behalf of the other COMPANY Entities and their respective present and former representatives, officers, agents, advisors, attorneys, predecessors, successors, insurers, administrators, heirs, executors, assigns, trusts, trustees and beneficiaries, and all others acting or purporting to act on its or their behalf (collectively, the "COMPANY Releasing Parties"), hereby unconditionally and irrevocably waives, releases, and forever discharges the EXECUTIVE and each of her current and former agents, advisors, representatives, successors, assigns, beneficiaries, executors, administrators, insurers, reinsurers, sureties, attorneys, and all others acting or purporting to act on her behalf, past and present (collectively, the "EXECUTIVE Released Parties"), from any and all debts, demands, actions, causes of action, complaints, suits, accounts, covenants, contracts, agreements, damages, losses, judgments, executions, orders, fees, costs, and expenses, and any and all claims, demands and liabilities whatsoever of any kind, whether in law or in equity, known or unknown, suspected or unsuspected, whether sounding in tort, contract, under municipal, state, or federal law or any other rule, regulation or authority, including but not limited to the "Clawback Policy" as defined in Paragraph 19 below (except as permitted by Paragraph 19, including, without limitation, as required by applicable law or stock exchange regulations) that the COMPANY Releasing Parties have, or ever had, against the EXECUTIVE Released Parties, based on any fact or thing occurring from the beginning of time to the Effective Date. From and after the Payment Date, any EXECUTIVE Released Party may plead this

Agreement as a complete defense and bar to any released claim brought in contravention hereof. Notwithstanding anything to the contrary set forth in this Paragraph 5, this release shall not include the following matters: (i) obligations created by or arising out of this Agreement; (ii) any claim not waivable by law; (iii) any claims relating to criminal fraud or other criminal activities or (iv) any claim or right that may arise after the Effective Date. The COMPANY, for itself and on behalf of the other COMPANY Releasing Parties, acknowledges that it or any of the other COMPANY Releasing Parties may later discover facts different from, or in addition to, those they now know or believe to be true with respect to the EXECUTIVE's employment, the separation from her employment (including the reasons for such separation), and/or the claims released in this Agreement, and the COMPANY, for itself and on behalf of the other COMPANY Releasing Parties, agrees that the general release set forth in this Paragraph 5 shall be and remain in effect in all respects as a complete and general release as to all matters released, notwithstanding any such different or additional facts except as otherwise set forth in this Paragraph 5.

6. Section 409A of the Internal Revenue Code

(a) It is intended that payments and benefits made or provided under this Agreement shall comply with or be exempt from Section 409A of the Internal Revenue Code (the "Code"). Any payments that qualify for the "short-term deferral" exception, the separation pay exception, legal settlements exception or another exception under Section 409A of the Code shall be paid under the applicable exception. For purposes of Section 409A of the Code, if an amount is paid in two or more installments, each installment shall be treated as a separate payment of compensation. In no event may the EXECUTIVE, directly or indirectly, designate the calendar year of any payment under this Agreement, and to the extent required by Section 409A of the Code, any payment that may be paid in more than one taxable year (depending on the time that the EXECUTIVE executes this Agreement) shall be paid in the later taxable year.

(b) Notwithstanding anything to the contrary in this Agreement, all reimbursements and in-kind benefits provided under this Agreement that are subject to Section 409A of the Code shall be made in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the EXECUTIVE's lifetime (or during a shorter period of time specified in this Agreement); (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

7. Resignation; Separation from Employment; No Future Employment

(a) The EXECUTIVE hereby unconditionally and irrevocably resigns, effective as of the Effective Date, from all offices, titles, positions and appointments at the COMPANY Entities, including as a director, manager, officer, employee, committee member or trustee.

(b) The EXECUTIVE agrees that her employment with the COMPANY and any of the COMPANY Released Parties shall be severed, effective as of the Effective Date, except with respect to the continuing obligations described in Paragraph 12 below.

(c) The EXECUTIVE agrees that no COMPANY Entity has any obligation to re-employ her. The EXECUTIVE understands and agrees that she has no right to any reinstatement or re-employment by any COMPANY Entity at any time.

