THE CHILDREN'S PLACE

2024 Annual Report

THE CHILDREN’S PLACE, INC.

2024 ANNUAL REPORT

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THE CHILDREN'S PLACE, INC.

To Our Shareholders:

The full transition of governance of The Children's Place, Inc. ("TCP" or the "Company") was made on March 8, 2024. We took governance in the faith that we can protect and compound, at a reasonable rate of return, the per-share intrinsic value of TCP benefitting all fellow shareholders with whom I am aligned. This letter is intended for *long-term* shareholders who have a serious interest in their holdings, as distinguished from speculators. Had our positions been reversed, this Honest-to-God letter would have been what I wanted.

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Point to Ponder

Companies governed by a controlled shareholder can make change happen decisively and quickly. In last year's letter to fellow shareholders, I stated the following:

"We will take steps to shape a culture where talented individuals, i.e., intelligent, energetic and ethical who think like owners can prosper. A decentralized culture assumes autonomy, and that can't be achieved without trust in team leaders … We will seek to create a culture that can attract, empower, retain and incentivize such first-class worthy individuals so that we sail in the same boat, and maintain a competitive edge in the ever-evolving business landscape. Eventually, we will seek for TCP to have a culture of a seamless web of deserved trust, ownership mentality and a sense of responsibility."

We have taken a complete 180° top-down approach to restructuring the senior leadership team. Only three out of the former ten senior executives remain in TCP. I believe the present senior leadership team is ethical, energetic and anti-bureaucratic, qualities which are much needed in transformational reforms, turnaround situations, and to effect change in general.

As companies grow, they often risk losing the very essence of what made them successful—entrepreneurial spirit. The agility, adaptability, relentless execution, bold decision-making and willingness to take risks that define a startup can fade under the weight of bureaucracy and institutional inertia. Scaling while maintaining that drive can help extend a company's shelf life.

A fish rots from the head down, old saying goes. I reckon culture has to come from the top, as it has a trickle-down effect, and talented individuals thrive in a trust-based culture where recognition, accountability and fairness are the norm. We have zero tolerance for dishonest and toxic behaviors, and people prefer to deal with those who keep their word. I steadily believe a TCP leader should do what is right even if no one is looking, and his and/or her word should be their bond, always. When we do things the right way, i.e., treat people fairly and squarely, make thoughtful decisions, and uphold the highest ethical standards, we can create lasting value that stands the test of time.

Good behavior never expires, and *good intentions* draw the universe to reward you in return.

Nothing is more rewarding than the immense joy of seeing first-class, worthy employees succeed. If we surround ourselves with good people and engage with those who share a win-win mentality, I am optimistic that our long-term performance will be decent. True ownership promotes long-term thinking, and we are taking moderate, incremental steps to extend TCP's shelf life and lay the foundation for a high-quality and free-cash-flow generative business.

Transforming an organization's culture is a marathon, and we are comfortable with the pace and magnitude of our progress so far. None of this would have happened without the support of Muhammad Umair and Jared Shure. As you continue to observe cultural improvements and SG&A rationalization along with an increase in productivity, you know who deserves the credit!

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Historical Facts

Below is a summary of selective historical financial data of The Children's Place, Inc.:

*Fiscal Year***	*Total Revenue**	*Cash From Operations**	*SG&A Expenses**	*Free Cash Flows**	*Profit After Tax**	*Gross Profit Margin**	*Return on Invested Capital****
2014	1,761.3	161.4	470.7	89.2	56.9	35.3%	9.4%
2015	1,725.8	182.7	469.9	140.5	57.9	36.2%	10.3%
2016	1,785.3	199.3	454.1	164.6	102.3	37.6%	19.0%
2017	1,870.3	214.4	476.5	155.7	84.7	38.0%	15.7%
2018	1,938.1	139.9	498.3	68.8	101.0	35.3%	26.3%
2019	1,870.7	177.9	478.1	120.4	73.3	35.0%	19.0%
2020	1,522.6	(35.7)	428.2	(66.3)	(140.4)	21.9%	(42.3%)
2021	1,915.4	133.3	459.2	104.0	187.2	41.5%	41.3%
2022	1,708.5	(8.2)	461.0	(53.8)	(1.1)	30.1%	1.7%
2023	1,602.5	92.8	447.3	65.2	(154.5)	27.8%	(27.8%)
2024	1,386.3	(117.6)	405.6	(133.4)	(57.9)	33.1%	(5.5%)

*: Source: Public filings. All numbers are United States Dollars in Millions, rounded to the first decimal place.
**: Fiscal Year 2024 means the accounting year ended on February 1, 2025 (FY2023 ended on February 3, 2024).
***: Source: Bloomberg. Invested Capital is reduced by short- and long-term operating lease liabilities under ASC 842.

- TCP loss after tax for FY2024 was approx. $57.9 million compared to FY2023's loss of approx. $154.5 million, primarily driven by strategic changes and operational efficiencies to improve profitability.
- TCP recorded an additional tax expense of approx. $68 million in FY2023, due to the valuation allowance on its deferred tax assets, which increased by a further $18 million in FY2024. The remaining balance of U.S. federal net operating losses of approx. $19 million is available to be utilized against future taxable income, subject to certain limitations.
- TCP total revenue declined by 13.5% in FY2024 compared to FY2023, primarily driven by proactively sacrificing unprofitable sales and prioritizing profitable sales.
- TCP SG&A expenses decreased by approx. $41.7 million in FY2024 compared to FY2023, primarily due to rationalizing marketing, cost structure and offshoring initiatives.
- TCP has high debt exposure currently, and the net interest expense was approx. $35.7 million for FY2024, compared to approx. $30 million for FY2023.
- TCP gross margins improved to 33.1% compared to FY2023's 27.8%.
- TCP e-commerce as a percentage of retail sales remained over 53%.
- TCP maintained a total liquidity of approx. $85.5 million as of the end of FY2024.

The fiscal year 2024 has been transformative for TCP history. We are pleased but not satisfied. We urge you to lower expectations; we have a long way to go, and there is still work to be done to turn TCP into a cash-generative business, so shareholders' patience is the most logical course…

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Thoughts and Strategic Initiatives

<u>Rationalizing Sales, Promotions, Inventory, and Margins</u>: Many companies prioritize growth at the expense of profitability—sometimes justifiably but often to excess. At TCP, we strive to strike the right balance, i.e., ensuring both that sales are profitable and that each incremental investment continues to generate strong, sustainable, long-term returns.

After implementing the minimum shipping threshold of $20 on February 1, 2024, and then increasing it to $40 on May 31, 2024, many customers responded positively by increasing their units per transaction to qualify for free shipping. This led to a natural decline in small-ticket orders, which we fully embraced. Additionally, we tested various minimum free shipping thresholds throughout the year to gauge customers' reactions. We will continue to adjust the minimum order limit for free shipping based on our order fulfillment costs. This has already proven successful in lowering operating expenses for our e-commerce channel.

We seek to limit (gross) loss-making sales!

In recent years, TCP has heavily relied on promotional strategies to grow its digital presence and market share. However, this heavy reliance has not only eroded profit margins but has also significantly altered customers' perceptions of both The Children's Place and Gymboree brands. While there have been gains in our average unit retail, I believe that TCP has unintentionally cultivated behavioral habits among customers that encourage shopping during clearance and promotional events, shaping a perception that could undermine our core brand identity.

We have taken steps to optimize our promotion strategy, including redesigning banners on our website and in our stores, as well as changing the visual appearance and feel of our website from that of a "hard discounter" to a value brand where customers can find great designs at value prices.

However, since U.S. consumers are driven in part by promotions, promotions remain a crucial element in the competitive landscape. According to a recent Circana survey, the industry average for sales vs. not-on-sales is around 43%, and TCP has a higher promotional rate than the market average. We will continue to strive for the right balance for promotions and profitability through further investments in technology to optimize pricing decisions.

TCP's inventory turnover has been on a declining trajectory since its inception. From 1997 to 2007, annual inventory turnover was approx. 5x to 6x; it dropped to 4.5x from 2008 to 2013, dropped again to 3.6x to 4x from 2014 to 2020, and now stands at approx. 2.8x. This decline has been caused by several factors, including but not limited to the mix of basics and fashion products, the heavy shift from stores to e-commerce, wholesale business with Amazon, channel-centric buying, and an inventory glut due to COVID-related supply chain challenges. I believe that we are on a path to optimizing inventory levels that will position TCP to increase inventory turns without compromising our revolving credit facility with banks.

The preceding commentary regarding sales promotions and inventory turnover remains valid under a normal business environment. However, in light of the evolving reciprocal tariffs, the existing excess low-cost inventory has become a valuable asset to TCP. We are continuously assessing the effect of newly announced tariffs from various countries and aim to adjust our strategies to sell the current low-cost inventory effectively and wisely.

Sales Channel Strategy: One of the first things we did was to dive deeper into understanding the unit economics of each channel's performance, which has also encouraged the respective teams to take ownership and accountability for their channels. We are still committed to following a digital-first omni-channel strategy. However, we plan to be opportunistic and seek to avoid blindly doubling down on one channel.

We plan to fine-tune our digital dependence by optimizing our efforts toward a more balanced model that includes strategic store expansion to strengthen brand presence and marketplace growth to reach new customer segments.

TCP generates 91% of its revenue from the United States and 9% from the rest of the world. Therefore, we are actively exploring new channels and seeking to enhance existing ones, including by more fully leveraging the benefits of TCP-owned brands through franchises globally and new marketplaces.

Channel diversification remains a central pillar to us, and we are focused on channel strategies that will leverage key partnerships, add new geographies, explore licensing and compelling collaborations to create culturally relevant moments that drive traffic and conversion and improve the average dollar sale. Several strategic collaborations are underway, and no spoilers just yet—but we look forward to making announcements in due course.

The Orphan "Brick and Mortar" Channel: I believe that the appearance and poor condition of TCP's stores detract from the shopping experience of store customers and convey a single, unfortunate reality: our stores have become an orphan channel.

Over the past several years, no significant capital expenditures were directed towards our stores, aside from minor maintenance tasks. In my opinion, since COVID, TCP has not only closed too many stores too quickly but also transitioned too heavily from long-term to short-term leases for the remaining locations, leading landlords to shop us around.

Consequently, TCP was compelled to close dozens of profitable stores that we could not relocate within the same area. TCP had 924 stores at the end of FY2020 and 495 stores at the end of FY2024, a 46.4% decline. Approximately 300 of those stores that closed were profitable at the time of closure.

We are taking significant steps to stabilize our fleet of stores. We have hired Philip Ende as Head of Real Estate. Since November 2024, we have been making timely payments to landlords and have improved our success in renegotiating maturing leases. If you observe stability and potential growth in our profitable fleet, you know who deserves the credit!

In FY2024, we have not only rationalized store closures and repaired relationships with many landlords but also secured long-term leases for many of our profitable stores, recognizing over \$3.9 million in net rent reductions through these renegotiations.

Historically, TCP stores were a key entry point for first-time shoppers. The reduction in our physical store locations has impacted traffic and first-time purchases, shifting the burden to digital acquisition. Fewer in-store visits mean fewer opportunities for cross-selling and basket-building, traditionally strong drivers of incremental revenue at TCP.

Coming out of the pandemic, we doubled down on e-commerce, which has helped sustain sales. TCP has a 54.5% e-commerce penetration as a percentage of retail sales in FY2024, which means we rely more heavily on paid digital marketing to drive customer acquisition, engagement and retention. However, as online competition has grown, advertising on social media platforms has become more expensive, which may erode margins.

In contrast, store sales remove these extra costs and serve as a cost-effective marketing tool, creating sensory experiences that can encourage impulse purchases and first-time purchases. While e-commerce is a TCP strength, it also places TCP in a highly competitive and cost-intensive battle. In the absence of strong product differentiation, loyalty programs, or pricing advantages, maintaining healthy long-term margins in e-commerce is challenging.

Therefore, we will strive to find the right balance between stores and e-commerce, and we will seek not to neglect our physical locations. From the acquisition of Gymboree in April 2019 until last year, we had not opened a standalone store as an independent brand. As a first step, we opened the first-ever standalone Gymboree store in November 2024. Thanks to our passionate associates—this opening wouldn't be possible without you!

Time has come to rebuild the fleet and embark on a spree of opportunistically opening new stores. We plan to close the remaining few unprofitable stores, seek to improve low-contribution stores, protect our top-performing stores, and invest in improving and refreshing the fleet's overall appearance.

Depending on the macroeconomic environment and TCP's liquidity, we plan to open 15 new stores across Gymboree and The Children's Place brands by the end of FY2025. We are also exploring the idea of side-by-side stores, with the first of its kind expected to debut at Woodbury Common Premium Outlets in New York by the back half of FY2025.

We are working with a leading retail and architectural design firm to redesign our stores, creating a renewed visual experience for The Children's Place and Gymboree as independent brands. The objective is to craft something that attracts, retains, and delights customers of these two distinct brands, addressing the needs of two different sets of customers.

We plan to make decisions on every detail, including but not limited to colors, lighting, materials, and store layout. We also plan to make deliberate decisions to enhance product display, assortment, the circulation of main zones and all operational necessities. Making both stores lively is much needed, and the work we are doing now will set the cornerstone and serve as a guidebook for a scalable rollout.

We expect the redesign of the concept to be complete by the third quarter of FY2025.

We also added an AI tool to assist with real estate. This isn't sales talk to impress AI enthusiasts. The benefits of this tool are numerous, including but not limited to access to customer traffic data (mall vs. our store), customer demographics (age, income, gender), insights on where our customers are coming from and/or going to, customer dwell time in our stores/malls, trade area analysis, event impact analysis for marketing campaigns, heat maps of foot traffic, a site selection tool, and economic development insights and traffic across other industries.

"Newness" in Designs and Product Mix: As TCP's basic inventory penetration has grown, truly new designs in fashion have declined as a percentage of the total mix. TCP's truly new designs have decreased in scale, particularly since the pandemic, which has partially contributed to sales decline, shorter customer retention, lower conversion rates (since fashion products tend to attract customers back more frequently than basic products), lower margins (since fashion products tend to have higher margins than basic products), and lower inventory turnover (since fashion products tend to turn over many times faster than basic products).

Due to the absence of truly new designs, a shift from stores to e-commerce within a short period, and Amazon's significant share in the wholesale channel, TCP, in my opinion, has become more of a retailer offering basic products than a destination where customers hunt for fashion products.

TCP also moved away from exclusive designs for stores to exclusive designs online only, resulting in a decline in customer traffic, conversion rates and sales at our physical locations. Early last year, we began testing an increase in fashion inventory at selected stores, and after observing improved sales and margins, we rolled this strategy out to the entire fleet.

We are updating and changing our product offering. We are restoring a balanced product mix of basics and fashion-forward products, with a focus on higher margins, new designs, implementing good/better/best assortment tiers, and testing strategies.

As part of our overall strategy to strengthen brand positioning, drive cultural relevance, and modernize the look and feel of the brand across all consumer touchpoints, Claudia Lima-Guinehut, our Brand President, and Jennifer Groves, our Senior Vice President of Design and Brand, are tirelessly working to bring fresh designs and an exciting new product mix to TCP customers. If you discover and love the new designs and collaborations in late 2025 and beyond, you know who deserves the credit!

Our Brands and The Hidden Gem "Gymboree": TCP launched Sugar & Jade in 2021 as a direct-to-consumer sub-brand to enhance customer lifetime value and retention. Sugar & Jade offers trend-driven fashion tailored to tween girls, with key categories including dresses, swimwear, fashion tops and bottoms. It was available exclusively online. We are evolving Sugar & Jade into an omni-channel brand with a target to be present in 50 of The Children's Place stores by Spring 2025, as this may strengthen our position in the tween market, helping us retain customers as they transition out of our core brand. The testing has been quite successful, with Sugar & Jade ranking among the top-performing products in dresses and swimwear within the test stores. We plan to continue this rollout into additional locations through Fall 2025 and Spring 2026.

PJ Place was originally introduced to capitalize on the success of adult sleepwear in our family's sleepwear collection. Launched ahead of the holiday season in 2022 as a distinct brand for teens and young adults, we are now transitioning PJ Place from a sub-brand to a strategic sub-category, to align it more closely with our core business. We intend for PJ Place to reinforce our leadership in kids' and family sleepwear, especially during the holiday season, when the demand for coordinated family sleepwear peaks. By leveraging our existing customer base and optimizing our sleepwear offerings, we aim to establish PJ Place as the premier destination for sleepwear within The Children's Place ecosystem.

This strategic evolution of Sugar & Jade and PJ Place is intended to strengthen our ability to retain customers longer, drive incremental revenue, and maximize lifetime value across our portfolio of brands. Both brands' revenue as a percentage of TCP's total revenue is currently not significant. Sugar & Jade currently accounts for 1.5% of the total revenue, while PJ Place is less than 1%. However, our total annual sleep volume remains a significant part of our total sales, which is why PJ Place is well-positioned to serve as a marketing tool for us and as a one-stop shop for parents. PJ Place is currently exclusively online, while Sugar & Jade is just expanding into stores this Spring. For reference, 30% of total Sugar & Jade sales are now generated from stores, highlighting the opportunity for expansion.

Gymboree, on the other hand, was once a very strong player with a loyal customer base. I believe that TCP, owning a portfolio of brands, should be conscious of the value propositions it offers between The Children's Place and Gymboree brands. The former is a value brand serving value-conscious customers, and the latter is a premium brand serving high-end customers.

Before Gymboree filed for bankruptcy in early 2017, it had annualized revenue of approximately $1.2 billion, of which approximately 64% ($768 million) belonged to the Gymboree brand, and the rest came from Crazy 8 and others. There were approximately 760 Gymboree stores at the time, which translated into $1 million in revenue per store per annum.

In April 2019, TCP paid $76 million in cash to acquire the intellectual property of Gymboree and Crazy 8. It took some time for TCP to relaunch Gymboree products; finally, in February 2020, TCP introduced Gymboree products in TCP's own stores (shop-in-shop strategy). In August 2022, TCP also launched Gymboree on Amazon.

I believe that the shop-in-shop strategy while providing additional sales volume in certain stores, was not the most effective way to scale the brand from a brick-and-mortar perspective, partially because The Children's Place and Gymboree brands have different customer segments and shop-in-shops do not allow the brands to be differentiated from each other.

At Gymboree, we plan to shift away from the promotional mentality. At TCP, we are in the process of building a "Chinese wall" between Gymboree and other brands internally so that each gets the right attention in terms of positioning, design, pricing, and overall strategy.

Gymboree will position itself as a semi-luxury children's brand centered on everyday luxury and timeless outfits, not fast fashion. We will prioritize quality over price competition and fleeting trends, distancing ourselves from the mass market. Our products will emphasize craftsmanship, timeless style, and premium quality designed to last at an affordable price. Gymboree currently accounts for just 5.5% of total revenue, and we intend to increase the size of this pie.

Efficient Marketing Spend: Historically, TCP spent 2.7% to 3.3% of its revenue on advertising during the FY2003 to FY2009 period, which decreased to a range of 1.5% to 2.3% during FY2010 to FY2021. In the last three years, TCP's advertising spending rose to 3.2%, 6.2% and 5%, of its revenue in FY2022, FY2023, and FY2024, respectively.

Our closest competitor, despite having a different sales channel mix, manages its advertising expenditure under 3% of its revenue. While TCP has a higher proportion of revenue from e-commerce compared to its past and in relation to its closest peer, we aim to achieve more with less capital and without losing momentum.

We will seek to prioritize the highest return on advertising spend, focus on the most efficient performance channels, and reduce wasteful spending. We are willing to increase our advertising expenditure if it leads to higher profitable sales.

To improve customer retention and conversion rates, we intend to enhance brand relevance and awareness with compelling products and precise segmentation to target the right consumer cohorts. Our past marketing efforts have been too broad, limiting core customer growth. We recently hired Smeeta Khetarpaul as Head of Marketing to lead efforts in this area. If you see efficient marketing spending alongside stronger sales, you know who deserves the credit!

Segmentation and Customer Service: We are in the process of conducting a new customer segmentation study and brand positioning to identify audience opportunities to distinguish The Children's Place from Gymboree as well as improve brand differentiation against our peers. This study is expected to be activated by the fourth quarter of FY2025 and will help ensure that we drive personalization, creative needs, and messaging across all channels.

We are making significant changes to serve customers, intended to evolve from transactional interactions to journey interactions and solution-oriented problem-solving. During 2024, customers may have experienced difficulties reaching Customer Service, leading to a negative and frustrating experience. However, in early 2025, 99.35% of calls were answered within 3 minutes of dialing our Customer Service line. Our geographic relocation and offshoring have enabled us to increase headcount at a lower labor cost.

In the past, business hours of our call center were from Monday to Friday, 9 am to 5 pm, 65% of calls were answered within 3 minutes, the average handle time was 8.31 minutes, Google reviews were ignored, there was no dedicated email team and the email response time was on average more than 10 days.

Currently, however, business hours are from Monday to Friday, 9 am to 9 pm, and on Saturday from 9 am to 5 pm, 99.35% of calls are answered within 3 minutes, the average handle time is 6.57 minutes, we seek to respond to all new Google reviews, we have a dedicated email team and emails are generally responded to within 24-48 hours.

Customer lifetime value has been in constant decline over several years. We are seeking to rebuild customer lifetime value by serving customers right, introducing new designs, expanding stores to drive omni-channel customer growth, and strengthening the loyalty program. I believe that in everything, we must start with customers, TCP's oxygen, and look into every way to delight them.

A New Loyalty Program and Unified Data: As digital penetration increases, the ability to personalize, engage, and retain customers through loyalty and customer relationship management initiatives has become more critical than ever. In its current form, our loyalty program is not user-friendly and is not integrated with our Private Label Credit Card ("PLCC"). We also lack relevant rewards and real-time customer insights, limiting personalization and targeting.