8. **Mutual Non-Disparagement.** The EXECUTIVE agrees not to make any disparaging statements, comments, or remarks, whether written or oral (collectively, "Disparaging Statements"), to employees or affiliates of the COMPANY Entities, or to any third party, regarding the COMPANY or any other COMPANY Entities or any of their respective officers, directors or Mithaq Capital SPC and its affiliates (including Mithaq Holding Company and its affiliates) or, in their capacity as such, their employees, agents, representatives, administrators, attorneys, and advisors, except (a) on a confidential basis to her attorneys, advisors, or immediate family, provided that the EXECUTIVE does not direct, encourage, or request that these individuals violate her obligations under this Paragraph 8, and the EXECUTIVE will instruct those individuals not to make any Disparaging Statements, (b) as required by applicable law, regulation, statute, or fiduciary obligation, (c) as necessary to enforce rights under this Agreement, (d) to respond publicly to a Disparaging Statement made publicly in breach of this Paragraph 8 to the extent reasonably necessary to correct or refute such Disparaging Statement, or (e) pursuant to the exercise of the Indemnification Rights or the Executive Protections. "Disparaging" statements, comments, suggestions, or remarks are those that are defamatory or that, directly or indirectly, impugn in any manner the character, honesty, integrity, morality, ethics, or business acumen or abilities of the individual or entity at issue, including, without limitation, in any press release, official statement, or filing. The COMPANY, on behalf of itself and the COMPANY Entities, agrees that its current directors and, during the period of their service with the COMPANY or the applicable COMPANY Entity, its current officers (within the meaning of Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) shall not, and the COMPANY agrees to instruct its Senior Leadership (i.e., the individuals identified as Senior Leadership on the COMPANY's public website as of June 14, 2024), not to, make any Disparaging Statements to employees or affiliates of the COMPANY Entities, or to any third party, regarding the EXECUTIVE, or her advisors or attorneys, except (a) on a confidential basis to their attorneys and other advisors, provided that they do not direct, encourage, or request that these individuals violate the COMPANY's, or the COMPANY Entities' obligations under this Paragraph 8, and the COMPANY and the other COMPANY Entities will instruct those individuals not to make any Disparaging Statements, (b) as required by applicable law, regulation, statute, or fiduciary obligation, (c) as necessary to enforce rights under this Agreement, (d) to respond publicly to a Disparaging Statement made publicly in breach of this Paragraph 8 to the extent reasonably necessary to correct or refute such Disparaging Statement, and (e) on a confidential basis to the COMPANY's auditors. Notwithstanding the foregoing, nothing herein prohibits any person from providing truthful testimony in response to lawful legal process as part of an investigation or lawsuit, and nothing herein prohibits the COMPANY's directors and officers from discussing privately and in confidence the EXECUTIVE or her work between or among one another.

9. Cooperation. The EXECUTIVE agrees, upon reasonable notice from the COMPANY (while preserving all applicable privileges), to provide truthful and reasonable cooperation, including but not limited to her appearance at interviews with the COMPANY's counsel (in the presence of counsel to the EXECUTIVE), depositions and court or arbitration hearings, (a) in connection with the defense or prosecution of any and all charges, complaints, claims, liabilities, obligations, promises, agreements, demands, and causes of action of any nature whatsoever, which are asserted by any person or entity concerning or related to any matter that arises out of or concerns events or occurrences during the EXECUTIVE's employment with the COMPANY, and (b) for 120 days following the Separation Date, concerning requests for information about the business of the COMPANY Entities or the EXECUTIVE's involvement or participation therein, in each case, for which the EXECUTIVE has material information that is not otherwise reasonably available to the COMPANY. The COMPANY agrees that any requests for cooperation made pursuant to this Paragraph 9 will be reasonable and done in a business-like fashion. The COMPANY further agrees that it will use its best efforts to coordinate with the EXECUTIVE and her counsel and to allow the EXECUTIVE to satisfy the COMPANY's requests in the least burdensome manner available, e.g., all interviews shall be conducted via telephone or video conference. In the event the COMPANY asks for EXECUTIVE's cooperation in accordance with this Paragraph 9, the COMPANY will reimburse EXECUTIVE for reasonable time and expenses (including travel expenses at the class of travel she was provided immediately prior to the Effective Date and reasonable legal expenses and attorneys' fees incurred) upon EXECUTIVE's submission of appropriate documentation. Any cooperation requested by the COMPANY shall be subject to EXECUTIVE's business and personal commitments, and EXECUTIVE shall not be required to cooperate against her own legal interests or the legal interests of any subsequent employer. Should the EXECUTIVE be served with a subpoena in any judicial, administrative, or other proceeding of any kind involving or relating, directly or indirectly, to the COMPANY Entities, the EXECUTIVE agrees to promptly, and in no event later than five (5) business days after receipt thereof, notify COMPANY of such subpoena and, to the extent legally permissible, and unless requested to maintain it as confidential by a government agency or department or self-regulatory organization, provide COMPANY with a copy thereof.

10. Return of Company Property. The EXECUTIVE understands and agrees that, as a prior condition to receiving the consideration set forth in Paragraph 1, the EXECUTIVE must, return to the COMPANY all (i) laptops, tablets, cellular telephones, iPads, iPhones, blackberries and other smartphones, keys, locks and credit cards, and (ii) all documents, records, materials, and other information of any type whatsoever that is the property of the COMPANY or its affiliates, in each case which is of a material nature. The EXECUTIVE further agrees that the EXECUTIVE must 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 affairs of the COMPANY, its affiliates or their respective vendors, in each case which is of a material nature. The EXECUTIVE acknowledges and agrees that her receipt of the payment described in Paragraph 1 is conditioned upon her delivery of a written notice to the COMPANY representing and warranting that, to the best of her knowledge after a diligent search she has complied with her obligations set forth in this Paragraph 10.

11. Non-Admission of Liability. The EXECUTIVE and the COMPANY agree that they have entered into this Agreement in compromise of disputed claims and that entry into this Agreement is not an admission of any liability or wrongdoing on the part of the EXECUTIVE, the COMPANY, or any of the COMPANY Released Parties. The COMPANY and the COMPANY Released Parties deny any liability, committing any wrongdoing, or violating any legal duty with respect to the EXECUTIVE, the EXECUTIVE's employment, or the EXECUTIVE's separation from employment. The EXECUTIVE denies any liability, committing any wrongdoing, or violating any legal duty with respect to the COMPANY Entities or the EXECUTIVE's employment.

12. Survival of Work Product and Confidentiality Agreement and Arbitration Agreement. The EXECUTIVE and the COMPANY acknowledge and agree that, to the maximum extent permitted by applicable law, (i) the Work Product, Confidentiality, and Nonsolicitation Agreement signed by the EXECUTIVE on or about November 29, 2017 (the "Confidentiality Agreement"), except for Section 4 thereof (Nonsolicitation), which shall cease being in force and effect as of the date that is six (6) months following the Effective Date, and prior to the end of such six (6) month period shall not apply to any person or entity who has ceased to be an employee of or service provider to the COMPANY for any reason, other than any action by EXECUTIVE prohibited by such Section 4, and (ii) the Mutual Agreement to Arbitration Claims signed by the EXECUTIVE on or about November 13, 2023 (the "Arbitration Agreement") shall survive the Effective Date, and the EXECUTIVE shall continue to be bound by the terms of said Confidentiality Agreement (as amended hereby) and Arbitration Agreement prior to, on and following the Effective Date.

13. Remedies. The Parties both acknowledge and agree that the restrictions and agreements contained in Paragraphs 8 and 12, in view of the nature of the business in which each is engaged, are reasonable, necessary, and in the other Party's best interests in order to protect the legitimate interests of the other Party, and that any material violation thereof shall be deemed to be a material breach of this Agreement, and that the non-breaching Party shall be entitled to pursue any and all remedies available to it in a court or tribunal of competent jurisdiction including, but not limited to, application for temporary, preliminary, and permanent injunctive relief, without the requirement to post a bond, as well as damages, and an equitable accounting of all earnings, profits, and other benefits arising from such violation.

14. Fees and Costs. With the exception of the Separation Payment and Indemnification Rights, and as set forth in Paragraphs 3, 4(d), 9, 20, and 21, each Party shall bear its own attorneys' fees and any other costs incurred in respect of this Agreement and any matter arising hereunder or thereunder.