85% of our customers are loyalty members; although we had a slightly better retention rate in FY2024 than FY2023, active rates, redemption rates, and repeat purchases have generally been underperforming.

PLCC customers are higher spenders and represent 18% of our total sales, shopping 4.8x per annum vs. 2.1x for non-loyalty customers, and only 10% of active customers have a PLCC. Historically, stores were a strong driver of PLCC sign-ups, so with a lower store count, we reduced our ability to market our PLCC.

We are investing in a new loyalty program powered by a first-class unified customer data platform. The objective is to unify all customer data from various sources (e.g., e-commerce, stores, loyalty, customer relationship management) into one platform for a 360-degree customer view, allowing personalized experience and rewards based on preferences and interactions.

Currently, we are not measuring customer satisfaction, but we will seek to do so as part of our new loyalty program. We also aim to leverage data analytics to guide decisions across product development, marketing, and customer service, enhancing our omni-channel experience and improving targeting for better retention and repeat purchases.

The new loyalty program will allow us to evolve from a transactional model to an integrated one with tiered memberships, exclusive perks, and increased rewards to drive higher spending. We plan to incorporate gamification to encourage engagement through check-in incentives and personalized challenges, alongside a focus on socially responsible rewards and community initiatives to enhance brand affinity beyond discounts.

Additionally, we will integrate it with our PLCC to boost cardholder benefits to drive adoption and cardholder retention. We expect the new loyalty program to be operational by the fourth quarter of FY2025.

Moving forward, introducing compelling designs and product mix, efficient marketing spending, strategic collaborations, expanding stores, revitalizing the loyalty program, and enhancing digital engagement and personalization will be crucial for improving retention, increasing conversion rates, and maximizing customer lifetime value.

Expansion of South East Distribution Center (the "SEDC"): Upon completion, this expansion is expected to save us approx. $7 million in rent paid to third parties and offsite warehouses. Additionally, we anticipate significantly higher annualized benefits by improving the fulfillment cost per unit. Based on our estimates and pending negotiations, the payback period for this capital allocation is projected to be less than three years.

We expect the SEDC expansion to be completed in early 2026.

TCP collaborated with the City of Fort Payne, DeKalb County, the State of Alabama, and the Tennessee Valley Authority, our electricity provider, to maximize available incentives for the SEDC expansion. Through these joint efforts, we have secured approx. $8.9 million in total incentives spread over several years.

We appreciate the support from these esteemed entities and the relentless efforts of Vincent Williams, Dale Reece, and Sahil Patel under the leadership of Rajat Jain.

<u>Sourcing</u>: Over the last several years, partially due to supply chain challenges stemming from COVID, TCP has not really focused on challenging the competitiveness of its sourcing function. The Children's Place is a value brand (excluding Gymboree, of course), and thus, we must religiously save every single penny we can in various cost components, out of which sourcing is the largest component.

Efficiency is essential for maintaining a competitive edge as a low-cost producer and value brand; therefore, we intend to champion and strengthen our vendor relationships and ensure goods are sourced at optimal speed and cost.

We intend to create a vendor self-certification program to bring cost efficiencies in quality control. We are also doing a complete review of other cost components in sourcing, e.g., duties and logistics, with the objective of making cost per unit more competitive and optimizing savings.

I believe part of the reason for TCP's excessive inventory and low inventory turns was the heavy channel-centric inventory sourcing. This not only resulted in an over-inventory of certain products but also caused operational inefficiencies at the distribution center.

We have taken steps to address this matter. Currently, with the exception of Amazon exclusives, inventory sourcing and management are omni-channel. We believe that the expansion of SEDC, once completed and fully operational, will further resolve these challenges and unlock benefits.

In today's rapidly changing global landscape, shaped by reciprocal tariffs imposed by various nations, the sourcing function within a US retail company like TCP has become increasingly crucial. We recently hired Kristin Clifford as Head of Sourcing to lead efforts in this area. As the sourcing cycle in retail companies requires considerable lead times, we expect it will take a few quarters before the results of these efforts are reflected. If our average unit cost decreases and the gross margins improve as a result, you know who deserves the credit!

<u>Digital Transformation</u>: TCP has 54.5% e-commerce penetration as a percentage of retail sales. Therefore, we regard information technology as a core function rather than a support function. Despite spending approximately $1 billion on information technology over the past 15 years, TCP still has many manual processes that need upgrading and/or automation.

The work is still in progress, but we intend to digitally transform TCP by partnering with strategic resources to help TCP save costs, drive efficiency, reduce operating costs wherever possible, digitize workflows, and ultimately develop solutions/products tailored to TCP.

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Other Information

We were able to raise additional capital of $90 million, of which $29.8 million in gross cash proceeds (Mithaq contributed $5.08 million in cash, and the rest came from other shareholders) was substantially used to prepay our revolving credit facility, and the remaining $60.2 million was used to pay off a substantial portion of Mithaq's first term loan. While the rights offering was commenced in the fourth quarter, it was only completed after year-end on February 6, 2025, such that it will only be reflected in our balance sheet in the first quarter of fiscal 2025. Nevertheless, its successful closure has allowed us to improve our current liquidity position and gearing ratios. To all subscribing shareholders, thank you for your trust!

After reviewing various proposals, TCP's Audit Committee has chosen BDO USA, P.C. as the independent accounting firm for the audit of FY2024. They served for the quarter ending August 3, 2024, and the remainder of the fiscal year ending February 1, 2025.

Those who do not thank people do not thank God. TCP is fortunate to have my long-term partner, Muhammed Asif Seemab, serving on its board. Few men are like him; he dedicates countless hours that exceed the expectations and understanding of ordinary boardrooms. Above all else, he is a model of unwavering integrity and is a man of virtue.

I will always seek to follow a tell-it-like-it-is policy, and we reckon, this is the best form of proper communication and is important, particularly when things do not go well, which is inevitable from time to time. We, like all candid boards and management, are not infallible.

Being designated as your Executive Chairman doesn't change my promise from last year; I have waived and will continue to waive all and any form of salary, fee, or compensation for my services. I do not need any monetary motivation other than to enhance the per-share intrinsic value of TCP. *Real rewards are derived from delaying gratification and prioritizing long-term outcomes.*

Ultimately, share price volatility in public companies tends to take care of itself. I believe that, over time, a company's share price tends to reflect its underlying operating performance. Therefore, we urge current and prospective shareholders to focus on the underlying fundamentals of the business rather than get too concerned with the price quotations presented by Mr. Market[1].

Our Annual Report on Form 10-K and other public filings filed with the U.S. Securities and Exchange Commission ("SEC") set forth additional important information regarding our business, including our audited financial statements. Shareholders can access these documents on our website https://corporate.childrensplace.com and the SEC's website https://www.sec.gov/edgar/.

April 11, 2025

Turki S. AlRajhi
Executive Chairman

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[1] *Mr. Market: In 1949, Professor Benjamin Graham coined the term "Mr. Market" in his famous book, The Intelligent Investor. He elaborated on this concept in detail in Chapter 8, "The Investor and Market Fluctuations". The "Mr. Market" metaphor represents the irrational or contradictory traits of the stock market and the risks of following groupthink. The seductive fellow named "Mr. Market" will knock on your door every day and offer you a price to either buy or sell your interest in a business, and investors have the liberty to either take the offer or ignore it. "Mr. Market" does not express any positive or negative feelings about your actions. The point is that price and value may disconnect widely, and intelligent investors should make rational decisions and never fall under the influence of "Mr. Market" while buying or selling any business.*

General Note and Forward-Looking Statements

The statements set forth in this letter consist in large part of observations, opinions and assessments of the author regarding the past, present and future operational and financial performance of the Company that are inherently subjective and/or forward-looking in nature. Investors should form their own observations, opinions and assessments regarding such statements and consider such statements in the context of the below and the Company's public filings. This letter contains 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 executive chairman of the Company's current observations, opinions, assessments and future expectations with respect to the operational and financial performance of the Company and the Company's strategic initiatives and results of operations, including total revenue, cash from operations, SG&A expenses, free cash flows, profits after tax, gross profit margin, return on invested capital, components of the foregoing, and reasons for the foregoing. Forward-looking statements typically are identified by use of terms such as "may," "will," "should," "plan," "project," "expect," "anticipate," "estimate" "target," "believes," "continues," "trends," "potential," "strategies," "goal" 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, and/or actual plans and actions taken by the Company, to differ materially from those described in this letter. Some of these risks and uncertainties are described in the Company's filings with the Securities and Exchange Commission, including in the "Risk Factors" section of its annual report on Form 10-K for the fiscal year ended February 1, 2025. 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 changes in trade policy and tariff regimes, including newly imposed U.S. tariffs and any responsive non-U.S. tariffs, may impact our international manufacturing and operations or our customers' discretionary spending habits, 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, risks related to the existence of a controlling shareholder, and the uncertainty of weather patterns, as well as other risks discussed in the Company's filings with the SEC from time to time. 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 (or any other observations, opinions and assessments of the executive chairman of the Company set forth in this letter) that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or any other change in the observations, opinions and assessments of the executive chairman of the Company.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fifty-two weeks ended February 1, 2025

or

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

For the transition period from __________ to __________

Commission file number 0-23071

THE CHILDREN'S PLACE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**31-1241495**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
500 Plaza Drive	
Secaucus, New Jersey	**07094**
(Address of principal executive offices)	(Zip Code)

(201) 558-2400

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.10 par value	PLCE	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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	☐	Accelerated filer	☐	Non-accelerated filer	☒	Smaller reporting company	☒	Emerging growth company	☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of common stock held by non-affiliates was $42,121,234 at the close of business on August 3, 2024 (the last business day of the registrant's fiscal 2024 second fiscal quarter) based on the closing price of the common stock as reported on the Nasdaq Global Select Market. For purposes of this disclosure, shares of common stock held by persons who hold more than 10% of the outstanding shares of common stock and shares held by executive officers and directors of the registrant have been excluded because such persons may be deemed affiliates. This determination of executive officer or affiliate status is not necessarily a conclusive determination for other purposes.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: Common Stock, par value $0.10 per share, outstanding at April 11, 2025: 22,036,982.

Documents incorporated by reference: Portions of The Children's Place, Inc. definitive proxy statement for its annual meeting of stockholders to be held on May 7, 2025 are incorporated by reference into Part III.

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K

FOR THE FIFTY-TWO WEEKS ENDED FEBRUARY 1, 2025

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SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

The Business section and other parts of this Annual Report on Form 10-K may contain certain forward-looking statements regarding future circumstances. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as “anticipates”, “believes”, “estimates”, “expects”, “intends”, “plans”, “predicts”, and similar terms. These forward-looking statements are based upon current expectations and assumptions of The Children’s Place, Inc. and its subsidiaries (the “Company”) and are subject to various risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements including, but not limited to, those discussed in the subsection entitled “Risk Factors” under Part I, Item 1A of this Annual Report on Form 10-K. Actual results, events, and performance may differ significantly from the results discussed in the forward-looking statements. Readers of this Annual Report on Form 10-K are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. 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 inclusion of any statement in this Annual Report on Form 10-K does not constitute an admission by the Company or any other person that the events or circumstances described in such statement are material.

The following discussion should be read in conjunction with the Company’s audited financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS.

As used in this Annual Report on Form 10-K, references to the “Company”, “The Children’s Place”, “we”, “us”, “our”, and similar terms refer to The Children's Place, Inc. and its subsidiaries. Our fiscal year ends on the Saturday on or nearest to January 31. Other terms that are commonly used in this Annual Report on Form 10-K are defined as follows:

- *Fiscal 2025 — The fifty-two weeks ending January 31, 2026*
- *Fiscal 2024 — The fifty-two weeks ended 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*

- *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 re-opened for a full fiscal month*

General

The Children's Place, Inc. and its subsidiaries (collectively, the "Company") is the largest pure-play children's specialty retailer in North America with an omni-channel 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". Our global retail and wholesale network includes two digital storefronts, 495 stores in North America, wholesale marketplaces, 190 international points of distribution in 13 countries through six international franchise partners, and social media channels on Instagram, Facebook, X, formerly known as Twitter, YouTube and Pinterest. Our physical stores offer a friendly and convenient shopping environment, segmented into departments that serve the wardrobe needs of girls and boys (sizes 4-18), toddler girls and boys (sizes 6 months-5T), and baby (sizes 0-24 months). Our digital storefronts are at *www.childrensplace.com* and *www.gymboree.com*, where our customers are able to shop online for the same merchandise available in our physical stores, but also certain exclusive merchandise only available at our e-commerce sites.

The Children's Place was founded in 1969. The Company became publicly traded on the Nasdaq Global Select Market in 1997. During Fiscal 2024, Mithaq Capital SPC, a Cayman segregated portfolio company ("Mithaq"), acquired more than 50% of The Children's Place, Inc.'s outstanding shares of common stock and became a controlling shareholder of the Company.

As part of the Company's business strategy in this ever-evolving retail environment, our senior management team has established several key priorities:

1. Superior Product - Product remains our number one priority. We are focused on providing the right product, in the right channels of distribution, at the right time. We offer a full line of apparel, footwear and accessories so busy moms can quickly and easily put together head-to-toe outfits. Our design, merchandising, sourcing, and planning teams strive to ensure that our product is trend-right, while at the same time balancing fashion and fashion basics with more frequent, wear-now deliveries. We reintroduced the Gymboree brand in February 2020 on an enhanced Gymboree website and in November 2024, we opened our first Gymboree stand-alone store at Garden State Plaza in Paramus, New Jersey. We also launched the Sugar & Jade brand in November 2021 which is targeted at the girls' "tween" market and is offered exclusively online, and launched the PJ Place brand in October 2022, which is a sleepwear lifestyle brand targeted towards millennial and Gen Z customers, and is offered exclusively online. We are focused on optimizing our assortment and purchasing inventory at levels which will drive margin growth.
2. Digital Expansion - Our digital capabilities continue to expand with the development of completely redesigned responsive sites and mobile applications, providing an online shopping experience geared toward the needs of our "on-the-go" customers with expanded customer personalization, which delivers unique, relevant content designed to drive sales, loyalty and retention, and the ability to have our entire store fleet equipped with ship-from-store capabilities.
3. Omni-Channel Customer Experience - We continue to transform our omni-channel experience by making shopping even more effortless, accessible and exciting to our customers through our brick-and-mortar retail channel, our digital presence, and our wholesale channels. We have a renewed focus on our store portfolio and are exploring opportunities for expanding and refurbishing our current fleet and strengthening our landlord relationships. Our wholesale business includes our relationship with Amazon, which is an important customer acquisition vehicle. We are exploring opportunities to expand our wholesale relationships and identify opportunities with licensing partners and new revenue streams that can drive further revenue growth and profitability. We have 190 international points of distribution (stores, shop-in-shops, e-commerce sites) with six international franchise partners operating in 13 countries. We generate revenues from our franchisees from the sale of products and sales royalties.

In addition to the above discussed key priorities, we will continue to transform our marketing strategies to better position us to maximize our interactions with our younger, digitally savvy core millennial and Gen Z customers, and to support top-line opportunity by increasing new customer acquisition, increasing customer retention and loyalty, and significantly increasing customer lifetime value. We have refined our approach so as to eliminate previously inflated and unprofitable marketing costs. Our marketing transformation includes strategic investments across key areas of the marketing organization: our teams – both internal and external, our research and processes, and implementation of new, state-of-the-art, marketing tools and systems. We are confident in our ability to conceptualize, build, deploy and optimize fully integrated creative marketing strategies paired with a robust media mix, aimed to reach, inspire and convert our shoppers at every stage of their purchase journey with The Children's Place family of brands, comprised of "The Children's Place", "Gymboree", "Sugar & Jade", and "PJ Place" ("Family of Brands"), and continue to position marketing as a key growth lever in Fiscal 2025 and beyond.

Overlaying these strategic initiatives is talent. Talent ultimately defines our success, and we have built a best-in-class management team. We believe that our talented team is a significant competitive advantage for our Company.

Underlying these growth initiatives is a commitment to operational excellence. The Company's commitment to operational excellence includes disciplined expense management and a focus on ongoing improvement in store and e-commerce operations, and combined with our finance, human resources, compliance and legal areas, form the strong base necessary to support our long-term growth initiatives.

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* and *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 and revenue from international franchisees. We measure our segment profitability based on operating income (loss), defined as income (loss) 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.

See "Note 17. Segment Information" of the Consolidated Financial Statements, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for further segment financial data.

Key Capabilities

Our objective is to sell fashionable, high-quality apparel, accessories and footwear predominately at value prices across our Family of Brands. Our merchandise assortment offers one stop shopping across apparel, footwear, and accessories.

Merchandising Strategy

Our merchandising strategy delivers a compelling and coordinated assortment of apparel, footwear, and accessories that encourage the purchase of head-to-toe outfits. We merchandise our deliveries by season and flow new product monthly.

High Quality and Value

We believe that offering high-quality apparel, accessories and footwear predominantly at value prices across our Family of Brands is a competitive advantage.

Brand Image

We focus on our brand image and strengthening our customer loyalty by:

- Consistently offering high quality and age-appropriate products and trend-right fashion predominantly at value prices online and in our stores;
- Providing coordinated outfits and accessories for our customers' lifestyle needs;

- Providing exclusive products on our e-commerce sites to expand the breadth of our offerings;
- Creating strong merchandising and visual presentations to create compelling online and in-store experiences;
- Emphasizing our great value fashion in marketing visuals to convey a consistent message across our brands;
- Leveraging our customer database to communicate with our customers and personalize communications to maximize customer satisfaction, engagement and retention;
- Utilizing our MyPLACE Loyalty Rewards program and private label credit card to drive customer engagement and retention; and
- Optimizing our fully integrated creative marketing strategies paired with a robust media mix, aimed to reach, inspire and convert our shoppers at every stage of their purchase journey with our Family of Brands.

Low-Cost Global Sourcing

We design, source, and contract to manufacture the substantial majority of the Company's branded products. We believe that this is essential to assuring the consistency and quality of our merchandise, as well as our ability to deliver value to our customers. We have strong multi-year relationships with the substantial majority of our vendors. Through these relationships and our extensive knowledge of low cost sourcing on a global scale, we are able to offer our customers high-quality products at predominantly value prices. We maintain a network of sourcing offices globally in order to manage our vendors efficiently and respond to changing business needs effectively. Our sourcing offices in Hong Kong, India, Kenya, Ethiopia, China, and Indonesia give us access to a wide range of vendors and allow us to work to maintain or reduce our merchandise costs by capitalizing on new sourcing opportunities while maintaining our high standard for product quality.

Merchandising Process

The strong collaboration between our cross-functional teams in design, merchandising, sourcing, and planning have enabled us to build our brands.

Design

The design team gathers information from trends, color services, research, and trade shows.

Merchandising

Each quarter, we develop seasonal merchandising strategies.

Planning and Allocation

The planning and allocation organization works collaboratively with the merchandising, finance, and global sourcing teams to develop seasonal sales and margin plans to support our financial objectives and merchandising strategies. Further, this team plans the flow of inventory to ensure that we are adequately supporting store floor sets, online demand, and key selling periods.

Production, Quality Assurance, and Responsible Sourcing

During Fiscal 2024, we engaged independent contract vendors located primarily in Asia and Africa. We continue to pursue global sourcing opportunities to support our inventory needs and seek to reduce merchandise costs. We contract for the manufacture of the substantial majority of the products we sell. We do not own or operate any manufacturing facilities.

During Fiscal 2024, we sourced all of our merchandise directly without the use of third-party commissioned buying agents for our branded product. We source from a diversified network of vendors, purchasing primarily from Bangladesh, Vietnam, India, Kenya, Ethiopia, China, and Indonesia. Bangladesh and Vietnam accounted for more than 15% of our production.

In addition to our quality assurance procedures, we conduct a responsible sourcing program that seeks to protect our Company, enhance our brands and address the well-being of the people who make our products by providing guidance in line with industry standards to our vendors in their efforts to provide safe and appropriate working conditions for their employees. These efforts are part of an ongoing process to encourage our vendors to continually assess, and where appropriate, improve factory working conditions, and well-being of their employees who make our product. Additionally, under our responsible sourcing program, we monitor changes in local laws and other conditions (e.g., worker safety, workers' rights of association, and political and social instability) in the countries from which we source in order to identify and assess potential risks to our sourcing capabilities.

Environmental, Social & Governance

We published our latest Environment, Social & Governance ("ESG") Report, now called our Sustainability and Social Impact Update, in October 2024, which is available at *http://corporate.childrensplace.com* under the Corporate Sustainability tab.

In terms of environmental initiatives, we believe that purpose-led companies such as ours have the opportunity and responsibility to work to ensure that our business contributes to a healthy planet. We focus on topics that are important to our long-term success and where we believe we can have the most positive impact.

In terms of social initiatives, our commitment to positive social practices includes our responsible sourcing activities in our global supply chain, where we partner with our third-party vendors and factories, non-governmental organizations and others in supporting workers' health, safety and well-being. We monitor compliance by our third-party vendors and factories with our Vendor Code of Conduct, local laws and ethical business practices to help ensure fair and safe work conditions for the people who make our products. We also recognize the importance of eliminating forced labor within the supply chain and its increasing significance in light of reports of human rights abuses in various regions of the world. In addition, we support and sponsor a number of worker well-being programs designed to improve the daily lives of the workers who make our products. Our commitment to having a positive social influence also extends to our charitable mission of supporting children and families in need.

Human Capital Management

As of February 1, 2025, we had approximately 7900 employees, approximately 1460 of whom were based at our corporate offices and distribution centers. Approximately 1070 were full-time store employees and approximately 5370 were part-time and seasonal store employees. None of our employees are covered by a collective bargaining agreement.

The Human Capital & Compensation Committee is actively engaged in overseeing our human capital management strategies, including our talent and succession planning initiatives designed to attract, develop, engage, reward and retain top retail, digital and business leaders, who can drive our financial performance and strategic growth initiatives and contribute to building long-term stockholder value. The Human Capital & Compensation Committee's involvement in leadership development and succession planning is systematic and ongoing, culminating in an annual review by our board of directors ("Board of Directors") of succession plans for all of our senior leaders, inclusive of development strategies for top talent within the Company.