15. No Pending or Future Lawsuits. The EXECUTIVE represents that the EXECUTIVE has no lawsuits, claims, or actions pending in her name, or on behalf of any other person or entity, against any COMPANY Released Party. The EXECUTIVE also represents that she has no present intention of bringing any claims on her own behalf or on behalf of any other person or entity against any COMPANY Released Party, and that she has not assigned the rights to file any claim released under Paragraph 4(a). The COMPANY, on behalf of itself and the

other COMPANY Releasing Parties, represents that neither it nor any of the COMPANY Releasing Parties has any lawsuits, claims or actions pending in its or any of their names or on behalf of any other person or entity against the EXECUTIVE Released Parties. The COMPANY, on behalf of itself and the other COMPANY Releasing Parties, also represents that neither it nor any of the COMPANY Releasing Parties have any present intention of bringing any claims on their own behalf or on behalf of any other person or entity against the EXECUTIVE Released Parties, and that they have not assigned the rights to file any claim released under Paragraph 5.

16. No Outstanding Claims. By signing the Agreement, the EXECUTIVE acknowledges that the EXECUTIVE is not due to receive other compensation or benefits from any COMPANY Released Party other than as set forth in this Agreement. The EXECUTIVE affirms that the EXECUTIVE has no known workplace injuries or occupational diseases which would be compensable under the workers' compensation laws of any state, and that the EXECUTIVE has been provided and/or has not been denied or retaliated against for requesting or taking any leave under any applicable leave laws, including but not limited to the Family and Medical Leave Act or any similar state or local law providing for such leave.

17. No Representation or Reliance. By executing this Agreement, the EXECUTIVE acknowledges that: (a) the EXECUTIVE is not relying upon any statements, understandings, representations, expectations, or agreements other than those expressly set forth in this Agreement; (b) the EXECUTIVE has made her own investigation of the facts and is relying solely upon the EXECUTIVE's own knowledge or the advice of the EXECUTIVE's own legal counsel; (c) the EXECUTIVE knowingly waives any claim that this Agreement was induced by any misrepresentation or nondisclosure and any right to rescind or avoid this Agreement based upon presently existing facts, known or unknown; (d) the EXECUTIVE is entering into this Agreement freely and voluntarily; and (e) the EXECUTIVE has carefully read and understood all of the provisions of this Agreement. By executing this Agreement, the COMPANY acknowledges that: (a) the COMPANY is not relying upon any statements, understandings, representations, expectations, or agreements other than those expressly set forth in this Agreement; (b) the COMPANY has made its own investigation of the facts and is relying solely upon the COMPANY's own knowledge or the advice of the COMPANY's own legal counsel; (c) the COMPANY knowingly waives any claim that this Agreement was induced by any misrepresentation or nondisclosure and any right to rescind or avoid this Agreement based upon presently existing facts, known or unknown; (d) the COMPANY is entering into this Agreement freely and voluntarily; and (e) the COMPANY has carefully read and understood all of the provisions of this Agreement. Both the EXECUTIVE and the COMPANY stipulate that the COMPANY and the EXECUTIVE are relying upon these representations and warranties in entering into this Agreement. These representations and warranties shall survive the execution of this Agreement.

18. Entire Agreement; Modification. This Agreement and the agreements referenced in Paragraph 12 constitute the entire agreement between the Parties and override and replace all prior negotiations and terms proposed or discussed, whether in writing or orally, about the



subject matter hereof. No modification of this Agreement will be valid unless it is in writing identified as an amendment to the Agreement and is signed by the Parties hereto.

19. Acknowledgements.

(a) Each Party acknowledges that it or she has read and understands this Agreement and that it or she has had the opportunity to consult with its or her attorneys before signing this Agreement. The EXECUTIVE represents and warrants that the EXECUTIVE has presented her independent legal counsel of her own choosing with this Agreement, that the EXECUTIVE's counsel has had the opportunity to review this Agreement, and that the EXECUTIVE is executing this Agreement of her own free will after having received advice from counsel regarding the execution of this Agreement. The EXECUTIVE acknowledges that her counsel has had adequate opportunity to make whatever investigation or inquiry they might deem necessary or desirable in connection with the subject matter of this Agreement prior to her executing it and prior to the delivery and acceptance of the Separation Payment specified in Paragraph 1. The EXECUTIVE further acknowledges that she is entering into this Agreement of her own free will, without reservation, and that she is acting under no force or duress or coercion of any kind or character in so doing. The EXECUTIVE also represents that she has reviewed this Agreement carefully, that she understands all the terms used herein, and that she understands the significance of such terms, both factual and legal. The COMPANY represents and warrants that the COMPANY has presented its independent legal counsel of its own choosing with this Agreement, that the COMPANY's counsel has had the opportunity to review this Agreement, and that the COMPANY is executing this Agreement of its own free will after having received advice from counsel regarding the execution of this Agreement. The COMPANY acknowledges that its counsel has had adequate opportunity to make whatever investigation or inquiry they might deem necessary or desirable in connection with the subject matter of this Agreement prior to the COMPANY executing it. The COMPANY further acknowledges that it is entering into this Agreement of its own free will, without reservation, and that it is acting under no force or duress or coercion of any kind or character in so doing. The COMPANY also represents that it has reviewed this Agreement carefully, that it understands all the terms used herein, and that it understands the significance of such terms, both factual and legal.