Company Stores

The following section highlights various store information for The Children's Place operated stores as of February 1, 2025.

Existing Stores

As of February 1, 2025, we had a total of 495 stores in the United States, Canada, and Puerto Rico, including our first Gymboree stand-alone store at Garden State Plaza in Paramus, New Jersey, which was opened in November 2024, and our online stores at *www.childrensplace.com* and *www.gymboree.com.* In addition, our six international partners operated 190 international points of distribution in 13 countries.

The following table sets forth the number of stores in the U.S., Canada, and Puerto Rico as of the current and prior fiscal year end:

	Number of Stores	
Location	**February 1, 2025**	**February 3, 2024**
United States	431	454
Canada	58	63
Puerto Rico	6	6
Total Stores	**495**	**523**

At The Children's Place, our store concepts consist of multiple formats with an average of approximately 4,900 square feet, which have evolved over time in response to market trends, and are strategically placed within each market. We try to create an open and brightly lit environment for customers. Our stores typically feature white fixtures to ensure the merchandise is the focal point, using color to brand and create shop identifiers.

E-commerce Sales

Each of our U.S. and International segments includes an e-commerce business located at *www.childrensplace.com* and *www.gymboree.com* and digital growth remains one of our top strategic priorities. We are committed to delivering a best-in-class, end-to-end user experience, from product assortment and website operation, to order fulfillment and customer service. We are further committed to delivering these experiences to our customers when, where, and how they are looking to access our brands, accounting for cross-channel behavior, growth of mobile devices, and the growing interest in our brands from international consumers. We believe that the critical investments made in areas such as e-commerce infrastructure and mobile optimization, as well as additional front-end website features, have improved our customer experience.

We continue to explore opportunities to enhance our online presence by partnering with well-established online marketplaces. For instance, on October 30, 2024, we announced our partnership with global fashion and lifestyle online retailer, SHEIN. This collaboration brings our apparel to SHEIN's platform, opening up opportunities for us to reach customers outside our typical customer file.

Wholesale and International Franchisees

Our wholesale business includes our relationship with Amazon, which is an important customer acquisition vehicle. We are exploring opportunities to expand our wholesale relationships and identify opportunities with licensing partners and new revenue streams that can drive further revenue growth and profitability. We generate revenues from our franchisees from the sale of products and sales royalties.

Store Operations

The Children's Place store operations are organized by geographic region. Our U.S. Vice Presidents and Canada Regional Director oversee a number of district managers residing within each region. We have a centralized corporate store operations function which supports the operations of our stores. Our stores are staffed by store managers and full-time and part-time sales associates, with additional temporary associates hired to support seasonal needs. Our store managers spend a high percentage of their time on the store's selling floor providing direction, motivation, and development to store associates. To maximize selling productivity, our teams emphasize greeting, replenishment, presentation standards, procedures, and controls. In order to motivate our store management, we offer a monthly incentive compensation plan that awards bonuses for achieving certain financial goals.

Seasonality

Our business is subject to seasonal influences, with historically heavier concentrations of sales during the back-to-school and holiday seasons. Our first fiscal quarter results are dependent upon sales during the period leading up to the Easter holiday, our second and third fiscal quarter results are dependent upon back-to-school sales, and our fourth fiscal quarter results are dependent upon sales during the holiday season. The business is also subject to shifts due to unseasonable weather conditions.

The following table shows the quarterly distribution, as a percentage of the full year, of net sales, and the quarterly distribution of operating income (loss):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales as a percentage of full year				
Fiscal 2024	19.3 %	23.1 %	28.1 %	29.5 %
Fiscal 2023	20.0 %	21.6 %	30.0 %	28.4 %

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands)			
Operating income (loss)				
Fiscal 2024	$(27,988)	$(21,776)	$ 29,258	$ 6,805
Fiscal 2023	(30,067)	(36,941)	44,967	(61,757)

For more information regarding the seasonality of our business, refer to "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Quarterly Results and Seasonality."

Marketing

The Children's Place and Gymboree are well-recognized brands, with a trend-right offering and a compelling value proposition. Our direct marketing program utilizes both on-line and off-line channels. We relaunched the Gymboree brand in February 2020 with a meaningfully improved digital experience on *www.gymboree.com*, complemented by shop-in-shop locations in certain co-branded stores in the U.S. and Canada, by successfully executing on the specific design, sourcing, and merchandising characteristics that create Gymboree's elevated, playful collections, and in November 2024, we opened our first Gymboree stand-alone store. We also launched the Sugar & Jade brand in November 2021 which is targeted at the girls' "tween" market and is offered exclusively online, and launched the PJ Place brand in October 2022, which is a sleepwear lifestyle brand targeted towards millennial and Gen Z customers, and is offered exclusively online. We are focused on optimizing our assortment and purchasing inventory at levels which will drive margin growth.

We have a customer loyalty program and a private label credit card program. At the end of Fiscal 2024, members of our MyPLACE Rewards loyalty program and/or private label credit card program accounted for approximately 85% of sales. Our private label credit card is issued to our customers for use exclusively at The Children's Place stores and online at *www.childrensplace.com* and *www.gymboree.com*, and credit is extended to such customers through a third-party financial institution on a non-recourse basis to us. Additionally, in our effort to reach an even wider customer base who are digitally savvy and to utilize other forms of spending arrangements available, we have partnered with Afterpay to allow our customers to purchase our merchandise on a "buy-now-pay-later" program. We promote affinity and loyalty through our marketing programs by utilizing specialized incentive programs. We continue to focus on enhancing our loyalty programs to meet our customers' needs.

Distribution

In the United States, we own and operate a 700,000 square foot distribution center in Alabama, which supports our retail store operations, e-commerce, and wholesale operations both in the U.S. and in Canada. We use a third-party provider operating a 315,000 square foot distribution center in Indiana and a 184,000 square foot distribution center in Ontario, Canada to support our U.S. and Canadian e-commerce fulfillment operations, respectively. We utilize additional facilities in Alabama to support further warehousing needs, including offsite storage. We also use a third-party provider of warehousing and logistics services in both Malaysia and China to support our international franchise business.

Competition

The children's apparel, footwear, and accessories retail markets are highly competitive. Our primary competitors are specialty stores, mass merchants, and off-price stores, including Carter's, Inc., Target Corporation, Old Navy, GapKids, and babyGap (each of which is a division of The Gap, Inc.), T.J. Maxx and Marshall's (each of which is a division of TJX Companies, Inc.), Burlington Coat Factory, Inc., Kohl's Corporation, Walmart Stores, Inc., and other department stores. We also compete with regional retail chains, catalog companies, and e-commerce retailers. One or more of our competitors are present in substantially all of the areas in which we have stores.

Trademarks and Service Marks

"The Children's Place", "Gymboree", "Sugar & Jade", "PJ Place" "Crazy 8", "Place", "Baby Place", and certain other marks have been registered as trademarks and/or service marks with the United States Patent and Trademark Office and in Canada and other foreign countries. During the first quarter of fiscal year 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. In November 2021, we launched the Sugar & Jade brand*,* and in October 2022, we launched the PJ Place brand*.* Registration of our trademarks and the service marks may be renewed to extend the original registration period indefinitely, provided the marks are still in use. We intend to continue to use and protect our trademarks and service marks and maintain their registrations. We have also registered our trademarks in other countries where we source our products and where we have established and possibly may establish franchising operations.

Government Regulation

We are subject to extensive federal, state, local, provincial, and other foreign laws and regulations affecting our business, including product testing and safety, consumer protection, privacy, truth-in-advertising, accessibility, customs, wage and hour laws and regulations, and zoning and occupancy ordinances that regulate retailers generally and/or govern the promotion and sale of merchandise and the operation of retail stores and e-commerce sites. We also are subject to similar international laws and regulations affecting our business. We believe that we are in material compliance with these laws and regulations.

We are committed to product quality and safety. We focus our efforts to adhere to all applicable laws and regulations affecting our business, including the provisions of the U.S. Consumer Product Safety Improvement Act of 2008 ("CPSIA"), the Federal Hazardous Substances Act, the Flammable Fabrics Act, the Textile Fiber Product Identification Act, the Canada Consumer Product Safety Act ("CCPSA"), the Canadian Textile Labelling Act, the Canadian Care Labelling Program, and various environmental laws and regulations. Each of our product styles currently covered by the CPSIA and the CCPSA is appropriately tested to meet current standards.

Virtually all of our merchandise is manufactured by third-party factories located outside of the United States. These products are imported and are subject to U.S. and Canadian customs laws and regulations, which restrict the importation of and impose tariffs, anti-dumping and countervailing duties on, certain imported products, including textiles, apparel, footwear, and accessories. We currently are not restricted by any such anti-dumping and countervailing duties in the operation of our business.

Internet Access to Reports

We are a public company and are subject to the disclosure requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, we file periodic reports, proxy statements, and other information with the SEC. Such reports, proxy statements, and other information may be obtained by visiting the SEC website (http://www.sec.gov) that contains reports, proxy, and information statements and other information regarding us and other issuers that file electronically.

Our corporate website address is http://corporate.childrensplace.com. We make available, without charge, through our website, copies of our Proxy Statement, Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such reports are filed with or furnished to the SEC. Our ESG Report is also available on our corporate website under the Corporate Sustainability tab. References in this document to our websites are not and should not be considered part of this Annual Report on Form 10-K, and the information on our websites is not incorporated by reference into this Annual Report on Form 10-K.

We also make available our corporate governance materials, including our corporate governance guidelines and our code of business conduct, on our website. If we make any substantive amendments to our code of business conduct or grant any waiver, including any implicit waiver, from a provision of the code for the benefit of our President and Interim Chief Executive Officer, we will disclose the nature of such amendment or waiver on our corporate website or in a Current Report on Form 8-K.

Controlled Company Status

In light of Mithaq's ownership of more than 50% of the Company's outstanding shares of common stock, The Children's Place, Inc. is a "controlled company" within the meaning of Rule 5615(c)(1) of the Nasdaq Listing Rules, and our Board of Directors has chosen to rely on the "controlled company" exemption under the Nasdaq Listing Rules that would otherwise require the Company to have a majority independent board and fully independent Human Capital and Compensation Committee and Corporate Responsibility, Sustainability and Governance Committee. See "*Risk Factors – Risks Related to Legal and Regulatory Matters – We have exercised our option for the "controlled company" exemption under Nasdaq rules"*.

ITEM 1A. RISK FACTORS.

Investors in the Company should consider the following risk factors as well as the other information contained herein:

RISKS RELATED TO BUSINESS STRATEGIES AND GLOBAL OPERATIONS

We depend on generating sufficient cash flows, together with our existing cash balances and availability under our credit facilities, to fund our ongoing operations, capital expenditures, debt service requirements, and any future share repurchases or payment of dividends.

Our ability to fund our ongoing operations, capital expenditures, debt service requirements, and any future share purchase programs or payment of dividends will depend on our ability to generate cash flows. Our cash flows are dependent on, and are affected by, many factors, including:

- seasonal fluctuations in our net sales and net income;
- the continued operation of our store fleet and e-commerce websites;
- the timing of inventory purchases for upcoming seasons, such as when to purchase merchandise for the back-to-school season;
- vendor and other supplier terms and related conditions, which may be less favorable to us as a smaller company in comparison to larger companies; and
- consumer sentiment, general business conditions, including the high levels of inflation experienced in Fiscal 2024, macroeconomic uncertainties or slowdowns, the imposition of tariffs, and geopolitical conditions, including as a result of events such as acts of terrorism, effects of war, pandemics, or other health issues.

Most of these factors are beyond our control. It is difficult to predict the impact that general economic conditions, including the effects of inflation, tariffs and geopolitical conditions, will continue to have on consumer spending and our financial results. However, we believe that they could continue to result in reduced spending by our target customer, which would reduce our revenues and our cash flows from operating activities from those that otherwise would have been generated. In addition, steps that we may take to limit cash outlays, such as delaying the purchase of inventory, may not be successful or could delay the arrival of merchandise for future selling seasons, which could reduce our net sales or profitability. If we are unable to generate sufficient cash flows, we may not be able to fund our ongoing operations, planned capital expenditures, debt service requirements, or any future share repurchases, and we may be required to seek additional sources of liquidity as we did in Fiscal 2024.

We require continued access to capital and our business and operating results have been and can be affected by factors such as the availability, terms of and cost of capital, increases in interest rates or a reduction in credit rating. We are party to an Amended and Restated Credit Agreement dated May 9, 2019 (as amended from time to time, the "Credit Agreement"), with Wells Fargo, National Association ("Wells Fargo"), Bank of America, N.A., HSBC Bank (USA), N.A., JPMorgan Chase Bank, N.A., Truist Bank and PNC Bank, National Association, as lenders (collectively, the "Credit Agreement Lenders"), and Wells Fargo, as Administrative Agent, Collateral Agent and Swing Line Lender. Under the Credit Agreement we use our asset-based revolving credit facility (the "ABL Credit Facility") to finance our ongoing operations and our future growth, and some of the aforementioned factors have already affected our business, and could continue to: cause our cost of doing business to increase, limit our ability to pursue business opportunities, reduce cash flow used for sales and marketing, and place us at a competitive disadvantage. Our historical operating results, including the operational losses experienced in Fiscal 2024, macroeconomic uncertainties or slowdowns, volatility in the financial markets, significant losses in financial institutions' U.S. retail portfolios, or environmental and social concerns, are all factors that may lead to a contraction in credit availability impacting our ability to finance our operations or our ability to refinance our ABL Credit Facility or other outstanding indebtedness.

Separately, we have also entered into a commitment letter (the "Commitment Letter") for a $40.0 million senior unsecured credit facility with Mithaq (the "Mithaq Credit Facility"), as an additional source of liquidity for the Company. While credit availability under the Mithaq Credit Facility is not dependent on our business performance, borrowings under this credit facility will require monthly payments equivalent to interest charged.

Any increase in interest rates could increase our interest expense and materially adversely affect our financial condition. These increased costs have, and could continue to, reduce our profitability and/or impair our ability to meet our debt obligations and to conduct ongoing operations. An increase in interest rates also could limit our ability to refinance existing debt upon maturity or cause us to pay higher rates upon refinancing. A significant reduction in cash flow from operations or the availability of credit could materially and adversely affect our cash available and our operating results, by inhibiting our ability to conduct ongoing operations and carry out our development plans.

Furthermore, as a retail company, we are inherently subject to the risk of inventory loss and theft. These losses may be caused by error or misconduct of associates, customers, vendors or other third parties, including through organized retail crime and professional theft. Since the occurrence of the COVID-19 pandemic, the retail industry has generally experienced an increase in inventory shrinkage, and there can be no assurance that the measures we are taking will effectively reduce inventory shrinkage. Although some level of inventory shrinkage is an unavoidable cost of doing business, if we were to experience higher rates of inventory shrinkage or incur increased security costs to combat inventory theft, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not be able to successfully execute our business strategies.

Our strategic initiatives currently involve a focus on (i) delivery of product of a quality and value that resonates with our customers, (ii) scaling and optimizing our infrastructure to support our e-commerce business given the continued shift in our customers' shopping patterns to online shopping, and (iii) expanding and refurbishing our North American retail store fleet.

We will continue to implement and refine our business systems transformation initiatives designed to increase sales and profitability. Our business transformation through technology initiative has two key components: digital expansion and inventory management. With respect to digital expansion, we continue to implement a personalized customer contact strategy and are scaling our digital infrastructure to support increased digital demand. These initiatives require the execution of complex projects involving significant systems and operational changes, which place considerable demands on our management and our information and other systems. Our ability to successfully implement and capitalize on these projects is dependent on management's ability to manage these projects effectively and implement and operate them successfully, without adversely affecting the subject and/or other systems, and on our employees' ability to operationalize the required changes. If we fail to implement these projects effectively, including aligning them with our sourcing, distribution and logistics operations, if we experience significant delay, cost overruns, or unforeseen costs, or if the necessary operational changes and change management are not enacted properly, we may not realize the return on our investments that we anticipate, and we may adversely affect the operation of other systems, and our business, financial position, results of operations, and cash flows could be materially adversely affected.

Failure to properly identify or measure underperforming retail stores, failure to achieve anticipated sales transfer rates from closed stores to remaining retail stores and/or e-commerce sales, and failure to properly identify and analyze customer segmentation and spending patterns could have a material adverse effect on our business, financial position, results of operations, and cash flows. In addition, pursuant to U.S. GAAP, we are required to recognize an impairment charge when circumstances indicate that the carrying value of long-lived assets may not be recoverable. If a determination is made that the carrying value of a long-lived asset is not recoverable over its estimated useful life, the asset is written down to its estimated fair value.

On the other hand, failure to achieve anticipated sales targets in newly-opened stores, and failure to properly identify customer segmentation and spending patterns to select optimal locations for the opening of new stores, could also have a material adverse effect on our business, financial position, results of operations, and cash flows.

Consumer demand, behavior, taste, and purchasing trends, as well as geopolitical conflicts and economic and political stability may differ in international markets and/or in the distribution channels through which our wholesale customers sell products, and, as a result, sales of our products may not be successful or meet our expectations, or the margins on those sales may not be in line with those we currently anticipate. We may also face difficulties integrating foreign business operations and/or wholesaling operations with our current sourcing, distribution, information technology systems, and other operations. In addition, our expanded marketing and advertising strategies to promote sales, including the sponsorship of sweepstakes, contests and donations, and an increased online presence through collaborations with social media influencers, may not generate sufficient interest in our products while exposing us to other risks. Any of these challenges could hinder our success in new and existing markets or new and existing distribution channels. There can be no assurance that we will successfully complete any planned expansion or that any new business will be profitable or meet our expectations.

In addition, a wholly-owned subsidiary of the Company acquired certain intellectual property and related assets of Gymboree Group, Inc. and related entities, including worldwide rights to the name "Gymboree". We have relaunched the Gymboree brand to expand our business across our retail stores, e-commerce, international, and wholesale businesses, and in November 2024, we opened our first Gymboree stand-alone store in Paramus, New Jersey. We also launched the Sugar & Jade brand in November 2021 and launched the PJ Place brand in October 2022. The positioning of the Gymboree, Sugar & Jade and PJ Place brands and their products, relative to our existing products, the fashion choices we make with respect to our products, and our ability to integrate the Gymboree, Sugar & Jade and PJ Place brands and their products into our existing marketing, sourcing, inventory, sales/e-commerce, customer relations, and logistics operations and systems will be critical to our ability to leverage all of these brands to expand our business.

In addition, pursuant to U.S. GAAP, we are required to recognize an impairment charge when circumstances indicate that the carrying value of our indefinite-lived Gymboree tradename asset may not be recoverable. If a determination is made that the carrying value of the Gymboree tradename asset is not recoverable, the asset is written down to its estimated fair value. In Fiscal 2024, we recorded an impairment charge of $28.0 million on the Gymboree tradename, primarily due to reductions in Gymboree sales forecasts.

A failure to properly execute our plans and business strategies, delays in executing our plans and business strategies, increased costs associated with executing on our plans and business strategies, or failure to identify alternative strategies could have a material adverse effect on our business, financial position, results of operations, and cash flows.

A wide variety of factors can cause a decline in consumer confidence and spending which could have a material adverse effect on the retail and apparel industries and our business, financial position, results of operations, and cash flows.

The apparel industry is cyclical in nature and is particularly affected by adverse trends in the general economy. Purchases of apparel and related merchandise are generally discretionary and, therefore, tend to decline during recessionary, inflationary and weak economic periods and also may decline at other times. This is particularly true with our target customer who is a value-conscious, lower- to middle-income mother buying for infants and children based on need rather than based on fashion, trend, or impulse. High inflation, high unemployment levels, increases in tariffs and tax rates, declines in real estate values, availability of credit, volatility in the global financial markets, and the overall level of consumer confidence have negatively impacted, and could in the future negatively impact, the level of consumer spending for discretionary items. This could adversely affect our business as it is dependent on consumer demand for our products. In North America, we have experienced and continue to experience a decrease in customer traffic, including at shopping malls, and a highly promotional environment. If the current macroeconomic environment deteriorates further, there will likely be a negative effect on our revenues, operating margins, and earnings which could have a material adverse effect on our business, financial position, results of operations, and cash flows.

In addition to the economic environment, there are a number of other factors that could contribute to reduced customer traffic and/or reduced levels of consumer confidence and spending, such as actual or potential terrorist acts, including domestic terrorism, natural disasters, severe weather, pandemics or other health issues, political disruption, war, or geopolitical conflicts. These occurrences create significant instability and uncertainty in the United States and elsewhere in the world, causing consumers to defer purchases or to not shop in retail stores in shopping malls, or preventing our suppliers and service providers from providing required products, services, or materials to us. These factors could have a material adverse effect on our business, financial position, results of operations, and cash flows.

Fluctuations in the prices of raw materials, labor, energy, and services could result in increased product and/or delivery costs. Our profitability and cash flows may decline as a result of increasing pressure on margins.

The apparel industry is subject to significant pricing pressure caused by many factors, including intense competition, the highly promotional retail environment, the financial health of competitors, changes in consumer demand, and macroeconomic conditions. If these factors cause us to reduce our sales prices and we fail to sufficiently reduce our product costs or operating expenses, our profitability and cash flows could decline.

Increases in the price of raw materials, including cotton and other materials used in the production of fabric, clothing, footwear, and accessories, as well as volatility and increases in labor (including increases in minimum wages and wage rates as a result of changes in laws or business practices), energy, shipping or distribution costs, the imposition of new or higher tariffs, the occurrence of pandemics or other health issues, and other costs, have resulted, and could continue to result, in significant increases in operating costs, as well as cost increases for our products and their importation from our foreign sources of supply and their distribution to our and our third-party partners' distribution centers, retail locations, international franchise partners, and wholesale and retail customers. To the extent we are unable to offset any such increased costs through value engineering or price increases, such increased costs could have a material adverse effect on our business, financial position, results of operations, and cash flows.

In addition, a shortage of labor or an increase in the cost of labor for our retail stores and/or such distribution centers could also have a material adverse effect on our business, financial position, results of operations, and cash flows. Particularly, with the increased prevalence of e-commerce, many companies are no longer restricted geographically to where their customers are located. These companies now have the freedom to seek more cost-efficient leases in states such as Alabama, and are hence competing with us in the same labor pool.

Damage to, or a prolonged interruption of activities at, any facility that we use in our business operations could have a material adverse effect on our business.

Our single U.S. corporate headquarters is located in Secaucus, New Jersey. One of our company-operated distribution centers is located in Fort Payne, Alabama and supports our stores, wholesale, and e-commerce shipments both in the U.S and Canada. We also use a third-party warehouse provider, with distribution centers located in Brownsburg, Indiana, to support our U.S. e-commerce operations, and Mississauga, Ontario to support our Canadian e-commerce operations Our international franchise partners receive the vast majority of shipments of merchandise from our third-party warehouse provider located in Asia. On occasion, we may utilize additional facilities to support our seasonal warehousing needs. Damage to, or prolonged interruption of operations at, any of the Company-operated or third-party facilities due to a work stoppage, pandemics or other health issues, weather conditions such as a tornado, hurricane or flood, other natural disaster, fire, or other event could have a material adverse effect on our business, financial position, results of operations, and cash flows.

We depend on our relationships with unaffiliated manufacturers, suppliers, and transportation companies, both domestically and internationally. Our inability to maintain relationships with any of these entities, the disruption to or failure of any of their businesses, their failure to operate in a lawful or ethical manner, and the risks associated with international business, could have a material adverse effect on our business, financial position, results of operations, and cash flows.

We do not own or operate any manufacturing facilities and, therefore, are dependent upon independent third parties for the manufacture of all of our products. The vast majority of our products are currently manufactured to our specifications, pursuant to purchase orders, by independent manufacturers located primarily in Asia and Africa. We have no exclusive or long-term contracts with our manufacturers. We compete with other companies for manufacturing facilities, many of which have greater financial resources than we have or pay a higher unit price than we do. If an existing manufacturer of merchandise must be replaced for any reason, we will have to find alternative sources of manufacturing or increase purchases from our other third-party manufacturers, and there is no assurance we will be able to do so or do so on terms that are acceptable to us.

We do not use commissioned buying agents to source any products. Although we believe that we have the in-house capability to more efficiently source all of our products, our inability to do so, or our inability to find adequate sources to support our current needs for merchandise and future growth, could have a material adverse effect on our business, financial position, results of operations, and cash flows.

Our merchandise is shipped directly from manufacturers through third-party logistics providers to our or our third-party providers' distribution and fulfillment centers, and in turn, to our stores, our e-commerce customers, and our international franchise partners and wholesale customers. Our operating results depend, in material part, on the orderly, timely, and accurate operation of our shipping, receiving, and distribution processes, which depends, in material part, on our manufacturers' adherence to shipping schedules, the availability of ships, shipping containers and shipping routes, and our third-party providers' effective management of our domestic and international shipping functions, distribution processes, facilities, and capacity.

If our agents, manufacturers, suppliers or freight operators experience negative financial consequences, our inability to use or find substitute providers to support our manufacturing and distribution needs in a timely manner could have a material adverse effect on our business, financial position, results of operations, and cash flows.

Additionally, given that virtually all of our merchandise is purchased from foreign suppliers, we are subject to various risks of doing business in foreign markets and importing merchandise from abroad, including from less politically or socially stable and/or less developed countries, such as:

- new or higher tariffs or imposition of duties, taxes, and other charges on or costs of relying on imports;
- foreign governmental regulations, including, but not limited to, changing requirements in the course of dealing with regard to product safety, product testing, environmental matters, employment, taxation, and language preference;
- the failure of a direct or indirect vendor or supplier to comply with local laws or industry standards or ethical business practices, including worker safety (*e.g.*, fire safety and building codes), worker rights of association, freedom from harassment and coercion, unauthorized subcontracting or use of forced, indentured or child labor, social compliance with health and welfare standards, and environmental matters;
- financial, political, or societal instability, or military action, war or other conflict;
- the rising cost of doing business in particular countries;
- pandemics or other health issues;
- bankruptcy or insolvency of our vendors;
- fluctuation of the U.S. dollar against foreign currencies;
- pressure from or campaigns by non-governmental organizations or other persons, including on social media;

- customer acceptance of foreign produced merchandise;
- developing countries with less or inadequate infrastructure;
- new and existing legislation relating to use of forced, indentured or child labor by unaffiliated manufacturers or suppliers, import quotas or other restrictions that may limit or prevent the import of our merchandise;
- changes to, or repeal, suspension or discontinuation of, trade agreements, trade legislation and/or trade preferences;
- significant delays in the manufacture, transportation and delivery of cargo due to epidemics or pandemics, port security considerations, political unrest, war, weather conditions, or cyber-security events;
- disruption of imports by labor disputes and local business or unethical practices;
- regulations under the United States Foreign Corrupt Practices Act; and
- increased costs of or shortages of equipment, containers for shipments, or transportation.

In addition to the above, it is possible that other events beyond our control, both domestically and internationally, such as labor disputes, cybersecurity events or allegations of misconduct or unethical behavior affecting our unaffiliated manufacturers, suppliers, or transportation companies, a terrorist or similar act, military action, strike, weather conditions, natural disasters, pandemics or other health issues, or government spending cuts, could result in delays or disruptions in the production, transportation and/or delivery of merchandise to our distribution centers or our stores, international franchise partners and wholesale customers, or the fulfillment of e-commerce orders to our customers, or require us to incur substantial additional costs, including in air freight, to ensure timely delivery. Any such event could have a material adverse effect on our business, financial position, results of operations, and cash flows.

In an attempt to mitigate the above risks within any one region or one country, we maintain relationships with many manufacturers and suppliers in various countries. We cannot predict the effect that this, or the other factors noted above, in any region or country from which we import products could have on our business. If any of these factors rendered the conduct of business in a particular region or country undesirable or impractical, or if our current foreign manufacturing and supply sources ceased doing business with us or we ceased doing business with them for any reason and we were unable to find alternative sources of supply, we could experience a material adverse effect on our business, financial position, results of operations, and cash flows.

Our vendor guidelines and code of conduct are designed to promote compliance with applicable law and industry standards and ethical business practices. We monitor our vendors' practices; however, we do not control these independent manufacturers, their business practices, their labor practices, their health and safety practices, the physical condition of their factories, worker dormitories or other facilities, the integrity of their information or other business systems, or from where they buy or otherwise source their raw materials or labor. The failure of our third-party manufacturers or suppliers, which we do not control, to address the risks described above, could result in accidents and practices that cause material disruptions or delays in production or delivery, the imposition of governmental penalties or restrictions, and/or material harm to our reputation, any of which could have a material adverse effect on our business, financial position, results of operations, and cash flows.

We may experience disruptions at ports used to export our products from Asia, Africa, and other regions, or along the various shipping routes, or used as ports of entry in the United States and Canada.

We currently ship the vast majority of our products by ocean. If a disruption occurs in the operation of ports through which our products are exported or imported, or along the various shipping routes, we and our vendors may have to ship some or all of our products from Asia, Africa, and other regions by air freight or to or from alternative shipping destinations in the United States or in foreign countries. Shipping by air is significantly more expensive than shipping by ocean and our profitability could be materially reduced. Similarly, shipping to or from alternative destinations could lead to significantly increased costs for our products. A disruption at ports (domestic or abroad) through which our products are exported or imported or along the various shipping routes could have a material adverse effect on our business, financial position, results of operations, and cash flows.

Because certain of our subsidiaries operate outside of the United States, some of our revenues, product costs, and other expenses are subject to foreign economic and currency risks.

We have store operations in Canada, a sourcing office in Hong Kong, sourcing operations in various locations in Asia and Africa, and store operations internationally through franchisees.

The currency market has seen significant volatility in the value of the U.S. dollar against other foreign currencies. While our business is primarily conducted in U.S. dollars, we purchase virtually all of our products overseas, and we generate significant revenues in Canada in Canadian dollars. Cost increases caused by currency exchange rate fluctuations could make our products less competitive or have a material adverse effect on our profitability. Currency exchange rate fluctuations could also disrupt the business of the third-party manufacturers that produce our products, or franchisees that purchase our products, by making their purchases of raw materials or products more expensive and more difficult to finance.

Changes in currency exchange rates affect the U.S. dollar value of the Canadian dollar denominated prices at which our Canadian business sells product. As a result, fluctuations in exchange rates impact the amount of our reported sales and expenses, which could have a material adverse effect on our business, financial position, results of operations, and cash flows. Additionally, we have foreign currency denominated receivables and payables that are not hedged against foreign currency fluctuations. When settled, these receivables and payables could result in significant transaction gains or losses.

Acts of terrorism, effects of war, pandemics or other health issues, natural disasters, other catastrophes, or political unrest could have a material adverse effect on our business.

Threatened or actual acts of terrorism, including U.S. domestic terrorism, continue to be a risk to the U.S. and global economies. Terrorism and potential military responses, political unrest, war and other conflicts, natural disasters, pandemics or other health issues, have disrupted and could disrupt commerce and impact our or our franchisees' ability to operate our stores in affected areas, produce our products in foreign countries, import our products from foreign countries, or provide critical functions necessary to the operation of our business. A disruption of commerce, or an inability to recover critical functions from such a disruption, could interfere with the production, shipment, or receipt of our merchandise in a timely manner or increase our costs to do so. Consequently, any such disruption could undermine consumer confidence, which could negatively impact consumer spending patterns or customer traffic, and thus have a material adverse effect on our business, financial position, results of operations, and cash flows.

We have franchise partners located in Middle-Eastern countries. When the current Israel-Palestine conflict began, our franchise partner in Israel had to shutter its stores temporarily, and we provided a temporary hiatus on the collection of royalty payments from this franchise partner until December 2024. If the conflict continues or expands further into other countries, it could adversely affect our sales with this franchise partner and all other franchise partners in Middle-Eastern countries, and it could have a material adverse effect on our business, financial position, results of operations, and cash flows.

Our success depends upon the service and capabilities of our management team. Changes in management or in our organizational structure, particularly in the most senior positions, or inadequate or ineffective management, could have a material adverse effect on our business.

Our business and success are materially dependent on retaining members of our senior leadership team and other key individuals within the organization, to formulate and execute the Company's strategic and business plans. Leadership changes can be inherently difficult to manage and may cause material disruption to our management team or our business operations and financial results. Senior level management establishes the "tone at the top" by which an environment of ethical values, operating style, and management philosophy is fostered. Changes in senior management could lead to an environment that lacks inspiration and/or a lack of commitment by our employees, which could have a material adverse effect on our business.

Any disruption in, or changes to, our consumer credit arrangements, including our private label credit card agreement, may adversely affect the ability of our customers to obtain consumer credit.

Credit card operations are subject to numerous federal and state laws that impose disclosure and other requirements upon the origination, servicing, and enforcement of credit accounts and limitations on the maximum amount of finance charges that may be charged by a credit provider, such as the Consumer Financial Protection Bureau's amendment to Regulation Z in 2023 to limit the dollar amounts credit card companies can charge for late fees, which we expect could have a material adverse effect on the income and cash flow from our private label credit card program. Additionally, during periods of increasing consumer credit delinquencies, financial institutions may reexamine their lending practices and procedures. There can be no assurance that the delinquencies being experienced by providers of consumer credit generally would not cause providers of third-party credit offered by us to decrease the availability of, or increase the cost of, such credit.

Any of the above risks, individually or in aggregation, could have a material adverse effect on the way we conduct business and could materially negatively impact our business, financial position, results of operations, and cash flows.

We are subject to customer payment-related risks that could increase our operating costs, expose us to fraud or theft, subject us to potential liability and potentially disrupt our business.

We accept payments using a variety of methods, including cash, checks, credit and debit cards, Afterpay, ApplePay, PayPal, our private label credit card, and gift cards. Acceptance of these payment options subjects us to rules, regulations, contractual obligations and compliance requirements, including payment card association operating rules, certification requirements and operating guidelines, data security standards and certification requirements, and rules governing electronic funds transfers. These requirements may change over time or be reinterpreted, making compliance more difficult or costly. Although no system can completely prevent theft, security countermeasures have been deployed to reduce the potential for fraud and theft by criminals. If we fail to comply with applicable rules and regulations, we may be subject to fines or higher transaction fees and may lose our ability to accept online payments or other payment card transactions. If any of these events were to occur, our business, financial position, results of operations, and cash flows could be adversely affected.

We self-insure certain risks and may be impacted by unfavorable claims.

We self-insure and purchase insurance policies to provide for workers' compensation, general liability and property losses, cyber-security coverage, as well as director and officers' liability, vehicle liability, and employee medical benefits. Claims are difficult to predict and may be volatile. Any adverse claims experience could have a material adverse effect on our business, financial position, results of operations, and cash flows.

RISKS RELATED TO THE RETAIL AND APPAREL INDUSTRIES

We may suffer material adverse business consequences if we are unable to anticipate, identify, and respond to merchandise trends, marketing and promotional trends, changes in technology, or customer shopping patterns. Profitability and our reputation could be materially negatively impacted if we do not adequately forecast the demand for our products and, as a result, create significant levels of excess inventory or insufficient levels of inventory.

The apparel industry is subject to rapidly changing fashion trends and shifting consumer preferences, including the increase in online shopping. Our success depends, in material part, on the ability of our design, merchandising and IT teams to anticipate and respond to these changes for our brands and our global sourcing team to source from vendors that produce merchandise which has a compelling quality and value proposition for our customers. Our design, manufacturing, and sourcing process generally takes up to one year, during which time fashion trends and consumer preferences may further change. If we miscalculate either the demand for our merchandise or our customers' tastes or purchasing habits, we could experience materially increased costs and lower selling prices due to a need to dispose of excess inventory. Conversely, if we forecast demand for our products that is lower than actual demand, we may experience insufficient levels of inventory, increased costs to fulfill demand from alternative locations of inventory, and reputational damage. Further, it is necessary to develop and implement uses and scaling of technology addressing changes in customer buying behaviors and/or successful customer marketing programs, including loyalty and private label credit card programs and "buy-now-pay-later" programs. Failure to address any of the above risks could have a material adverse effect on our business, financial position, results of operations, and cash flows.

Product liability costs, related claims, and the cost of compliance with consumer product safety laws in the U.S. and in Canada or our inability to comply with such laws could have a material adverse effect on our business and reputation.

We are subject to regulation by the Consumer Product Safety Commission ("CPSC") in the U.S., Health Canada in Canada, and similar state, provincial, and international regulatory authorities. Although we test the products sold in our stores, on our website, and to our international franchise partners and our wholesale customers, concerns about product safety, including, but not limited to, concerns about those manufactured in developing countries, may lead us to recall selected products, either voluntarily or at the direction of a governmental authority, and may lead to a lack of consumer acceptance or loss of consumer trust. Product safety concerns, recalls, or the failure to properly manage recalls, defects, or errors could result in governmental fines, rejection of our products by customers, damage to our reputation, lost sales, product liability litigation, and increased costs, any or all of which could harm our business and have a material adverse effect on our business, financial position, results of operations, and cash flows.

The cost of compliance with current requirements and any future requirements of the CPSC, Health Canada, or other federal, state, provincial, or international regulatory authorities, consumer product safety laws, including initiatives labeled as "green chemistry" and regulatory testing, certification, packaging, labeling, and advertising and reporting requirements, or changes to existing laws could have a material adverse effect on our business, financial position, results of operations, and cash flows. In addition, any failure to comply with such requirements could result in significant penalties, litigation, or require us to recall products, any or all of which could have a material adverse effect on our business, reputation, financial position, results of operations, and cash flows.

We face significant competition in the retail and apparel industries, which could negatively impact our business.

The children's apparel retail market is highly competitive, and we face heightened price and promotional competition. We compete in substantially all of our markets with Target Corporation, Old Navy, GapKids, and babyGap (each of which is a division of The Gap, Inc.), Carter's, Inc., T.J. Maxx and Marshall's (each of which is a division of TJX Companies, Inc.), Burlington Coat Factory, Inc., Kohl's Corporation, Walmart Stores, Inc., and other department stores. We also compete with a wide variety of specialty stores, other national and regional retail chains, catalog companies, and e-commerce retailers, including on Amazon and SHEIN. One or more of our competitors are present in virtually all of the areas in which we have stores. E-commerce only retailers generally do not incur the geographical limitations suffered by traditional brick and mortar stores, giving e-commerce only retailers a competitive advantage to and imposing significant pricing pressure on brick and mortar stores. In addition, while we view our business as a single omni-channel business, our e-commerce stores may divert sales from our brick and mortar stores. Many of our competitors are larger than us and have access to significantly greater financial, marketing, and other resources than we have. Increased competition, increased promotional activity, continuing economic pressure on and inflation affecting value-seeking consumers, and liquidation activities by bankrupt and other struggling retailers, including selling apparel, footwear, and accessory merchandise at substantial discounts, could also have a material adverse effect on our ability to compete successfully, and could have a material adverse effect on our business, reputation, financial position, results of operations, and cash flows. We may not be able to continue to compete successfully against existing or future competition.

If our landlords should suffer financial difficulty or if we are unable to successfully negotiate acceptable lease terms, it could have a material adverse effect on our business, financial position, results of operations, and cash flows.

If any of our landlords or their substantial tenants, such as anchor department stores, should suffer financial difficulty, it could render our landlords unable to fulfill their duties under our lease agreements and/or could render certain malls to experience reduced customer traffic. Such duties include providing a sufficient number of mall co-tenants, common area maintenance, utilities, and payment of real estate taxes. While we have certain remedies under our lease agreements, the loss of business that could result if a shopping center should close or if customer traffic were to significantly decline as a result of lost tenants or improper care of the facilities or due to macroeconomic effects, including inflation, could have a material adverse effect on our business, financial position, results of operations, and cash flows.

The leases for a substantial number of our retail stores come up for renewal each year. If we are unable to continue to negotiate acceptable lease and renewal terms, it could have a material adverse effect on our business, financial position, results of operations, and cash flows.

RISKS RELATED TO OUR STOCK AND STOCK PRICE

Changes in our sales, comparable retail sales, margins, operating income, earnings per share, cash flows, and/or other results of operations could have a material adverse effect on the market price of our common stock, which subsequently could lead to litigation.

Numerous factors affect our sales, comparable retail sales, margins, operating income, earnings per share, cash flows, and other financial results, including unseasonable weather conditions, merchandise assortment and product acceptance, the retail price of our merchandise, fashion trends, customer traffic, number of visits to our e-commerce site, as well as related conversion, economic conditions in general, including inflation and consumer confidence, and the retail sales environment in particular, calendar shifts of holidays or seasonal periods, birth rate fluctuations, timing or extent of promotional events by our Company or by competitors and other competitive factors, including competitor bankruptcies, fluctuations in currency exchange rates, the imposition of new or higher tariffs, macro-economic conditions, and our success in and the cost of executing our business strategies.

Unseasonable weather, for example, warm weather in the winter or cold weather in the spring over an extended period of time, or the occurrence of frequent or severe storms, may adversely affect our sales and, therefore, our comparable retail sales, operating income and earnings per share. The nature of our target customer heightens the effects of unseasonable weather on our sales. Our target customer is a value-conscious, lower- to middle-income mother buying for infants and younger children primarily based on need rather than based on fashion, trend, or impulse. Therefore, for example, our target customer may not purchase warm weather spring clothing during an extended period of unseasonably cold weather occurring in what otherwise should be warmer weather months, particularly since infants and younger children tend to outgrow clothing at a faster rate than older children and adults.

Our sales, comparable retail sales, margins, operating income, earnings per share, cash flows, and other financial results have fluctuated significantly in the past (including during Fiscal 2024) due to the factors cited above, and we anticipate that they may continue to fluctuate in the future, particularly in the highly competitive retail environment in which we operate, which may result in declines or delays in consumer spending. The investment and analyst community follows all of these financial markers closely and fluctuations in these results, or the failure of our results to meet investors' or analysts' models or expectations, have had, and may continue to have, a significant adverse effect on the price of our common stock.

Following any such change in the price of our common stock, we have, and could in the future, be subject to litigation from our stockholders. For example, in February 2024, a putative class action was filed against us for violations of federal securities laws in the United States District Court of New Jersey. The complaint purported to assert claims under the federal securities laws, alleging that we had made materially false and/or misleading statements, and failed to disclose material adverse facts to our investors such that the price of our common stock dropped as a result. As of November 20, 2024, this case has been dismissed in its entirety, with prejudice. See "Item 3. Legal Proceedings" of this Form 10-K for further information. Any adverse results and/or settlements from such litigation could have a material adverse effect on our business, financial position, results of operations, and cash flows.

We have a controlling stockholder who owns a majority of our outstanding shares of common stock, and as a result controls all matters requiring stockholder approval.

Mithaq owns and controls the voting power of 62.2% of our outstanding shares of common stock as of February 6, 2025, subsequent to the completion of our recent rights offering. As long as Mithaq continues to control a majority of our outstanding shares of common stock, it will be able to determine the outcome of all corporate actions requiring stockholder approval.

Mithaq and its affiliates engage in a broad spectrum of activities. In the ordinary course of their business activities, Mithaq and its affiliates may engage in activities where their interests may not be the same as, or may conflict with, our interests or the interests of our other stockholders. Other stockholders will not be able to affect the outcome of any stockholder vote while Mithaq controls the majority of the voting power of our outstanding shares of common stock. As a result, Mithaq will be able to control, directly or indirectly and subject to applicable law, the composition of our Board of Directors, which in turn will be able to control all matters over which we have control, including, among others:

- any determination with respect to our business direction and policies, including the appointment and removal of officers and directors;
- the adoption of amendments to our certificate of incorporation or our bylaws;
- any determinations with respect to financing, mergers, business combinations or dispositions of assets;
- our financing and dividend policy, and the payment of dividends on our common stock, if any;
- compensation and benefit programs and other human resources policy decisions;
- changes to any other agreements that may adversely affect us; and
- determinations with respect to tax matters.