(b) The EXECUTIVE acknowledges and agrees that she is subject to The Children's Place, Inc. Clawback Policy, including the Addendum to Clawback Policy, effective as of August 10, 2023 (the "Clawback Policy"), except that the COMPANY hereby agrees that it shall not exercise its discretionary rights under the Clawback Policy, and hereby waives any such rights, unless (i) required by applicable law or stock exchange regulations or (ii) the EXECUTIVE materially breaches this Agreement or the Confidentiality Agreement and fails to cure such breach within fifteen (15) days after receiving notice from the COMPANY of such material breach. The EXECUTIVE acknowledges and agrees to abide by the terms of the Clawback Policy (as amended hereby), including, without limitation, by returning any Erroneously Awarded Compensation (as defined in the Clawback Policy) to the COMPANY as may be required by applicable law or stock exchange regulations. The COMPANY represents and warrants that it has no current knowledge of any Erroneously Awarded Compensation of the EXECUTIVE. Furthermore, the EXECUTIVE acknowledges and agrees that she will return any

other compensation to the COMPANY as may be required by applicable law or stock exchange regulations.

20. Governing Law and Mandatory Dispute Resolution Forum.

(a) This Agreement is governed by and shall be construed in accordance with the laws of the State of New Jersey and United States federal law, to the extent applicable, including any applicable statutes of limitation, without regard to any otherwise applicable principles of conflicts of law or choice of law rules (whether of the State of New Jersey or any other jurisdiction) that would result in the application of the substantive or procedural rules or law of any other jurisdiction.

(b) Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be submitted to final and binding arbitration as the sole and exclusive remedy for such controversy or dispute pursuant to the Arbitration Agreement. Notwithstanding the foregoing, this Agreement shall not require the Parties to arbitrate any claims pursuant to this Agreement: (i) under a COMPANY benefit plan subject to ERISA, (ii) any claim as to which applicable law not preempted by the Federal Arbitration Act prohibits resolution by binding arbitration hereof, or (iii) any claim by the COMPANY or the EXECUTIVE for injunctive relief. It is the Parties' intent that issues of arbitrability of any dispute shall be decided by the arbitrator. This Paragraph 20 shall be interpreted to conform to any applicable law concerning the terms and enforcement of agreements to arbitrate employment disputes. The Parties agree that the fact of any dispute, the arbitration proceedings and any information exchanged by the Parties in connection with the arbitration shall be kept confidential and shall not be disclosed to third parties (other than to legal counsel and other advisors or witnesses as necessary in connection with the arbitration).

21. Remedies for Breach.

(a) In the event that the EXECUTIVE or any EXECUTIVE Releasing Party brings an action against the COMPANY or any COMPANY Released Party based on any released claims, or in the event that the EXECUTIVE breaches this Agreement, the COMPANY and any COMPANY Released Party may, at its option and as applicable (i) plead this Agreement in bar to any such action; and (ii) seek any and all remedies available at law or in equity, including injunctive relief and monetary damages, costs and reasonable attorneys' fees.

(b) In the event that the COMPANY or any COMPANY Releasing Party brings an action against the EXECUTIVE or any EXECUTIVE Released Party based on any released claims, or in the event that the COMPANY breaches this Agreement, the EXECUTIVE and any EXECUTIVE Released Party may, at its or her option and as applicable (i) plead this Agreement in bar to any such action; and (ii) seek any and all remedies available at law or in equity, including injunctive relief and monetary damages, costs and reasonable attorneys' fees.