Because Mithaq's interests may differ from ours or from those of our other stockholders, Mithaq's decisions on these matters may be contrary to other stockholders' expectations or preferences, and they may take actions that could be contrary to other stockholders' interests. So long as Mithaq beneficially owns a majority of our outstanding shares of common stock, it will be able to control the outcome of all corporate actions requiring shareholder approval.

Our share price may be volatile.

Our common stock is quoted on the Nasdaq Global Select Market. Stock markets in general have experienced, and are likely to continue to experience, price and volume fluctuations, which could have a material adverse effect on the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results, other risk factors identified here, announcements or actions by other competitors, the overall economy, legislative, regulatory and other actions resulting from the Presidential administration or U.S. Congress, and the geopolitical environment could individually or in aggregation cause the price of our common stock to fluctuate substantially.

We have experienced, and may experience, large "short" positions in our common stock relative to other publicly traded companies in our industry. The existence of a relatively large short position may result in substantial volatility in the trading price of our common stock, including due to an adverse impact on investors' and analysts' perceptions of our business and its prospects or due to "short covering" (relatively large purchases of our common stock). Purchasers of our common stock during periods of volatility, including as a result of "short covering" when the price of our common stock may rise rapidly, could later experience a significant decrease in stock price, eventually leading to a significant loss in value.

Declarations of quarterly cash dividends, and the establishment of future record and payment dates, are at the discretion of our Board of Directors based on a number of factors, including future financial performance, general business and market conditions, and other investment priorities. If payment of dividends is resumed, any subsequent reduction or discontinuance by us of the payment of quarterly cash dividends could cause the market price of our common stock to decline.

We have no current plans to pay regular cash dividends on our common stock for the foreseeable future.

We have no current plans to pay regular cash dividends on our common stock for the foreseeable future. Declarations of cash dividends, and the establishment of future record and payment dates, are at the discretion of our Board of Directors based on a number of factors, including future financial performance, general business and market conditions, and other investment priorities. If payment of dividends is resumed, any subsequent reduction or discontinuance by us of the payment of quarterly cash dividends could cause the market price of our common stock to decline.

Our actual operating results may not meet or exceed our guidance and investor expectations, which would likely cause our stock price to decline.

From time to time, we may release guidance in our earnings releases, earnings conference calls or otherwise, regarding our future performance that represent our management's estimates as of the date of release. If given, this guidance, which will include forward-looking statements, will be based on projections prepared by our management. Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. Our actual results could differ materially from such projections. Factors that could cause or contribute to such differences include, but are not limited to, those identified in this "Risk Factors" section. The principal reason that we expect to release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. With or without our guidance, analysts and other investors may publish expectations regarding our business, financial performance and results of operations. Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. If our actual performance does not meet or exceed our guidance or investor expectations, the trading price of our common stock may decline.

An active, liquid trading market for our common stock may not be sustained.

Although our common stock is currently listed on the Nasdaq Global Select Market under the symbol "PLCE," an active trading market for our shares may not be sustained. Accordingly, if an active trading market for our common stock is not sustained, the liquidity of our common stock would be limited, and holders of our common stock may not be able to sell their shares when desired. Moreover, the prices that they may obtain for their shares would be adversely affected. An inactive market may also impair our ability to raise capital to continue to fund operations by issuing shares and may impair our ability to acquire other companies by using our shares as consideration.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our shares or if our results of operations do not meet their expectations, our stock price and trading volume could decline.

The trading market for our shares is influenced by the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover us downgrade our stock, or if our results of operations do not meet their expectations, our stock price could decline.

RISKS RELATED TO CYBERSECURITY, DATA PRIVACY, INFORMATION TECHNOLOGY AND E-COMMERCE

A privacy breach, through a cybersecurity incident or otherwise, or failure to comply with privacy laws could have a material adverse effect on our business.

As part of normal operations, we and our third-party vendors, consultants and other partners receive and maintain confidential and personally identifiable information about our customers and employees, and confidential financial, intellectual property, and other proprietary information. We regard the protection of our customer, employee, and Company information as critical. The regulatory environment surrounding information security and privacy is very demanding, with the frequent imposition of new and changing significant requirements, some of which involve significant costs to implement and significant penalties if not followed properly. A significant breach of federal, state, provincial, local, or international privacy laws could have a material adverse effect on our business, reputation, financial position, results of operations, and cash flows.

A cybersecurity breach, whether targeted, random, or inadvertent, and whether at the hands of cyber criminals, hackers, rogue employees, hostile agents of foreign governments, or other persons, may occur and could go undetected for a period of time. Any cybersecurity incident could result in any or all of the following:

- theft, destruction, loss, misappropriation, or release of confidential financial and other data, intellectual property, customer awards or loyalty points, or customer, employee or vendor information, including personally identifiable information such as payment card information, bank account information, email addresses, passwords, social security numbers, home addresses, or health information;
- operational or business delays resulting from the disruption of our e-commerce site, computer network, or the computer networks of our third-party vendors, consultants and other partners and subsequent material clean-up and mitigation costs and activities;
- negative publicity resulting in material reputation or brand damage with our investors, customers, vendors, third-party partners, or industry peers;
- loss of sales, including those generated through our e-commerce websites; and
- governmental penalties, fines and/or enforcement actions, payment and industry penalties and fines, and/or class action and other lawsuits.

Our efforts and technology to secure our computer network and systems may not be sufficient to defend us against all unauthorized attempts to access our employees', customers', vendors' and/or our information. We have been and may be subject to attempts to gain unauthorized access to our computer network and systems, including emails. Similarly, a breach to the computer networks and systems of our third-party vendors, consultants or other partners, including those that are cloud-based, may also occur. Any such breach could lead to a material disruption of our computer network and/or the areas of our business dependent on the support, services, and other products provided by these third-party vendors, consultants and other partners, subsequently resulting in the events described above. To date, prior attempts to gain unauthorized access to the networks and systems of the Company, our third-party vendors, consultants or other partners have not had a material adverse effect on us.

Our systems and procedures are required to meet the Payment Card Industry ("PCI") data security standards, which require periodic audits by independent third-parties to assess compliance. Failure to comply with the security requirements or rectify a security issue may result in substantial fines and the imposition of material restrictions on our ability to accept payment by credit or debit cards. There can be no assurance that we will be able to satisfy PCI security standards or to identify security issues in a timely fashion. In addition, PCI are controlled by a limited number of vendors who have the ability to impose changes in PCI's fee structure and operational requirements on us without negotiation. Such changes in fees and operational requirements may result in our failure to comply with PCI security standards, as well as significant unanticipated expenses.

Any of the above risks, individually or in aggregation, could result in significant costs and/or materially damage our reputation and result in lost sales, governmental and payment card industry fines, and/or class action and other lawsuits, which in turn could have a material adverse effect on our business, financial position, results of operations, and cash flows. Although we carry cybersecurity insurance, in the event of a cyber-incident, that insurance may not be extensive enough or adequate in scope of coverage or amount to reimburse us for damages we may incur.

Our failure to successfully manage our e-commerce business could have a material adverse effect on our business.

The successful operation of our e-commerce business depends on our ability to conduct an efficient and uninterrupted operation of our online order-taking and our fulfillment operations, whether from our or our third-party provider's distribution centers, and on our ability to provide a shopping experience that will generate orders and return visits to our site, including by updating our e-commerce platform to stay abreast of changing consumer shopping habits such as the significantly increased use of mobile devices and apps to shop online. Risks associated with our e-commerce business include:

- risks associated with the failure of the computer systems that operate our website or the failure or disruption of our information technology and other business systems, including, but not limited to, inadequate system capacity, security breaches, computer viruses, human error, changes in programming, failure of third-parties to continue to support older systems or system upgrades, or unintended disruptions occasioned as a result of such upgrades, or migration of these services to new systems, including to the cloud;
- increased or unplanned costs associated with order fulfillment and delivery of merchandise to our customers;
- inadequacy of disaster recovery processes and the failure to align these processes with business continuity plans;
- the integration of the Gymboree brand in our stores and via our e-commerce website, the continued progress of our Sugar & Jade and PJ Place brands;
- consumer privacy and information security concerns and regulation;
- changes in applicable federal, state, provincial, local, or international regulations;

- disruptions in telephone service or power outages;
- reliance on third parties for computer hardware and software, cloud-based computing services, updates (patches), as well as delivery of merchandise to our customers;
- rapid technology changes and changes in consumer shopping habits, such as the significant increase in online shopping, including through the use of mobile devices and apps;
- credit or debit card fraud;
- the diversion of sales from our physical stores;
- natural disasters or adverse weather conditions;
- negative publicity related to the social media influencers we have engaged;
- negative customer reviews or influencer reviews on social media; and
- liability for online advertising and content.

Problems in any one or more of these areas, individually or in aggregation, could have a material adverse effect on our business, financial position, results of operations, and cash flows, and could damage our reputation and brands.

A material disruption in, failure of, inability to upgrade, or inability to properly implement disaster recovery plans for, our information technology or other business systems could have a material adverse effect on our business, financial position, results of operations, and cash flows.

We rely heavily on various information and other business systems to manage our complex operations, including our online business, management of our global supply chain, merchandise assortment planning, inventory allocation and replenishment, order management, warehousing, distribution and shipping activities, point-of-sale processing in our stores, including credit and debit card processing, gift cards, our private label credit card, our customer loyalty program, and various other processes and transactions. We continue to evaluate and implement upgrades and changes to our information technology ("IT") and other business systems.

Operation of our IT and/or implementation of upgrades and changes to our IT and other business systems carries substantial risk, including failure to operate as designed, failure to properly integrate with, or disruption of, other systems, potential loss of data or information, cost overruns or unforeseen costs, implementation delays, disruption of operations, inability to properly train associates on new processes, inability to properly direct change management, lower customer satisfaction resulting in lost customers or sales, inability to deliver the optimal level of merchandise to our stores in a timely manner, inventory shortages, inventory levels in excess of customer demand, inability to meet the demands of our international franchise partners or our wholesale and retail customers, and the inability to meet financial, regulatory, and other reporting requirements. Further, disruptions or malfunctions affecting our current or new information or other business systems could cause critical information upon which we rely to be lost, delayed, unreliable, corrupted, insufficient, or inaccessible. See also the risks associated with the risk factor above, "*Our failure to successfully manage our e-commerce business could have a material adverse effect on our business.*"

We continue to focus on the implementation of IT disaster recovery and/or implementation of high availability readiness with regard to our e-commerce, finance, reporting, distribution, logistics, store operations, merchandising, sourcing, and other key systems in order to protect against the loss or corruption of critical data. There can be no assurance that we will be successful in implementing or executing on the appropriate disaster recovery plans or high availability readiness to protect against such loss or corruption. There is also no assurance that a successfully implemented system will deliver or continue to deliver any anticipated sales or margin improvements or other benefits to us. The failure to do so could have a material adverse effect on our business, financial position, results of operations, and cash flows.

We also rely on third-party vendors and outsourcing partners to design, program, implement, maintain, and service our existing and planned information systems, including those operated through cloud-based technology. Any failures of these vendors to properly deliver their services in a timely fashion, any determination by those vendors to stop supporting certain systems or components, or any failure of these vendors to protect our competitively sensitive data, or the personal data of our customers or employees, or to prevent the unauthorized access to, or corruption of, such data, whether in their possession, through our information systems or cloud-based technology utilized by us, could have a material adverse effect on our business, financial position, results of operations, and cash flows.

RISKS RELATED TO LEGAL AND REGULATORY MATTERS

We have exercised our option for the "controlled company" exemption under Nasdaq rules.

The Company has exercised its right to the "controlled company" exemption under Nasdaq rules, which enables us to forgo certain Nasdaq requirements which include: (i) maintaining a majority of independent directors; and (ii) electing a Human Capital and Compensation Committee and a Corporate Responsibility, Sustainability and Governance Committee composed solely of independent directors. Accordingly, during any time while we remain a controlled company relying on the exemption and, if applicable, during any transition period following a time when we are no longer a controlled company, you would not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance requirements. Our status as a controlled company could cause our common stock to look less attractive to certain investors or otherwise reduce the trading price of our common stock.

We are subject to the requirements of Section 203 of the DGCL, which limits our ability to engage in certain transactions with Mithaq.

We are subject to the requirements of Section 203 of the Delaware General Corporation Law (the "DGCL"), which provides that a corporation shall not engage in any business combination with any interested stockholder for a period of three years following the time that such stockholder became an interested stockholder, unless (1) prior to such time the Board of Directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; (2) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or (3) at or subsequent to such time the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66.67% of the outstanding voting stock which is not owned by the interested stockholder. These restrictions are subject to certain exceptions specified in Section 203(b) of the DGCL. The term "interested stockholder" is generally defined by Section 203 of the DGCL as any person that (i) is the owner of 15% or more of the outstanding voting stock of the corporation, or (ii) is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder, and the affiliates and associates of such person. The term "business combination" is broadly defined under Section 203 of the DGCL to include mergers, asset sales and other transactions in which the interested stockholder receives or could receive a financial benefit on other than a pro rata basis with other stockholders, as further described in the section entitled "Description of Capital Stock".

Without having obtained the prior approval of our Board of Directors or meeting the other conditions described above, Mithaq became an "interested stockholder" with respect to the Company upon its acquisition of more than 15% of our shares of common stock in February 2024. As a result, prior to February 2027, Mithaq will generally be prevented from engaging in any business combination (as defined for purposes of Section 203 of the DGCL) with us, in the absence of the approval of our Board of Directors and the affirmative vote of at least two-thirds of our outstanding shares of common stock not owned by Mithaq.

We may be unable to protect our trademarks and other intellectual property rights.

We believe that our trademarks and service marks are important to our success and our competitive position due to their name recognition with our customers. We devote substantial resources to the establishment and protection of our trademarks and service marks on a worldwide basis, including in the countries from which we source our merchandise and in which we have business operations or plan to have business operations, including through foreign franchise partners. We are not aware of any material claims of infringement or material challenges to our right to use any of our trademarks in the United States or Canada. Nevertheless, the actions we have taken, including to establish and protect our trademarks and service marks, may not be adequate to prevent others from imitating our products or to prevent others from seeking to block sales of our products. Also, others may assert proprietary rights in our intellectual property, or may assert that we are engaging in activities that infringe on their own intellectual property, and we may not be able to successfully resolve these types of claims, any of which could have a material adverse effect on our business, financial position, results of operations, and cash flows. In addition, the laws of certain foreign countries may not protect our proprietary rights to the same extent as do the laws of the United States, and we may not be successful in obtaining our trademarks in foreign countries where we plan to conduct business. Our failure to protect our intellectual property rights could diminish the value of our brands, weaken our competitive position, and could have a material adverse effect on our business, reputation, financial position, results of operations, and cash flows.

Federal tax and other legislation have had and will continue to have a material effect on our business, financial position, results of operations, and cash flows. In addition, changes in current tax law could adversely impact our business, financial position, results of operations, and cash flows. Other legislative, regulatory, and other actions which might be taken by federal or state governments are unpredictable and could have unforeseen consequences having a material adverse effect on our business.

We are subject to income taxes in the United States and foreign jurisdictions, including Canada and Hong Kong. Our provision for income taxes and cash tax liability in the future could be adversely affected by numerous factors, including, but not limited to, income before taxes being lower than anticipated in countries with lower statutory tax rates and higher than anticipated in countries with higher statutory tax rates, changes in the valuation of deferred tax assets and liabilities, and changes in tax laws, regulations, accounting principles or interpretations thereof, which could adversely impact our business, financial position, results of operations, and cash flows in future periods.

In addition, we are subject to the examination of our income tax returns by the Internal Revenue Service, Canada Revenue Agency, and other state, local and foreign tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income and other taxes. There can be no assurance that the outcomes from these continuous examinations will not have a material adverse effect on our business, financial position, results of operations, and cash flows.

Legislative, regulatory, and other actions, such as minimum wage requirements or overtime regulation and other wage and hour regulations, continue to be unpredictable and could have unforeseen consequences. Such changes could impact our relationship with our workforce, increase our expenses and have a material adverse effect on our business, financial position, results of operations, and cash flows. None of our employees is currently represented by a collective bargaining agreement. However, from time to time there have been efforts to organize our employees at various locations. There is no assurance that our employees will not unionize in the future.

Our failure to comply with federal, state or local law, and litigation involving such laws, or changes in such laws, could materially increase our expenses and expose us to legal risks and liability.

If we fail to comply with applicable laws and regulations, particularly wage and hour, accessibility, privacy and information security, product safety, and pricing, children's online privacy protection, advertising, sweepstakes, contests, and marketing laws, we could be subject to legal and reputational risk, government enforcement action, and class action civil litigation, which could have a material adverse effect on our business, financial position, results of operations, and cash flows. Changes in regulation and how regulations are enforced, such as taxes, tariffs, privacy and information security, product safety, trade, consumer credit, pricing, advertising, and marketing, healthcare or environmental protection, among others, could cause our expenses to increase, margins to decrease, or tax deductible expenses to decrease, which could lead to a material adverse effect on our business, financial position, results of operations, and cash flows.

Legal and regulatory actions are inherent in our business and could have a material adverse effect on our business, reputation, financial position, results of operations, and cash flows.

We are, and in the future may be, subject to legal and regulatory actions in the ordinary course of our business. Some of these proceedings have been, and in the future may be, brought on behalf of various alleged classes of complainants. The plaintiffs may seek large and/or indeterminate amounts, including treble, punitive, or exemplary damages and/or payment of legal fees in these proceedings. Substantial legal liability could have a material adverse effect on our business, financial position, results of operations, and cash flows or cause us material reputational harm, which in turn could materially harm our business prospects.

Our litigation and regulatory enforcement and other matters are subject to many uncertainties, and given their complexity and scope, their outcome cannot be predicted. Our reserves for litigation and regulatory and enforcement matters may prove to be inadequate. In light of the unpredictability of our litigation and regulatory and enforcement matters, it is also possible that in certain cases an ultimately unfavorable resolution of, or decision in, one or more litigation or regulatory and enforcement matters could have a material adverse effect on our reputation and/or our business, financial position, results of operations, and cash flows.

Legislative actions and new accounting pronouncements could result in us having to increase our administrative expenses to remain compliant and could have other material adverse effects.

In order to comply with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, accounting guidance or disclosure requirements by the SEC, guidance that may come from the Public Company Accounting Oversight Board ("PCAOB"), or changes in listing standards by the Nasdaq Global Select Market, we may be required to enhance our internal controls, hire additional personnel, and utilize additional outside legal, accounting, and advisory services, all of which could cause our general and administrative expenses to increase materially.

Changes to existing tax or other laws, authoritative or regulatory guidance, and regulations may have a material adverse effect on our financial statements. The Financial Accounting Standards Board is continuing its convergence efforts with its international counterpart, the International Accounting Standards Board, to converge U.S. and international standards into one uniform set of accounting rules. The effect of changes in tax and other laws or changes in accounting rules or regulatory guidance on our financial statements could be significant. Changes to our financial position, results of operations, or cash flows could impact our debt covenant ratios or a lender's perception of our financial statements causing an adverse effect on our ability to obtain credit, or could adversely impact investor analyses and perceptions of our business causing the market value of our stock to decrease. In addition, any changes in the current accounting rules, including legislative and other proposals, could increase the expenses we report under U.S. GAAP and have a material adverse effect on our business, financial position, results of operations, and cash flows.

If we fail to maintain effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and our reputation with investors, ultimately leading to a decline in the price of our common stock.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, and the rules and regulations of the applicable listing standards of the Nasdaq Global Select Market. In particular, Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal controls over financial reporting. It also requires our independent registered public accounting firm to attest to our evaluation of our internal controls over financial reporting if we were a large accelerated or accelerated filer. If any of our internal controls and systems do not perform as expected, we may experience material weaknesses in our internal controls. While we continually undertake steps to improve our internal control over financial reporting as our business changes, we may not be successful in making the improvements and changes necessary to be able to identify and remediate control deficiencies or material weaknesses on a timely basis. It is possible that our current internal controls and any new internal controls that we develop may become inadequate in the future because of changes in conditions in our business.

If we have difficulty implementing and maintaining effective internal controls over financial reporting, or if we identify a material weakness in our internal controls over financial reporting in the future, we may not detect errors on a timely basis, such that it could harm our operating results, adversely affect our reputation, cause our stock price to decline, or result in inaccurate financial reporting or material misstatements in our annual or interim financial statements. We may be unable to maintain compliance with securities laws, stock exchange listing requirements and debt instruments' covenants regarding the timely filing of accurate periodic reports, which could lead to investigations by Nasdaq, the SEC or other regulatory authorities or litigations with our creditors and/or stockholders, hence requiring additional management attention and impairing our ability to operate our business. Our liquidity, access to capital markets and perceptions of our creditworthiness may be adversely affected. We could be required to implement expensive and time-consuming remedial measures. Our independent registered public accounting firm may issue reports that are adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed, or operating, or if it is not satisfied with our remediation of any identified material weaknesses. Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material adverse effect on our business, financial position, results of operations, and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 1C. CYBERSECURITY.

Risk Management and Strategy

We consider cybersecurity and privacy to be important issues affecting the enterprise both in terms of reputational risk and economic risk. To effectively assess, identify, and manage material risks from cybersecurity threats, we maintain a cybersecurity risk management program, which is led by our Chief Technology, Logistics & Stores Officer ("CTO") and our Vice President, Information Security & IT Risk ("VP, IT"), as a part of the Company's overall risk management and compliance programs. To keep pace with ever-evolving threats and industry best practices, we have made, and will continue to make, sizable investments in building and developing cybersecurity talent and expertise and implementing state-of-the-art systems and tools, to detect, identify, classify and mitigate cybersecurity and other data privacy risks within our environment. We employ benchmarking to understand best practices and industry trends. We conduct security and compliance assessments throughout each year to validate the efficacy of our programs and practices. We also engage an independent third party expert to assess our cybersecurity maturity periodically against the retail industry. The results of these assessments inform our cybersecurity development roadmap going forward and are presented to the Audit Committee and the Board of Directors. We also maintain cybersecurity insurance as part of our comprehensive insurance portfolio.

We believe that we employ appropriate standards, guidelines and best practices to manage cybersecurity-related risk and have implemented comprehensive controls consistent with the requirements of the International Organization for Standardization ("ISO") and assess our cybersecurity maturity levels against the National Institute of Standards and Technology ("NIST") framework, including, but not limited to, the following:

- Intrusion prevention controls (such as network segmentation and firewalls);
- Access controls (such as identity and access management and multi-factor authentication on critical applications and systems);
- Detection controls (such as endpoint threat detection and response, and logging and monitoring involving the use of a third-party for security information and event management, with reports and alerts provided by the third-party to the CTO's team); and
- Threat protection controls (such as mandatory cyber-threat training and simulated phishing campaigns with employees, vendor management programs, and vulnerability and patch management).

In an effort to ensure that our associates are knowledgeable about our data security and protection policies, and to enable them to proficiently handle the threat of cyber-attacks, all associates are required to participate in a cybersecurity awareness training program annually. Financial, IT and other associates who have access to sensitive information are also required to attend additional training courses during the year. We also conduct frequent phishing simulations throughout the year to test our employees' responses to suspicious emails and to better inform our cyber awareness training program.

We circulate cyber awareness materials on a periodic basis on our intranet and hold a "Cyber Awareness Month" each year to promote the importance of cybersecurity topics. In addition, members of senior management participate in periodic crisis management exercises with third-party experts on crisis management best practices to apply their learnings to the Company's business continuity management program. In particular, in Fiscal 2023, the table-top exercise that was conducted for senior management focused on the handling of a cyber-security incident.

Because we are aware of the risks associated with third-party service providers, we also have implemented processes to oversee and manage these risks. We conduct security assessments of third-party providers before engagement and maintain ongoing monitoring to help ensure compliance with our cybersecurity standards. In addition, we perform periodic risk assessments of key vendors. This approach is designed to mitigate risks related to potential data breaches or other security incidents originating from or at third-party service providers.

We have experienced targeted and non-targeted cybersecurity attacks and incidents in the past, and we could in the future experience similar attacks. As of Fiscal 2024, we have not identified any risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected us, our business strategy, results of operations or financial condition. For more information about the Company's assessment of cybersecurity risks, see the risk factor titled "A privacy breach, through a cybersecurity incident or otherwise, or failure to comply with privacy laws could have a material adverse effect on our business" in Part I, Item 1A, "Risk Factors".

We are committed to maintaining the trust we have established with our customers and associates. They expect that we will protect their personal information. Our comprehensive privacy program includes standards and practices focused on keeping data we collect secure and reflects our commitment to respecting privacy rights. Our Privacy Policy is available on our website and we continually assess and update this Policy to reflect industry best practices and applicable laws and regulations.

Governance

Our Board of Directors recognizes the important role of information security and mitigating cybersecurity and other data security threats, as part of our efforts to protect and maintain the confidentiality and security of customer, employee and vendor information, as well as non-public information about our Company. Although the Board of Directors as a whole is ultimately responsible for the oversight of our risk management function, the Board of Directors uses its committees to assist in its risk oversight function. The Audit Committee of our Board of Directors has primary responsibility for our cybersecurity risk identification and mitigation activities, and that Committee and senior management provide reports regularly to the Board of Directors.

The Audit Committee receives periodic reports from management, including our CTO and VP, IT. These reports encompass a broad range of topics, such as our cybersecurity risks, the current cybersecurity landscape and the status of ongoing cybersecurity initiatives. Furthermore, management informs the Audit Committee as deemed necessary, about any notable cybersecurity incidents.

Our management team, including our CTO and VP, IT, is responsible for assessing and managing our material risks from cybersecurity threats. The VP, IT's team has primary responsibility for the day-to-day operation and implementation of our overall cybersecurity risk management program and supervises both our internal cybersecurity team and our retained external cybersecurity consultants. The VP, IT's team also supervises efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel, threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us, and alerts and reports produced by security tools deployed in the IT environment.

Our CTO's background includes more than 20 years of experience in the technology domain, with 15 years in the retail industry, leading e-commerce implementations and large scale transformation projects such as adopting cybersecurity best practices. Our VP, IT has more than 30 years of experience implementing security in complex manufacturing and retail environments. Their combined in-depth knowledge and experience are instrumental in developing and executing our cybersecurity risk management program.

The Company's management maintains and implements a written Cyber Security Incident Response Policy and Cyber Security Incident Response Plan, both of which are reviewed and updated on a periodic basis. In the event we identify a potential cybersecurity, privacy or other data security issue, we have defined procedures for responding to such issues, including procedures that address when and how to engage with Company management, the Audit Committee, our Board of Directors, other stakeholders and law enforcement when responding to such issues.

ITEM 2. PROPERTIES.

We lease all of our existing store locations in the United States, Puerto Rico, and Canada, with lease terms expiring through 2032. The average unexpired lease term for our stores is approximately 1.9 years in the United States, Puerto Rico, and Canada. Generally, we enter into initial lease terms for our stores ranging between 1 - 10 years at inception and provide for contingent rent based on sales in excess of specific minimums. We anticipate that we will be able to extend those leases which we wish to extend on satisfactory terms as they expire or relocate to more desirable locations.

The following table sets forth information with respect to certain of our non-store locations as of February 1, 2025:

Location	Use	Approximate Sq. Footage	Current Lease Term Expiration
Fort Payne, AL (1)	Store Distribution Center / E-commerce Fulfillment Center	700,000	Owned
Stevenson, AL (1)	Offsite Storage	450,000	1/31/2026
Oxford, AL (1) (5)	Offsite Storage	122,000	3/31/2025
Scottsboro, AL (1)	Offsite Storage	303,000	7/31/2026
Fort Payne, AL (1) (2)	Offsite Storage	569,000	1/31/2027
Hong Kong, China (3)	Product Support	11,000	4/30/2027
500 Plaza Drive, Secaucus, NJ (3)	Corporate Offices	120,000	5/31/2037
Lahore, Pakistan (4)	Corporate Offices	20,000	11/30/2034

(1) Supports our stores, wholesale, and e-commerce business in both the U.S. and Canada.

(2) Includes four separate offsite storage facility locations.

(3) Supports our U.S. stores, our e-commerce business, our Canadian stores, our international franchisees, and wholesale business.

(4) Supports back-office functions, sourcing services and other business and corporate matters as needed. The corporate office is expected to be fully operational in the second quarter of Fiscal 2025.

(5) The current lease expired on March 31, 2025 and is expected to be renewed until June 30, 2025.

We also use a third-party provider operating a 315,000 square foot distribution center in Indiana and 184,000 square foot distribution center in Ontario, Canada to support our U.S. and Canadian e-commerce fulfillment operations, respectively.

ITEM 3. LEGAL PROCEEDINGS.

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 have now been issued as a single, final round of merchandise vouchers for qualified class members, which expired in March 2025. In connection with the settlement, the Company recorded a reserve for $5.0 million in its consolidated financial statements in fiscal year 2017. Following the court's recent decision(s), the Company released $2.3 million from its previously established reserve during Fiscal 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. The Company's motion to dismiss was denied in November 2024. Any 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.

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

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is listed on the Nasdaq Global Select Market, or Nasdaq, under the symbol "PLCE". Mithaq Capital SPC, a Cayman segregated portfolio company ("Mithaq") currently holds more than 50% of our outstanding shares of common stock and is a controlling stockholder of the Company. On April 11, 2025, the number of holders of record of our common stock was 34. The majority of holders of our common stock are "street name" or beneficial holders, whose shares of record are held by banks, brokers, and other financial institutions.

In November 2021, our Board of Directors 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. 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 its seventh amendment to the Credit Agreement (the "Seventh Amendment"), dated as of April 18, 2024, described in "Note 9. Debt" of the Consolidated Financial Statements, "Item 8. Financial Statements and Supplementary Data" of this Form 10-K, the repurchase of any shares would require fulfilling the heightened payment conditions under our Credit Agreement, except that repurchases of shares as described below, pursuant to our practice as a result of our insider trading policy, are expressly permitted. As of February 1, 2025, there was $156.5 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 summarizes our share repurchases:

	Fiscal Years Ended			
	February 1, 2025		February 3, 2024	
	Shares	Amount	Shares	Amount
	(in thousands)			
Share repurchases related to:				
Share repurchase program	71	$ 674	210	$ 7,131
Shares acquired and held in treasury	5	$ 66	8	$ 245

The following table provides a fiscal month-to-month summary of our share repurchase activity during the 13 weeks ended February 1, 2025:

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
November 3, 2024 through November 30, 2024	—	—	—	$ 156,657
December 1, 2024 through January 4, 2025 [(1)]	6,691	16.15	6,691	156,549
January 5, 2025 through February 1, 2025	—	—	—	156,549
Total	6,691	$ 16.15	6,691	$ 156,549

(1) Includes 6,691 shares withheld to cover taxes in conjunction with the vesting of stock awards.

Equity Plan Compensation Information

On May 20, 2011, our stockholders approved the 2011 Equity Incentive Plan (the "2011 Equity Plan"). The following table provides information as of February 1, 2025, about the shares of our common stock that may be issued under our equity compensation plans.

	COLUMN (A)	COLUMN (B)	COLUMN (C)
Plan Category	**Securities to be issued upon exercise of outstanding options**	**Weighted average exercise price of outstanding options**	**Securities remaining available for future issuances under equity compensation plans (excluding securities reflected in Column (A))**
Equity Compensation Plans Approved by Security Holders	N/A	N/A	278,400
Equity Compensation Plans Not Approved by Security Holders	N/A	N/A	N/A
Total	N/A	N/A	278,400

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with our audited financial statements and notes thereto included in Part IV, Item 15. Exhibits and Financial Statement Schedules. This Annual Report on Form 10-K 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," "believe," 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 this Annual Report on Form 10-K for the fiscal year ended February 1, 2025. 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 litigation 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 stockholder, and the uncertainty of weather patterns, as well as other risks discussed in the Company's filings with the SEC from time to time. 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.

As used in this Annual Report on Form 10-K, references to the "Company", "The Children's Place", "we", "us", "our", and similar terms refer to The Children's Place, Inc. and its subsidiaries. Our fiscal year ends on the Saturday on or nearest to January 31. Other terms that are commonly used in our Management's Discussion and Analysis of Financial Condition and Results of Operations are defined as follows:

- *Fiscal 2025 — The fifty-two weeks ending January 31, 2026*
- *Fiscal 2024 — The fifty-two weeks ended 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*
- *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 re-opened for a full fiscal month*
- *Cost of Sales — Cost of inventory sold, including certain buying, design, and distribution expenses, and shipping and handling costs on merchandise sold.*
- *Gross Margin — Gross profit expressed as a percentage of net sales*
- *SG&A — Selling, general, and administrative expenses*

OVERVIEW

Our Business

We are the largest pure-play children's specialty retailer in North America with an omni-channel 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". Our global retail and wholesale network includes two digital storefronts, 495 stores in North America, wholesale marketplaces, 190 international points of distribution in 13 countries through our six franchise partners, and social media channels on Instagram, Facebook, X, formerly known as Twitter, YouTube and Pinterest. Our digital storefronts are at *www.childrensplace.com* and *www.gymboree.com*, where our customers are able to shop online for the same merchandise available in our physical stores, but also certain exclusive merchandise only available at our e-commerce sites.

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* and *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 and revenue from international franchisees. We measure our segment profitability based on operating income (loss), defined as income (loss) 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 during Fiscal 2024. Refer to "Note 17. Segment Information" of the Consolidated Financial Statements of this Form 10-K for more information.

Recent Developments

Macroeconomic conditions, including inflationary pressures, higher interest rates, and other domestic and geopolitical factors, continued to adversely affect our core customer in Fiscal 2024. While some of these inflationary pressures, including freight input costs and product input costs, had improved in Fiscal 2024, we may continue to experience inflationary pressures on our product input costs and distribution costs. In Fiscal 2024, these pressures contributed to a decrease in consumer discretionary apparel purchases. We expect these macroeconomic conditions, including but not limited to increased product input costs, transportation costs, distribution costs, and geopolitical conditions like changes in foreign policies of the United States, and other inflationary pressures, to continue to have an impact during Fiscal 2025.

In February and March 2025, the U.S. government announced the intention to impose tariffs on certain goods imported from Canada, Mexico and China. On April 2, 2025, it was further announced that tariffs would be applied to all countries importing goods to the United States. We continue to monitor the impact of any of these tariffs that become effective, as well as potential retaliatory tariffs imposed by other countries. These tariffs could have a material adverse impact on the global retail industry, supply chains worldwide, and other political and macroeconomic conditions, which could increase our product input costs in Fiscal 2025 and beyond, and also affect customer sentiment in deciding whether to purchase U.S. goods as opposed to other alternatives.

On February 6, 2025, we completed a rights offering ("Rights Offering") pursuant to which we distributed to the holders of record of our Common stock as of the close of business on December 13, 2024, the record date for the Rights Offering, non-transferable subscription rights to purchase, in the aggregate, up to 9.2 million shares of Common stock. Each subscription right entitled its holder to purchase 0.7220 shares of Common stock at a subscription price of $9.75 per whole share of Common stock. Additionally, rights holders who fully exercised their basic subscription rights were entitled to subscribe for additional shares of Common stock that remained unsubscribed as a result of any unexercised basic subscription rights. The subscription price was payable by rights holders (i) in cash, (ii) by delivery in lieu of cash of an equivalent amount of any indebtedness for borrowed money (principal and/or accrued and unpaid interest) owed by us to such rights holder, or (iii) by delivery of a combination of cash and such indebtedness. Upon the completion of the Rights Offering, we issued 9.2 million shares of Common stock for a total purchase price of $90.0 million.

Mithaq Capital SPC, a Cayman segregated portfolio company ("Mithaq"), which is a controlling stockholder of the Company, purchased 6.7 million of shares of Common stock pursuant to the Rights Offering and as of February 6, 2025, it owns and controls the voting power of 62.2% of our outstanding shares of Common stock. Mithaq paid (i) $5.1 million of the subscription price for such shares in cash and (ii) the remaining $60.2 million of the subscription price for such shares by delivery of indebtedness for borrowed money owed by us to Mithaq pursuant to that certain interest-free unsecured promissory note for a $78.6 million term loan (the "Initial Mithaq Term Loan"), dated February 29, 2024, by and among us, certain subsidiaries of the Company, and Mithaq. Accordingly, the aggregate outstanding indebtedness owed by us to Mithaq pursuant to both of our term loans from Mithaq, collectively, has been reduced to $108.4 million as of February 6, 2025. We received approximately $29.8 million in gross cash proceeds from the Rights Offering on February 6, 2025. Substantially all of the gross cash proceeds from the Rights Offering were used towards prepaying our asset-based revolving credit facility (the "ABL Credit Facility") under our Amended and Restated Credit Agreement dated May 9, 2019 (as amended from time to time, the "Credit Agreement"), with Wells Fargo, National Association ("Wells Fargo"), Bank of America, N.A., HSBC Bank (USA), N.A., JPMorgan Chase Bank, N.A., Truist Bank and PNC Bank, National Association, as lenders (collectively, the "Credit Agreement Lenders"), and Wells Fargo, as Administrative Agent, Collateral Agent and Swing Line Lender.

On March 17, 2025, we announced that John Szczepanksi has been appointed Chief Financial Officer, effective March 31, 2025.

Pillar Two Model Rules

The Organization for Economic Cooperation and Development ("OECD") has introduced a global minimum corporate tax rate of 15% under its Pillar Two initiative ("Pillar Two"), effective for tax years beginning in January 2024. Although the U.S. and Hong Kong had not yet adopted the Pillar Two rules in 2024, other regions where we conduct business, primarily Canada, have begun to enact such legislation. The implementation of the Pillar Two rules in each jurisdiction in which it operates is not expected to have a material impact on our effective tax rate. We are closely monitoring legislative developments globally to evaluate potential impacts on our financial statements as more regions implement the Pillar Two rules.

Operating Highlights

Net sales decreased 216239000, or 13.5%, to $1.386 billion during Fiscal 2024 from $1.603 billion during Fiscal 2023, primarily due to 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 Company also experienced a decrease in brick-and-mortar revenue due to a lower store count and lower sales volume. This was partially offset by an increase in wholesale revenue, as we continue to strengthen relationships with our partners. During Fiscal 2024, we closed 29 stores and opened one Gymboree stand-alone store in Paramus, New Jersey. Comparable retail sales decreased 13.4 for Fiscal 2024, largely due to the planned decrease in e-commerce revenue.

Gross profit increased $14.2 million, or 3.2%, to $459.5 million during Fiscal 2024 from $445.3 million during Fiscal 2023. Gross margin increased 530 basis points to 33.1% during Fiscal 2024, compared to 27.8% during Fiscal 2023. The increase in gross margin 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 in input costs were combined with the success of our strategies to rationalize profit-draining promotions and limit unprofitable shipping offers, in addition to optimized shipping carrier rates, which resulted in a significant reduction in freight costs.

Operating loss was $(13.7) million during Fiscal 2024 compared to $(83.8) million during Fiscal 2023. Operating margin leveraged 420 basis points to (1.0)% of net sales.

Net loss was $(57.8) million, or $(4.53) per diluted share, during Fiscal 2024 compared to $(154.5) million, or $(12.34) per diluted share, during Fiscal 2023, due to the factors discussed above.

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 Consolidated 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").

	Fiscal Year Ended		Fiscal Year Ended		Variance		
	February 1, 2025	% of Net Sales	February 3, 2024	% of Net Sales	$	%	% of Net Sales
	(amounts in thousands)						
Net sales	$ 1,386,269	100.0 %	$ 1,602,508	100.0 %	$ (216,239)	(13.5)%	— %
Cost of sales (exclusive of depreciation and amortization)	926,808	66.9 %	1,157,234	72.2 %	(230,426)	(19.9)%	(5.3)%
Gross profit	459,461	33.1 %	445,274	27.8 %	14,187	3.2 %	5.3 %
Selling, general, and administrative expenses	405,550	29.3 %	447,343	27.9 %	(41,793)	(9.3)%	1.4 %
Depreciation and amortization	39,612	2.9 %	47,186	2.9 %	(7,574)	(16.1)%	— %
Asset impairment charges	28,000	2.0 %	34,543	2.2 %	(6,543)	(18.9)%	(0.2)%
Operating loss	(13,701)	(1.0)%	(83,798)	(5.2)%	70,097	(83.6)%	4.2 %
Related party interest expense	(6,493)	(0.5)%	—	— %	(6,493)	(100.0)%	(0.5)%
Other interest expense, net	(29,254)	(2.1)%	(30,000)	(1.9)%	746	(2.5)%	(0.2)%
Loss before provision for income taxes	(49,448)	(3.6)%	(113,798)	(7.1)%	64,350	(56.5)%	3.5 %
Provision for income taxes	8,371	0.6 %	40,743	2.5 %	32,372	(79.5)%	(1.9)%
Net loss	$ (57,819)	(4.2)%	$ (154,541)	(9.6)%	$ 96,722	(62.6)%	5.4 %

Non-GAAP Reconciliation

We have presented certain measures on a non-GAAP basis. Adjusted net loss, adjusted net loss per diluted share, adjusted selling, general, and administrative expenses, and adjusted operating income (loss) are non-GAAP measures. These measures are not intended to replace GAAP financial information, and may be different from non-GAAP measures reported by other companies. The most comparable GAAP measures are net loss, net loss per diluted share, selling, general, and administrative expenses, and operating income (loss), respectively. We believe the income and expense items excluded as non-GAAP adjustments are not reflective of the performance of our core business, and that providing this supplemental disclosure to investors will facilitate comparisons of the past and present performance of our core business.

Fiscal 2024 Compared to Fiscal 2023

Net sales decreased 216239000, or 13.5%, to $1.386 billion during Fiscal 2024 from $1.603 billion during Fiscal 2023, primarily due to 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. We also experienced a decrease in brick-and-mortar revenue due to a lower store count and lower sales volume. This was partially offset by an increase in wholesale revenue, as we continue to strengthen relationships with our partners. Comparable retail sales decreased 13.4 for Fiscal 2024, largely due to the planned decrease in e-commerce revenue.

Gross profit increased $14.2 million, or 3.2%, to $459.5 million during Fiscal 2024 from $445.3 million during Fiscal 2023. Gross margin increased 530 basis points to 33.1% of net sales during Fiscal 2024, compared to 27.8% during Fiscal 2023. The increase in gross margin 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 in input costs were combined with the success of our strategies to rationalize profit-draining promotions and limit unprofitable shipping offers, in addition to optimized shipping carrier rates, which resulted in a significant reduction in freight costs.