(c) In addition to the EXECUTIVE's rights and remedies available under Paragraph 21(b) above, if the Separation Payment is not paid to the EXECUTIVE when and as provided for in Paragraph 1 above, and the COMPANY fails to cure such breach within five (5)

days after receiving written notice thereof, then, notwithstanding any contrary provisions herein, (i) in lieu of the Severance Payment provided for in Paragraph 1 above, the EXECUTIVE shall receive the severance benefits provided by Section 4 of the Change in Control Severance Agreement between the COMPANY and EXECUTIVE; and (ii) the EXECUTIVE's termination of employment with the COMPANY shall be deemed to be an Involuntary Termination Event, as defined in and in connection with any and all awards to the EXECUTIVE of the COMPANY's common stock, and, consequently, all otherwise unvested common stock of the COMPANY under such awards shall become fully vested and be immediately delivered to the EXECUTIVE. The COMPANY shall pay to the EXECUTIVE all costs, fees, and expenses (including reasonable attorneys' fees) incurred by the EXECUTIVE in connection with enforcing this Paragraph 21(c).

22. Construction. No provision of this Agreement shall be interpreted or construed against any Party because that Party or its legal representative drafted that provision. The captions and headings of the Paragraphs of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement. Unless the context of this Agreement clearly requires otherwise: (a) references to the plural include the singular, the singular the plural, and the part the whole, (b) references to one gender include all genders, (c) "or" has the inclusive meaning frequently identified with the phrase "and/or," (d) "including" has the inclusive meaning frequently identified with the phrase "including but not limited to" or "including without limitation," (e) references to "hereunder," "herein" or "hereof" relate to this Agreement as a whole, and (f) the terms "dollars" and "\$" refer to United States dollars. Section, subsection, exhibit and paragraph references are to this Agreement as originally executed unless otherwise specified. Any reference herein to any statute, rule, regulation or agreement, including this Agreement, shall be deemed to include such statute, rule, regulation or agreement as it may be modified, varied, amended or supplemented from time to time. Any reference herein to any person shall be deemed to include the heirs, legal representatives, successors, executors, administrators and permitted assigns of such person.

23. Severability. The terms of this Agreement are contractual and not a mere recital. If any provision or part of any provision of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, but this Agreement shall, in such event, be construed as if such invalid and/or unenforceable provision had never been contained herein.

24. Counterparts and Electronic Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall be deemed to be one and the same agreement or document. This Agreement may be executed by each signatory with the application of an electronic or hand signature, either of which will have the same binding legal effect. A signed copy of this Agreement transmitted by facsimile, email, or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Agreement for all purposes.

25. Notices. All notices relating to this Agreement shall be in writing, sent by reputable courier service (such as FedEx or DHL) or by email, and shall be deemed effective upon receipt. All notices relating to this Agreement shall be made as follows:

**To EXECUTIVE (through her counsel):**

Stephen I. Budow  
Loeb & Loeb LLP  
345 Park Avenue  
New York, New York 10154  
sbudow@loeb.com

**To the COMPANY (through its counsel):**

Jennifer S. Conway  
Davis Polk & Wardwell LLP  
450 Lexington Avenue  
New York, New York 10017  
Jennifer.conway@davispolk.com

26. Representations and Warranties. Each Party represents and warrants that:

(a) Each of the undersigned has the full legal right and capacity to enter into this Agreement and perform its obligations hereunder, including any third-party authorization necessary to release the claims it is releasing hereunder. This Agreement has been duly and validly executed and delivered by such Party and, assuming due authorization, execution and delivery by the other Party, constitutes a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency, and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies.

(b) The execution and delivery by such Party of this Agreement, the performance by such Party of its obligations hereunder, and the consummation of the transactions contemplated hereby, will not (i) result in the violation by such Party of any statute, law, rule, regulation, or ordinance or any judgment, decree, order, writ, permit, or license of any governmental or regulatory authority applicable to such Party, or (ii) require such Party to obtain any consent, approval or action of, make any filing with or give any notice to any person which action has not already been undertaken by such Party, except any such filing required by applicable law, regulation, statute or fiduciary obligation.

*(remainder of page intentionally left blank)*

**IN WITNESS WHEREOF**, the Parties have signed this Agreement as of the date referenced below with the intent to be bound by its terms and conditions.

**EXECUTIVE**

/S/ MAEGAN MARKEE

BY: Maegan Markee, in her individual capacity

DATE: June \_\_, 2024

**COMPANY**

By: /S/ MUHAMMAD UMAIR

The Children's Place, Inc.

Muhammad Umair, President and Interim Chief Executive Officer

DATE: June \_\_, 2024



500 PLAZA DRIVE  
SECAUCUS, NJ 07094  
PHONE 201.453.6400

August 9, 2024

Claudia Lima-Guinehut  
130 William Street, Apt. 16D  
New York, NY 10038

Dear Claudia,

On behalf of The Children's Place, Inc. (the "Company"), it is my pleasure to confirm our offer of employment for the position of Brand President, reporting to Muhammad Umair. Your principal place of employment shall be at the Company's offices in Secaucus, New Jersey, with the ability to work from your home or other remote location at your discretion in-line with the Company's policies. Your offer of employment is contingent upon the successful completion of your background check. Details of our offer are as follows:

- **EFFECTIVE DATE:** September 9, 2024
- **ANNUAL BASE SALARY:** \$625,000.00
- **BONUS:** You will be eligible to participate in our annual management incentive plan beginning with fiscal 2024. 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; provided, that, if you are terminated by the Company without Cause (as defined in the Change in Control Severance Agreement as described below) or you resign with Good Reason (as defined in the Change in Control Severance Agreement as described below), you shall receive the bonus payout as if your employment continued through the date of such bonus payout.

We believe that achieving our annual financial and business objectives is important to executing our business strategy and delivering value to our stockholders. 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. 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 and remain subject to the Board's discretion and final approval. An associate must achieve an overall performance rating of "Meets Expectations" at his or her annual review to be bonus eligible. The Company reserves the right to modify the plan at any time, with or without notice.

- **NEW HIRE LONG-TERM INCENTIVE AWARD:** Based upon your position with the Company, you will receive a long-term incentive award.

- Value of Award: 60,000 stock units
  - Grant Date: Same date as all other senior executives (2024 long-term award grants have yet to be made (in the event that other senior executives receive awards prior to your start date, the grant date of your award shall be your start date)
  - Award Type: The award will be in the form of TRSUs & PRSUs. This award will vest in May 2025, 2026 & 2027, with the awards (20,000 shares) that vest in May 2025 being TRSUs and the awards vesting in May 2026 & May 2027 (20,000 shares each year) being PRSUs, subject to the achievement of a single performance metric each year based on the Company's free cash flows. The vesting of the award also remains subject to your continued employment as of any vesting date.
- ANNUAL EQUITY AWARD: In 2025, you will be eligible to receive a long-term incentive award of not less than 60,000 stock units at the same time as other senior executives in the Company, subject to the approval of the Human Capital and 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. After completing one year of service, 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 25 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. In lieu of any relocation expenses, the Company will provide you with an annual allowance of \$15,000 for commuter expenses.
  - 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 or you resign with Good Reason (each as defined in the Change in Control Severance Agreement) and you are not entitled to payments under 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 (i.e., the Company shall be responsible for the payment of the full applicable COBRA premiums). 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 reasonable and standard 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; provided that such confidentiality, non-solicitation and non-competition provisions shall be the same, or less restrictive than, as described herein, 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 noncompete 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 venture, 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 one that designs, manufactures, contracts to manufacture or sells children's apparel, children's footwear or children's accessories ("each, a Children's Business") ; provided, that, in the event that an entity has lines of business which are not a Children's Business, you shall be permitted to engage with such entity so long as you are not engaged in a Children's 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 business competitive with that of the Company.

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.

- **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.

I am confident that you will make a strong contribution to our growth and success!

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

Sincerely,

/S/ MUHAMMAD UMAIR      /S/ CLAUDIA LIMA-GUINEHUT

Muhammad Umair      Agreed and Accepted:

President & Interim Chief Executive Officer      Claudia Lima-Guinehut

Date:              Date:

MITHAQ CAPITAL SPC  
Synergy, Suite 22, 3269 Anas Ibn Malik Rd,  
Al Malqa, Riyadh 13521

as of September 10, 2024

CONFIDENTIAL

The Children's Place, Inc., a Delaware corporation  
500 Plaza Drive  
Secaucus, New Jersey 07094  
Attention: Jared Shure  
Email: jshure@childrensplace.com