Gross profit is calculated as consolidated net sales less cost of goods sold. Gross margin is calculated as gross profit divided by consolidated net sales. Gross profit as a percentage of net sales is dependent upon a variety of factors, including changes in the relative sales mix among distribution channels, changes in the mix of products sold, the timing and level of promotional activities, changes in foreign currency exchange rates, and fluctuations in input 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 were $405.6 million during Fiscal 2024, compared to $447.3 million during Fiscal 2023. The decrease in SG&A was due to significant reductions in marketing expenses of $31.0 million, as we eliminated inflated and unprofitable marketing costs and to a lesser extent, due to reductions in store payroll and corporate payroll. We were successful in reducing SG&A expenses by 41693000 despite an increase in incentive compensation and equity compensation of 21025211.0. Fiscal 2024 results included incremental operating expenses of 35270113, including restructuring costs of 11678810, primarily due to changes in our senior leadership team, non-cash equity compensation charges of $9.9 million and other fees of $3.8 million associated with the change of control, financing-related charges of 7007803, lender required consulting fees of 2389403, fleet optimization costs of 1427810, costs associated with the closure of our Canada distribution center of 781208, and other professional and consulting fees of 579996, partially offset by the reversal of a legal settlement accrual of 2279394. Fiscal 2023 results included incremental operating expenses of $14.9 million, including restructuring costs of $10.5 million, fleet optimization costs of $3.1 million, a reserve of $3.0 million for a customer lawsuit, contract termination costs of $3.0 million, professional and consulting fees of $1.8 million, partially offset by a settlement payment received of $6.5 million. Excluding the impact of these charges, Adjusted SG&A expenses were 370280380 during Fiscal 2024, compared to 432537123 during Fiscal 2023, and leveraged 30 basis points to 27 of net sales. This represents the lowest level of Adjusted selling, general, and administrative expenses in over 15 years for a full fiscal year.

Depreciation and amortization was $39.6 million during Fiscal 2024, compared to 47186000 during Fiscal 2023. This decrease was primarily driven by reduced depreciation of capitalized software and the permanent closure of 29 stores during Fiscal 2024.

Asset impairment charges were $28.0 million during Fiscal 2024 due to the reduction in fair value of the Gymboree tradename, which was primarily due to reductions in Gymboree sales forecasts. Asset impairment charges were 34543000 during Fiscal 2023 for long-lived assets, inclusive of ROU assets. These charges were due to the reduction in fair value of the Gymboree tradename attributable to an increase in the discount rate used to value the tradename and reductions in Gymboree sales forecasts. The remaining impairment 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 was $(13.7) million during Fiscal 2024, compared to $(83.8) million during Fiscal 2023. The Fiscal 2024 results were impacted by incremental operating expense of 66421164, including SG&A expenses of 35270113, as described above, asset impairment charges of 28000000 on the Gymboree tradename, accelerated depreciation of 2245870, and additional change in control charges impacting gross margin of 905180. The Fiscal 2023 results were impacted by incremental operating expenses of $51.3 million, including SG&A expenses of $14.9 million, as described above, asset impairment charges of $34.5 million, and accelerated depreciation of $2.0 million. Excluding the impact of these incremental charges, Adjusted operating income was 52719847 during Fiscal 2024, compared to an Adjusted operating loss of (32490062) and leveraged 580 basis points to 3.8 of net sales.

Related party interest expense was $6.5 million during Fiscal 2024, due to interest-equivalent charges from loans entered into with Mithaq during Fiscal 2024. There was no related party interest expense during Fiscal 2023.

Other interest expense, net was $29.3 million during Fiscal 2024, compared to $30.0 million during Fiscal 2023. The decrease was primarily due to the paydown of the $50.0 million term loan (the “2021 Term Loan”) under our Credit Agreement, partially offset by higher average interest rates associated with our ABL Credit Facility.

Provision for income taxes was $8.4 million during Fiscal 2024, compared to $40.7 million during Fiscal 2023. Our effective tax rate was a provision of (16.9)% and (35.8)% during Fiscal 2024 and Fiscal 2023, respectively. The change in our effective tax rate and income tax provision for Fiscal 2024 compared to Fiscal 2023 was primarily driven by the establishment of a valuation allowance against our net deferred tax assets in Fiscal 2023 and a shift in the jurisdictional earnings mix in Fiscal 2024. We continue to adjust the valuation allowance based on ongoing operating results.

Net loss was $(57.8) million, or $(4.53) per diluted share, during Fiscal 2024, compared to $(154.5) million, or $(12.34) per diluted share, during Fiscal 2023, due to the factors described above. Adjusted net income was 5489077, or 0.43 per diluted share during Fiscal 2024, compared to Adjusted net loss of (103312529), or (8.25) per diluted share, during Fiscal 2023 due to factors described above, in addition to the impact of income taxes of 3 million on the non-GAAP charges.

The following table sets forth Net sales and Operating loss, respectively, by segment, for the periods indicated:

	Fiscal Years Ended	
	February 1, 2025	February 3, 2024
	(in thousands)	
The Children's Place U.S.	$ 1,266,500	$ 1,457,352
The Children's Place International [(1)]	119,769	145,156
Total net sales	$ 1,386,269	$ 1,602,508

(1) 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.

	Fiscal Years Ended	
	February 1, 2025	February 3, 2024
	(in thousands)	
The Children's Place U.S.	$ (3,746)	$ (86,482)
The Children's Place International	(9,955)	2,684
Total segment operating loss	$ (13,701)	$ (83,798)
The Children's Place U.S.	(0.3)%	(5.9)%
The Children's Place International	(8.3)%	1.8 %
Total segment operating loss as a percentage of net sales	(1.0)%	(5.2)%

The Children's Place U.S. Net sales decreased 190852000, or 13.1%, to 1.266 billion during Fiscal 2024, compared to 1.457 billion during Fiscal 2023, primarily due to 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. We also experienced a decrease in brick-and-mortar revenue due to a lower store count and lower sales volume. This was partially offset by an increase in wholesale revenue, as we continue to strengthen relationships with our partners.

The Children's Place International Net sales decreased 25387000, or 17.5%, to 119768779 during Fiscal 2024, compared to 145155569 during Fiscal 2023, primarily due to 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. We also experienced a decrease in brick-and-mortar revenue due to a lower store count and lower sales volume.

The Children's Place U.S. Operating loss was (3746471) during Fiscal 2024, compared to (86482222) during Fiscal 2023. The Children's Place U.S. operating margin improved during Fiscal 2024 primarily due to the success of our strategies to rationalize profit-draining promotions and limit unprofitable shipping offers, in addition to optimized shipping carrier rates, which resulted in a significant reduction in freight costs. We were also able to significantly reduce marketing expenses, as we eliminated inflated and unprofitable marketing costs and to a lesser extent, by reductions in store payroll and corporate payroll.

The Children's Place International Operating loss was (9954846) during Fiscal 2024, compared to Operating income of 2683954 during Fiscal 2023. The Children's Place International operating margin was negatively impacted during Fiscal 2024 due to shifts in our supply chain which resulted in increased freight, duty and commission costs to transfer inventory from the U.S. into Canada, partially offset by occupancy cost savings achieved due to the closure of our distribution center in Toronto, Canada.

Fiscal 2023 Compared to Fiscal 2022

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2024 for the Fiscal 2023 to Fiscal 2022 comparative discussion.

QUARTERLY RESULTS AND SEASONALITY

Our quarterly results of operations have fluctuated and are expected to continue to fluctuate materially depending on a variety of factors, including overall economic conditions, the timing and number of store openings and closures, increases or decreases in Comparable Retail Sales, weather conditions (such as unseasonable temperatures or storms), and changes in our merchandise mix and pricing strategy, including changes to address competitive factors. The combination and severity of one or more of these factors could result in material fluctuations in our results of operations.

In connection with the completion of our Rights Offering on February 6, 2025, our diluted weighted average common shares outstanding and diluted earnings (loss) per common share were retroactively adjusted for all periods presented by a factor of 1.002. Refer to “Note 18. Subsequent Events” of the Consolidated Financial Statements of this Form 10-K for more information.

The following table sets forth certain statement of operations data for each of our last four fiscal quarters. The quarterly statement of operations data set forth below reflect, in our opinion, all adjustments (consisting only of normal recurring adjustments) necessary to fairly present the results of operations for these fiscal quarters (unaudited):

	Fiscal Year Ended February 1, 2025			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except diluted earnings (loss) per common share)			
Net sales	$ 267,878	$ 319,655	$ 390,173	$ 408,562
Cost of sales (exclusive of depreciation and amortization)	175,137	207,861	251,832	291,977
Gross profit	**92,741**	**111,794**	**138,341**	**116,585**
Selling, general, and administrative expenses	109,094	96,065	99,817	100,574
Depreciation and amortization	11,635	9,505	9,266	9,206
Asset impairment charges	—	28,000	—	—
Operating income (loss)	**(27,988)**	**(21,776)**	**29,258**	**6,805**
Related party interest expense	(389)	(2,087)	(2,078)	(1,939)
Other interest expense, net	(7,332)	(7,144)	(8,000)	(6,778)
Income (loss) before provision (benefit) for income taxes	**(35,709)**	**(31,007)**	**19,180**	**(1,912)**
Provision (benefit) for income taxes	2,086	1,107	(900)	6,078
Net income (loss)	**$ (37,795)**	**$ (32,114)**	**$ 20,080**	**$ (7,990)**
Diluted earnings (loss) per common share	$ (2.98)	$ (2.51)	$ 1.57	$ (0.62)
Diluted weighted average common shares outstanding	12,665	12,793	12,822	12,805

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 consist primarily of inventory purchases, rent and marketing expenses; the payment of interest expense on our ABL Credit Facility, and the financing of capital projects.

During Fiscal 2024, we entered into an interest-free, unsecured and subordinated promissory note with Mithaq for a 78600000 Initial Mithaq Term Loan and an unsecured and subordinated 90000000 term loan (the “New Mithaq Term Loan”; and together with the Initial Mithaq Term Loan, collectively, the “Mithaq Term Loans”). As of February 6, 2025, $60.2 million under the Initial Mithaq Term Loan was repaid pursuant to the completion of the Rights Offering, leaving an aggregate of $108.4 million outstanding under the Mithaq Term Loans.

As of February 1, 2025, we had $245.7 million of outstanding borrowings under our $433.0 million ABL Credit Facility and no borrowings under our 40000000 senior unsecured credit facility with Mithaq (the “Mithaq Credit Facility”).

Our working capital deficit decreased $114.2 million to $50.1 million at February 1, 2025, compared to $164.3 million at February 3, 2024, primarily reflecting a decrease in our accounts payable balances as we paid down past due vendors, partially offset by an increase in our inventory and accounts receivable balances.

As of February 1, 2025, we had total liquidity of $85.5 million, including $40.2 million of availability under our ABL Credit Facility, 40000000 of availability under our Mithaq Credit Facility and $5.3 million of cash on hand. At February 1, 2025, we had $16.0 million of outstanding letters of credit with an additional $9.0 million available for issuing letters of credit under our ABL Credit Facility.

We expect to be able to meet our working capital and capital expenditure requirements for at least the next twelve months from the date that our consolidated financial statements for Fiscal 2024 were issued, by using our cash on hand, cash flows from operations, and availability under our ABL Credit Facility and Mithaq Credit Facility.

Share Repurchase Program

In November 2021, the board of directors (the "Board of Directors") authorized a $250.0 million share repurchase program (the "Share Repurchase Program"). Currently, given the terms of our Credit Agreement, as amended by the seventh amendment to the Credit Agreement (the "Seventh Amendment"), dated as of April 18, 2024, the repurchase of any shares would require fulfilling the heightened payment conditions under our Credit Agreement, except that repurchases of shares as described above in "Item 5, Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities", pursuant to our practice as a result of our insider trading policy, are expressly permitted. During Fiscal 2024, we repurchased approximately 0.1 million shares of our common stock for $0.7 million, consisting of shares surrendered to cover tax withholdings associated with the vesting of equity awards. During Fiscal 2023, we repurchased approximately 0.2 million shares for $7.1 million, consisting of shares surrendered to cover tax withholding associated with the vesting of equity awards. As of February 1, 2025, there was $156.5 million remaining availability under the Share Repurchase Program.

Cash Flows and Capital Expenditures

Cash used in operating activities was $117.6 million during Fiscal 2024, compared to $92.8 million of cash provided by operating activities during Fiscal 2023. Cash used in operating activities during Fiscal 2024 was primarily the result of a decrease in accounts payable as we paid down past due vendors and an increase in inventory. Cash provided by operating activities of $92.8 million during Fiscal 2023 was primarily the result of a lower inventory balance, reflecting lower average unit costs, and improved inventory management, as well as an increase in accounts payable and other planned changes in working capital.

Cash used in investing activities was $15.8 million during Fiscal 2024, compared to $27.8 million during Fiscal 2023. The decrease was driven by lower capital expenditures incurred during the year.

Cash provided by financing activities was $128.4 million during Fiscal 2024, compared to cash used in financing activities of $68.3 million during Fiscal 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 2025 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 the foreseeable future.

Selected Consolidated Balance Sheets Data

Certain components of our Consolidated Balance Sheets as of February 1, 2025 and February 3, 2024 were as follows:

	Fiscal Years Ended	
	February 1, 2025	February 3, 2024
	(in thousands)	
Accounts receivable	$ 42,701	$ 33,219
Inventories	399,602	362,099
Accounts payable	126,716	225,549

Accounts receivable were 42701000 at February 1, 2025, compared to $33.2 million at February 3, 2024. The increase of 9482000.0, or 28.5, was primarily driven by the timing of wholesale customer shipments and associated payments.

Inventories were $399.6 million at February 1, 2025, compared to $362.1 million at February 3, 2024. The increase of 37503000.0, or 10.4, was primarily the result of a higher number of units on hand.

Accounts payable were $126.7 million at February 1, 2025, compared to $225.5 million at February 3, 2024. The decrease of 98833000.0, or 43.8, was primarily the result of paying down past due vendors that existed at the end of Fiscal 2023.

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 the 2021 Term Loan under our Credit Agreement. 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 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, 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 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 our average daily excess availability under the facility.

For Fiscal 2024, Fiscal 2023, and Fiscal 2022, we recognized $25.0 million, $24.2 million, and $10.2 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 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 and our subsidiaries' 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.

The tables below present the components of our ABL Credit Facility as of the end of Fiscal 2024 and Fiscal 2023:

	February 1, 2025	February 3, 2024
	(in millions)	
Total borrowing base availability [(1)]	$ 301.9	$ 258.4
Credit facility availability [(1)]	433.0	400.5
Maximum borrowing availability [(2)]	301.9	258.4
Outstanding borrowings	245.7	226.7
Letters of credit outstanding—standby	16.0	7.4
Utilization of credit facility at end of period	261.7	234.1
Availability [(3)]	$ 40.2	$ 24.3
Interest rate at end of period	7.6%	8.1%

	February 1, 2025	February 3, 2024
	(in millions)	
Average end-of-day loan balance during the period	$ 284.5	$ 315.5
Highest end-of-day loan balance during the period	$ 366.9	$ 379.4
Average interest rate	8.7%	7.5%

(1) In Fiscal 2023, the total borrowing base availability and credit facility availability were both 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, and entering into cash dominion by crossing the excess availability threshold no longer poses the same risk of default under the Credit Agreement.

(2) The lower of the credit facility availability and the total borrowing base availability.

(3) The sub-limit availability for letters of credit was $9.0 million at February 1, 2025 and $42.6 million at February 3, 2024.

The 2021 Term Loan bore interest, payable monthly, at (i) the SOFR per annum plus 2.750% for any portion that was a SOFR loan, or (ii) 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. For Fiscal 2024, Fiscal 2023, and Fiscal 2022, we recognized $1.1 million, $4.0 million, and $2.3 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 February 1, 2025 and February 3, 2024, unamortized deferred financing costs amounted to 3.8 million and 2.2 million, respectively, related to our ABL Credit Facility.

Mithaq Term Loans

Mithaq is a controlling stockholder of the Company. We and certain of our subsidiaries maintain the Initial Mithaq Term Loan, consisting of (i) a first tranche in an aggregate principal amount of $30.0 million (the "First Tranche") and (ii) 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 the New Mithaq Term Loan.

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 Fiscal 2024, we recognized 6492884 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 our subsidiaries, Wells Fargo and Mithaq, pursuant to which the Mithaq Term Loans are subordinated in payment priority to the obligations of us and our 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 our ability and our subsidiaries’ 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 February 1, 2025, unamortized deferred financing costs amounted to 2625911 related to the Mithaq Term Loans.

Maturities of our principal debt payments on the Mithaq Term Loans as of February 1, 2025 are as follows:

	February 1, 2025 (in thousands)
2025	$ —
2026	—
2027	168,600
Thereafter	—
Total related party debt	$ 168,600

As of February 6, 2025, $60.2 million under the Initial Mithaq Term Loan was repaid pursuant to the completion of the Rights Offering, leaving an aggregate of $108.4 million outstanding under the Mithaq Term Loans, payable in fiscal year 2027. Refer to “Note 18. Subsequent Events” of the Consolidated Financial Statements for additional detail.

Mithaq Commitment Letter

On May 2, 2024, we entered into a commitment letter (the “Commitment Letter”) with Mithaq for a 40000000 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 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 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 February 1, 2025, no debt had been incurred under the Mithaq Credit Facility.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

For a discussion of our contractual obligations and commercial commitments, see “Note 8. Leases”, “Note 9. Debt”, and “Note 10. Commitments and Contingencies” of the Consolidated Financial Statements, “Item 8. Financial Statements and Supplementary Data” of this Form 10-K.

Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon our financial condition or results of operations.

CRITICAL ACCOUNTING ESTIMATES

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. "Note 1. Basis of Presentation and Summary of Significant Accounting Policies" of the Consolidated Financial Statements, "Item 8. Financial Statements and Supplementary Data" of this Form 10-K describes the significant accounting policies and methods used in the preparation of the Company's consolidated financial statements.

The accounting estimates discussed below include those that we believe are the most critical to aid in fully understanding and evaluating our financial results. Senior management has discussed the development and selection of our critical accounting estimates with the Audit Committee of our Board of Directors, which has reviewed our related disclosures herein.

Impairment of Long-Lived Assets

We periodically review our long-lived assets for impairment when events indicate that their carrying value may not be recoverable. Such events include a historical or projected trend of cash flow losses or a future expectation that we will sell or dispose of an asset significantly before the end of its previously estimated useful life. In reviewing for impairment, we group our long-lived assets at the lowest possible level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

We review all stores that have reached comparable sales status for impairment on at least an annual basis, or sooner if circumstances so dictate. We believe waiting this period of time allows a store to reach a maturity level where a more comprehensive analysis of financial performance can be performed. For each store that shows indications of impairment, we perform a recoverability test comparing estimated undiscounted future cash flows to the carrying value of the related long-lived assets. If the undiscounted future cash flows are less than the related net book value of the long-lived assets, they are written down to their fair market value. We primarily use discounted future cash flows directly associated with those assets, which consist principally of property and equipment and right-of-use ("ROU") lease assets, to determine their fair market values. Estimating the fair market value of long-lived assets using the discounted cash flow model requires management to estimate future revenues, expenses, discount rates, long-term growth rates, and other factors in order to project future cash flows. The assumptions used to evaluate future cashflows consider external and internal factors. External factors comprise the local environment in which the store resides, including mall traffic, competition, and their effect on sales trends, as well as macroeconomic factors, such as inflationary pressures impacting our customer, and changes in product input costs, transportation costs, distribution costs and wage rates. Internal factors include our ability to gauge the fashion taste of our customers, control over variable costs such as cost of sales and payroll, and in certain cases, our ability to renegotiate lease costs. In addition, the Company utilizes market-corroborated inputs, including sales per square foot and cost of occupancy rates, in its calculation of the fair value of its ROU assets and any necessary discounting required for rent rates based on macroeconomic conditions or local mall conditions. If external factors should change unfavorably, if actual sales should differ from our projections, or if our ability to control costs is insufficient to sustain the necessary cash flows, changes in these estimates can have a significant impact on the assessment of fair market value, which could result in material impairment charges.

Impairment of Indefinite-Lived Intangible Assets

Our intangible assets with an indefinite life consists of the acquired Gymboree tradename, and it is tested for impairment using a qualitative assessment to determine whether its fair value is below its carrying value. If there are indicators of impairment, we perform a quantitative assessment to estimate the fair value of these intangible assets based on an income approach using the relief-from-royalty method. Estimating the fair value of indefinite-lived intangible assets using the relief-from-royalty 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. If macroeconomic conditions deteriorate, if interest rates increase, or if actual sales should differ from our projections, changes in these estimates can have a significant impact on the assessment of fair value, which could result in material impairment charges.

We identified an indicator of impairment in our qualitative assessment performed during Fiscal 2024, primarily due to reductions in Gymboree sales forecasts, and performed a quantitative impairment assessment of the Gymboree tradename. Based on this assessment, we recorded an impairment charge of $28.0 million, 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. As of February 1, 2025, the tradename's carrying value was $13.0 million.

Unfavorable changes in certain of our 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.

Income Taxes

We utilize the asset and liability method of accounting for income taxes as set forth in FASB ASC 740—*Income Taxes*. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities, as well as for net operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using currently enacted tax rates applied to taxable income in effect for the years in which the basis differences and tax assets are expected to be realized. Although we believe our assumptions, judgments and estimates are reasonable, changes in tax laws or our interpretation of tax laws and the resolution of any tax audits could significantly impact the amounts reflected for income taxes in our consolidated financial statements.

A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. In determining the need for valuation allowances, we consider projected future taxable income, the availability of tax planning strategies, taxable income in prior carryback years, and future reversals of existing taxable temporary differences. The assumptions utilized in determining future taxable income require significant judgment. Actual operating results in future years could differ from our current assumptions, judgments and estimates. If we determine that we would not be able to realize our recorded deferred tax assets, an increase in the valuation allowance would decrease earnings in the period in which such determination is made. As of February 1, 2025, we believe it is not more likely than not that future taxable income will be sufficient to allow us to recover substantially all of the value assigned to our deferred tax assets. Thus, in Fiscal 2024, we increased our valuation allowance to 88148000, primarily related to assets in the U.S.

We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the consolidated financial statements. Due to uncertainties in any income tax audit, our assumptions regarding the ultimate settlement of unrecognized tax positions may change and the actual tax benefits may differ significantly from current estimates.