**Amendment No. 1 to Commitment Letter  
\$40 Million Senior Unsecured Credit Facility (Third)**

Ladies and Gentlemen:

WHEREAS, you have advised Mithaq Capital SPC (individually or together with one or more of its affiliates, "Mithaq Capital", "us" or "we") that The Children's Place, Inc., a Delaware corporation (the "Borrower" or "you"), and its subsidiaries (collectively, the "Borrower Parties"), seek to amend the terms of the commitment letter, dated as of May 2, 2024 (the "Commitment Letter"; and together with the Mithaq Third Promissory Note and all other documents and agreements executed and delivered in connection therewith, collectively, the "Mithaq Third Credit Documents"), with respect to the senior unsecured credit facility (the "Mithaq Third Credit Facility") of up to \$40 million to be provided to the Borrower Parties upon and subject to the terms and conditions set forth therein and in the other Mithaq Third Credit Documents.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Definitions. All capitalized terms used herein and not otherwise defined in this amendment letter ("Amendment No. 1") shall have the same meaning herein as in the Mithaq Third Credit Documents.

2. Amendments to Commitment Letter. As of the date of this Amendment No. 1 (the "Amendment Effective Date"), the Commitment Letter is amended as follows:

(a) All instances of the date "July 1, 2025" in the Commitment Letter shall be deleted in their entirety, and be replaced with "July 1, 2026".

1. Miscellaneous.

(a) This Amendment No. 1 and the other Mithaq Third Credit Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

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(b) This Amendment No. 1 shall be governed by, and construed in accordance with, the laws of the State of New York.

(c) This Amendment No. 1 may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. In proving this Amendment No. 1, it shall not be necessary to produce or account for more than one such counterpart signed by the party against which enforcement is sought. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are attached to the same document. Delivery of an executed counterpart of this Amendment No. 1 by telecopier, facsimile or other electronic means (including, via electronic mail in .pdf format) shall be as effective as delivery of a manually executed counterpart thereof.

(d) No provision of this Amendment No. 1 may be waived, amended, supplemented or otherwise modified, or any departure therefrom consented to, except pursuant to an agreement or agreements in writing entered into by, between or among each of the parties hereto.

(e) This Amendment No. 1 and the obligations hereunder may not be assigned by any party hereto without the prior written consent of each other party hereto (and any purported assignment without such consent will be null and void), is intended to be solely for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto.

(f) If any provision of this Amendment No. 1 is held to be illegal, invalid or unenforceable, (i) the legality, validity and enforceability of the remaining provisions of this Amendment No. 1 shall not be affected or impaired thereby and (ii) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

[Signature pages follow]

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IN WITNESS WHEREOF, the parties have hereunto caused this Amendment No. 1 to be duly executed as of the Amendment Effective Date.

Sincerely,

**MITHAQ CAPITAL SPC**

By: /S/ TURKI SALEH A. ALRAJHI

Name: Turki Saleh A. AlRajhi

Title: Director

[Signature Page to Amendment No. 1 to Commitment Letter (Mithaq Third Credit Facility)]

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Agreed to and accepted as of  
the date first above written:

**THE CHILDREN'S PLACE, INC.**, for itself and on behalf of the Borrower  
Parties

By: /S/ SHEAMUS TOAL

Name: Sheamus Toal

Title: Chief Operating Officer & Chief Financial Officer

[Signature Page to Amendment No. 1 to Commitment Letter (Mithaq Third Credit Facility)]

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

I, Muhammad Umair, 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: September 11, 2024

By: /S/ MUHAMMAD UMAIR

MUHAMMAD UMAIR

*President and Interim Chief Executive Officer  
(Principal Executive Officer)*

**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: September 11, 2024

By: /S/ SHEAMUS TOAL

SHEAMUS TOAL  
Chief Operating Officer and Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)



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

I, Muhammad Umair, President and Interim Chief Executive 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 August 3, 2024 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 11th day of September, 2024.

By: /S/ MUHAMMAD UMAIR

*President and Interim Chief Executive Officer  
(Principal Executive Officer)*

I, Sheamus Toal, Chief Operating Officer and 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 August 3, 2024 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 11th day of September, 2024.

By: /S/ SHEAMUS TOAL

*Chief Operating Officer and 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 August 3, 2024 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.