Stock-Based Compensation

We account for stock-based compensation according to the provisions of FASB ASC 718— Compensation-Stock Compensation. We grant time-vesting and performance-based stock awards to employees at senior management levels. We also grant time-vesting stock awards to our non-employee independent directors. Time-vesting awards are granted in the form of restricted stock units that require each recipient to complete a service period (“Deferred Awards”). Performance-based stock awards are granted in the form of restricted stock units, which have performance criteria that must be achieved for the awards to be earned, in addition to a service period requirement (“Performance Awards”), and each Performance Award has a defined number of shares that an employee can earn (the “Target Shares”). With the approval of the Human Capital & Compensation Committee, we may settle vested Deferred Awards and Performance Awards in shares, in a cash amount equal to the market value of such shares at the time all requirements for delivery of the award have been met, or in part shares and cash. In Fiscal 2024, there was a change of control of the Company, which triggered a conversion of all then-outstanding 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 or have vested, as applicable, at their Target Shares on their respective vesting dates without regard to the achievement of any of the performance metrics associated with those awards, provided that the recipient be employed at the Company on each such vesting date. In Fiscal 2024, the stock awards granted to employees at senior management levels were a combination of both Deferred Awards and Performance Awards. The Deferred Award portion has a one-year vesting schedule, while the Performance Award portion is subject to graded vesting over the subsequent two years of the stock award, whereby employees may earn from 0% to 200% of their Target Shares in each of those years, based on the terms of the award and our achievement of certain performance goals established for such Performance Awards. The expense recognized for Performance Awards throughout the service period and the number of shares that are projected to ultimately vest, are based on the estimated degree to which the related performance metrics are expected to be achieved. Actual performance may differ from such projections, which would impact the number of shares that vest and the total amount of expense recognized for the related Performance Awards, which could have a material impact on our consolidated financial statements.

Inventory Valuation

We value inventory at the lower of cost or net realizable value, with cost determined using an average cost method. The estimated market value of inventory is determined based on an analysis of historical sales trends of our individual product categories, the impact of market trends and economic conditions, and a forecast of future demand, as well as plans to sell through inventory. Estimates may differ from actual results due to the quantity, quality, and mix of products in inventory, consumer and retailer preferences, market conditions, and other catastrophic events. Reserves for inventory shrinkage, representing the risk of physical loss of inventory, are estimated based on historical experience and are adjusted based upon physical inventory counts. Our historical estimates for inventory obsolescence and shrinkage have not differed materially from actual results.

Recently Issued Accounting Standards

Refer to “Note 1. Basis of Presentation and Summary of Significant Accounting Policies” of the Consolidated Financial Statements, “Item 8. Financial Statements and Supplementary Data” of this Form 10-K for discussion regarding the impact of recently issued accounting standards on our consolidated financial statements.

ITEM 7A. 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 0.1000%, plus 3.000%. As of February 1, 2025, we had $245.7 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 (i) the SOFR per annum plus 2.750% for any portion that was a SOFR loan, or (ii) 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 having been deferred until April 30, 2025. As of February 6, 2025, $60.2 million under the Initial Mithaq Term Loan was repaid pursuant to the completion of the Rights Offering, leaving an aggregate of $108.4 million outstanding under the Mithaq Term Loans. A 10% change in the prime rate or SOFR would not have had a material impact on our interest expense.

As of February 1, 2025, 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 February 1, 2025, net liabilities in Canada and Hong Kong amounted to 22.2 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 2.2 million. All changes in the net investments in our foreign subsidiaries are recorded in other comprehensive loss.

As of February 1, 2025, we had 3700000 of our cash and cash equivalents held in foreign subsidiaries, of which 1125988 was in China, 789689 was in India, 609299 was in Canada, 205590 was in Hong Kong, and 1046597 was held in other foreign countries.

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:

	Fiscal Years Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
Average Translation Rates [(1)]			
Canadian dollar	0.7252	0.7414	0.7469
Hong Kong dollar	0.1282	0.1277	0.1277

(1) The average translation rates are the average of the monthly translation rates used during each fiscal year to translate the respective income statements. Each rate represents the U.S. dollar equivalent of the respective foreign currency.

Foreign Operations

We have exchange rate exposure primarily with respect to certain revenues and expenses denominated in Canadian and Hong Kong 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, Fiscal 2024 net sales would have decreased or increased by approximately 10.8 million, and total costs and expenses would have decreased or increased by approximately 14.5 million. Additionally, we have foreign currency denominated receivables and payables that, when settled, result in transaction gains or losses. A 10% change in foreign currency exchange rates would not result in a significant transaction gain or loss in earnings.

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

Other Risks

We enter into various purchase order commitments with our suppliers. We have the ability to cancel these arrangements, although in some instances we may either continue to be liable for payment of the entirety of the purchase order commitment despite cancellation, or be subject to a termination charge reflecting a percentage of work performed prior to cancellation.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this Item is incorporated herein by reference to the consolidated financial statements and supplementary data set forth in "Item 15. Exhibits and Financial Statement Schedules" of Part IV of this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. 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 Chief Accounting Officer and Interim Chief Financial Officer as of February 1, 2025, 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 February 1, 2025.

Based on that evaluation, our President and Interim Chief Executive Officer, and Chief Accounting Officer and Interim Chief Financial Officer as of February 1, 2025, concluded that our disclosure controls and procedures were effective at the reasonable assurance level, as of February 1, 2025, 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.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the U.S. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Under the supervision and with the participation of our management, including our President and Interim Chief Executive Officer, and Chief Accounting Officer and Interim Chief Financial Officer as of February 1, 2025, we conducted an evaluation of the design and effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation under the Internal Control-Integrated Framework, our management concluded that our internal control over financial reporting was effective as of February 1, 2025.

Changes in Internal Control Over Financial Reporting

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

ITEM 9B. OTHER INFORMATION.

Not applicable.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required to be included by Item 10 of Form 10-K will be set forth in the Company's proxy statement for its 2025 annual meeting of stockholders to be filed with the SEC within 120 days after February 1, 2025 (the "Proxy Statement") and is incorporated by reference herein.

We have adopted an insider trading policy governing the purchase and sale of our securities by our directors, executive officers, and employees, and by the Company. A copy of our insider trading policy is filed as Exhibit 19.1 to this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION.

The information required to be included by Item 11 of Form 10-K will be set forth in the Proxy Statement and is incorporated by reference herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required to be included by Item 12 of Form 10-K will be set forth in the Proxy Statement and is incorporated by reference herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required to be included by Item 13 of Form 10-K will be set forth in the Proxy Statement and is incorporated by reference herein.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required to be included by Item 14 of Form 10-K will be set forth in the Proxy Statement and is incorporated by reference herein.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) Financial Statements

The following documents are filed as part of this report:

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
The Children's Place, Inc.
Secaucus, New Jersey

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of The Children's Place, Inc. (the "Company") as of February 1, 2025, the related consolidated statements of operations, comprehensive loss, stockholders' equity (deficit), and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at February 1, 2025, and the results of its operations and its cash flows for the year ended February 1, 2025, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Gymboree Tradename

As described in Notes 1, 4, and 14 to the consolidated financial statements, the Company's Gymboree Tradename had a carrying value of $13.0 million as of February 1, 2025. The indefinite-lived tradename is evaluated for impairment annually or more frequently if events or changes in circumstances indicate that a decline in value may have occurred. An impairment loss is recognized when the estimated fair value of tradename is less than the carrying value. The Company recorded an impairment charge related to the Gymboree tradename of $28.0 million in the second quarter of fiscal year 2024, which reduced its carrying value to $13.0 million. The determination of the fair value of the Gymboree Tradename requires management to make significant estimates and assumptions related to future cash flows, royalty rate and the discount rate used in the valuation model.

We identified certain assumptions used in the determination of the fair value of the Gymboree tradename, specifically the revenue growth rate, royalty rate, and the discount rate as a critical audit matter. The principal consideration for our determination is the judgment used to evaluate the revenue growth rate, royalty rate, and the discount rate in the fair value determination of the Gymboree Tradename. Auditing these assumptions involved especially challenging and subjective auditor judgment due to the nature and extent of audit effort required to address these matters, including the extent of specialized skills and knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Obtaining an understanding of management's process related to the Gymboree tradename impairment assessment and the determination of the estimated fair value of the tradename including the revenue growth rate, royalty rate, and the discount rate.
- Performing a sensitivity analysis of the significant assumptions to evaluate the change in the estimated fair value that would result from changes in the significant assumptions.
- Evaluating the revenue growth rate used in the determination of the estimated fair value related to the Gymboree tradename by comparing the revenue growth rate against historical financial results, guideline companies, and industry information.
- Utilizing personnel with specialized knowledge and skills in valuation to evaluate the royalty rate and discount rate used in the determination of the estimated fair value related to the Gymboree tradename.
- Evaluating on a sample basis, the completeness and accuracy of the underlying data used by the Company used to develop the revenue growth rate and royalty rate.

/S/ BDO USA, P.C.

We have served as the Company's auditor since 2024.

Woodbridge, New Jersey

April 17, 2025

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of The Children's Place, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of The Children's Place, Inc. and subsidiaries (the Company) as of February 3, 2024, the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity (deficit) and cash flows for each of the two years in the period ended February 3, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at February 3, 2024 and the results of its operations and its cash flows for each of the two years in the period ended February 3, 2024, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/S/ Ernst & Young, LLP

We have served as the Company's auditor from 2018 to 2024.

Iselin, New Jersey

May 3, 2024,

except for Note 17 and the effects of the rights offering described in Note 13, as to which the date is

April 17, 2025.

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	February 1, 2025	February 3, 2024
	(in thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,347	$ 13,639
Accounts receivable	42,701	33,219
Inventories	399,602	362,099
Prepaid expenses and other current assets	20,354	43,169
Total current assets	468,004	452,126
Long-term assets:		
Property and equipment, net	97,487	124,750
Right-of-use assets	161,595	175,351
Tradenames, net	13,000	41,123
Other assets	7,466	6,958
Total assets	$ 747,552	$ 800,308
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Revolving loan	$ 245,659	$ 226,715
Accounts payable	126,716	225,549
Current portion of operating lease liabilities	67,407	69,235
Income taxes payable	2,441	5,297
Accrued expenses and other current liabilities	75,895	89,608
Total current liabilities	518,118	616,404
Long-term liabilities:		
Long-term debt	—	49,818
Related party long-term debt	165,974	—
Long-term portion of operating lease liabilities	107,287	118,073
Income taxes payable	—	9,486
Other tax liabilities	5,291	4,664
Other long-term liabilities	10,293	10,882
Total liabilities	806,963	809,327
Commitments and contingencies (see Note 10)		
Stockholders' deficit:		
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; 12,785 and 12,585 issued; 12,782 and 12,529 outstanding	1,279	1,259
Additional paid-in capital	151,485	141,083
Treasury stock, at cost (3 and 56 shares)	(90)	(2,909)
Deferred compensation	90	2,909
Accumulated other comprehensive loss	(19,491)	(16,496)
Accumulated deficit	(192,684)	(134,865)
Total stockholders' deficit	(59,411)	(9,019)
Total liabilities and stockholders' deficit	$ 747,552	$ 800,308

See accompanying notes to these consolidated financial statements.

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Years Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
	(in thousands, except loss per common share)		
Net sales	$ 1,386,269	$ 1,602,508	$ 1,708,482
Cost of sales (exclusive of depreciation and amortization)	926,808	1,157,234	1,194,320
Gross profit	459,461	445,274	514,162
Selling, general, and administrative expenses	405,550	447,343	460,972
Depreciation and amortization	39,612	47,186	51,464
Asset impairment charges	28,000	34,543	3,256
Operating loss	(13,701)	(83,798)	(1,530)
Related party interest expense	(6,493)	—	—
Other interest expense	(29,301)	(30,087)	(13,324)
Interest income	47	87	92
Loss before provision (benefit) for income taxes	(49,448)	(113,798)	(14,762)
Provision (benefit) for income taxes	8,371	40,743	(13,624)
Net loss	$ (57,819)	$ (154,541)	$ (1,138)
Loss per common share			
Basic	$ (4.53)	$ (12.34)	$ (0.09)
Diluted	$ (4.53)	$ (12.34)	$ (0.09)
Weighted average common shares outstanding			
Basic	12,766	12,522	13,063
Diluted	12,766	12,522	13,063

See accompanying notes to these consolidated financial statements.

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Fiscal Years Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
		(in thousands)	
Net loss	$ (57,819)	$ (154,541)	$ (1,138)
Other comprehensive loss:			
Foreign currency translation adjustment	(2,995)	(249)	(2,061)
Total comprehensive loss	$ (60,814)	$ (154,790)	$ (3,199)

See accompanying notes to these consolidated financial statements.

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock Shares	Treasury Stock Amount	Total Stockholders' Equity (Deficit)
Balance, January 29, 2022	13,964	$ 1,396	$ 160,348	$ 3,443	$ 77,914	$ (14,186)	(61)	$ (3,443)	$ 225,472
Vesting of stock awards	281	28	(28)	—	—	—	—	—	—
Stock-based compensation expense	—	—	29,150	—	—	—	—	—	29,150
Purchase and retirement of common stock	(1,953)	(195)	(38,514)	—	(54,236)	—	—	—	(92,945)
Other comprehensive loss	—	—	—	—	—	(2,061)	—	—	(2,061)
Deferral of common stock into deferred compensation plan	—	—	—	293	—	—	(6)	(293)	—
Net loss	—	—	—	—	(1,138)	—	—	—	(1,138)
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	503	51	(51)	—	—	—	—	—	—
Stock-based compensation benefit	—	—	(5,576)	—	—	—	—	—	(5,576)
Purchase and retirement of common stock	(210)	(21)	(4,246)	—	(2,864)	—	—	—	(7,131)
Other comprehensive loss	—	—	—	—	—	(249)	—	—	(249)
Distribution of common stock into deferred compensation plan, net of deferrals	—	—	—	(827)	—	—	11	827	—
Net loss	—	—	—	—	(154,541)	—	—	—	(154,541)
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	278	28	(28)	—	—	—	—	—	—
Stock-based compensation expense	—	—	12,786	—	—	—	—	—	12,786
Purchase and retirement of common stock	(78)	(8)	(666)	—	—	—	—	—	(674)
Stock issuance costs	—	—	(1,690)	—	—	—	—	—	(1,690)
Other comprehensive loss	—	—	—	—	—	(2,995)	—	—	(2,995)
Distribution of common stock from deferred compensation plan, net of deferrals	—	—	—	(2,819)	—	—	53	2,819	—
Net loss	—	—	—	—	(57,819)	—	—	—	(57,819)
Balance, February 1, 2025	12,785	$ 1,279	$ 151,485	$ 90	$ (192,684)	$ (19,491)	(3)	$ (90)	$ (59,411)

See accompanying notes to these consolidated financial statements.

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
		(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (57,819)	$ (154,541)	$ (1,138)
Reconciliation of net loss to net cash (used in) provided by operating activities:			
Non-cash portion of operating lease expense	76,963	83,591	88,936
Depreciation and amortization	39,612	47,186	51,464
Non-cash stock-based compensation expense (benefit), net	12,786	(5,576)	29,150
Asset impairment charges	28,000	34,543	3,256
Deferred income tax provision (benefit)	—	36,975	(13,675)
Other non-cash charges, net	2,782	729	601
Changes in operating assets and liabilities:			
Inventories	(38,297)	85,307	(20,741)
Accounts receivable and other assets	(8,461)	21,305	(28,143)
Prepaid expenses and other current assets	1,152	1,855	10,440
Income taxes payable, net of prepayments	9,933	(2,199)	14,690
Accounts payable and other current liabilities	(107,861)	39,955	(41,734)
Lease liabilities	(75,791)	(93,396)	(102,522)
Other long-term liabilities	(593)	(2,934)	1,198
Net cash (used in) provided by operating activities	(117,594)	92,800	(8,218)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(15,830)	(27,559)	(45,577)
Change in deferred compensation plan	—	(231)	(371)
Net cash used in investing activities	(15,830)	(27,790)	(45,948)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under revolving credit facility	1,249,913	579,655	713,718
Repayments under revolving credit facility	(1,230,968)	(639,931)	(602,046)
Proceeds from issuance of related party term loans	168,600	—	—
Repayment of term loan	(50,000)	—	—
Payment of debt issuance costs	(6,784)	(861)	—
Payment of stock issuance costs	(1,690)	—	—
Purchase and retirement of common stock, including shares surrendered for tax withholdings and transaction costs	(673)	(7,131)	(94,616)
Net cash provided by (used in) financing activities	128,398	(68,268)	17,056
Effect of exchange rate changes on cash and cash equivalents	(3,266)	208	(988)
Net decrease in cash and cash equivalents	(8,292)	(3,050)	(38,098)
Cash and cash equivalents, beginning of period	13,639	16,689	54,787
Cash and cash equivalents, end of period	$ 5,347	$ 13,639	$ 16,689
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Net cash (received) paid for income taxes	$ (1,726)	$ 5,775	$ (14,969)
Cash paid for interest	27,007	29,038	12,354
Purchases of property and equipment not yet paid	3,454	7,156	9,801

See accompanying notes to these consolidated financial statements.

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Children's Place, Inc. and its subsidiaries (collectively, the "Company") is the largest pure-play children's specialty retailer in North America with an omni-channel portfolio of brands. 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". Its global retail and wholesale network includes two digital storefronts, 495 stores in North America, wholesale marketplaces, 190 international points of distribution in 13 countries through six international franchise partners and social media channels on Instagram, Facebook, X, formerly known as Twitter, YouTube and Pinterest. The Company's digital storefronts are at *www.childrensplace.com* and *www.gymboree.com*, where its customers are able to shop online for the same merchandise available in its physical stores, but also certain exclusive merchandise only available at our e-commerce sites.

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 and revenue from international franchisees. Each segment includes an e-commerce business located at *www.childrensplace.com* and *www.gymboree.com*.

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

- *Fiscal 2025 - The fifty-two weeks ending January 31, 2026*
- *Fiscal 2024 - The fifty-two weeks ended 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*

Fiscal Year

The Company's fiscal year is a 52-week or 53-week period ending on the Saturday on or nearest to January 31. Fiscal 2024 was a 52-week year, Fiscal 2023 was a 53-week year, and Fiscal 2022 was a 52-week year.

Basis of Presentation

The consolidated financial statements and accompanying notes to consolidated financial statements are prepared in accordance with U.S. GAAP and include the accounts of the Company and its wholly owned subsidiaries. Intercompany balances and transactions have been eliminated. As of February 1, 2025 and February 3, 2024, 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.

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

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.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consists of credit and debit card receivables, wholesale and franchisee receivables, and other miscellaneous items. Credit and debit card receivables represent credit and debit card sales, inclusive of private label credit card sales, for which the respective third-party service company has yet to remit the cash. The unremitted balance approximates the last few days of related credit and debit card sales for each reporting period. Wholesale and franchisee receivables represent product sales and sales royalties in which cash has not yet been remitted by our partners. Bad debt associated with all sales has not been material.

Inventories

Inventories, which consist primarily of finished goods, are stated at the lower of cost or net realizable value, with cost determined on an average cost basis. The Company capitalizes certain buying, design, and supply chain costs in inventory, and these costs are reflected within Cost of sales as the inventories are sold. The Company establishes reserves based on an analysis of historical sales trends of its individual product categories, the impact of market trends and economic conditions, and a forecast of future demand, as well as plans to sell through inventory. Inventory shrinkage is estimated based upon the historical results of physical inventory counts in the context of current year facts and circumstances.

Deferred Financing Costs

The Company capitalizes costs directly associated with acquiring third-party financing. Deferred financing costs for the asset-based revolving credit facility are included in Other assets and deferred financing costs for the term loans are recorded in Long-term debt as a reduction of the related term loan. These costs are amortized as Interest expense over the term of the related indebtedness.

Property and Equipment, Net

Property and equipment are stated at cost. Leasehold improvements are depreciated on a straight-line basis over the shorter of the life of the lease or the estimated useful life of the asset. All other property and equipment is depreciated on a straight-line basis based upon estimated useful lives, with furniture and fixtures and equipment generally ranging from 3 to 10 years and buildings and improvements generally ranging from 20 to 25 years. Repairs and maintenance are expensed as incurred.

The Company accounts for internally developed software intended for internal use in accordance with provisions of FASB ASC 350—*Intangibles-Goodwill and Other*. The Company capitalizes development-stage costs such as direct external costs and direct payroll related costs. When development is substantially complete and the software is ready for its intended use, the Company amortizes the cost of the software on a straight-line basis over the expected life of the software, which is generally 3 to 10 years. Preliminary project costs and post-implementation costs such as training, maintenance, and support are expensed as incurred.

Intangible Assets

The Company's intangible assets include both indefinite-lived and finite-lived assets. Intangible assets with an indefinite life consists of the acquired Gymboree tradename, and is tested for impairment using a qualitative assessment to determine whether its fair value is below its carrying value. If there are indicators of impairment, the Company performs a quantitative assessment to estimate the fair value of this intangible asset based on an income approach using the relief-from-royalty method. The Company's finite-lived intangible assets consist primarily of customer lists and other acquisition-related assets. Finite-lived intangible assets are amortized over their estimated useful economic lives and are reviewed for impairment when factors indicate that an impairment may have occurred. The Company recognizes an impairment charge when the estimated fair value of the intangible asset is less than the carrying value.

Impairment of Long-Lived Assets

The Company periodically reviews its long-lived assets for impairment when events indicate that their carrying value may not be recoverable. Such events include historical trends or projected trends of cash flow losses or a future expectation that the Company will sell or dispose of an asset significantly before the end of its previously estimated useful life. In reviewing for impairment, the Company groups its long-lived assets at the lowest possible level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

The Company reviews all stores that have reached comparable sales status for impairment on at least an annual basis, or sooner if circumstances so dictate. The Company believes waiting this period of time allows a store to reach a maturity level where a more comprehensive analysis of financial performance can be performed. For each store that shows indications of impairment, the Company performs a recoverability test comparing estimated undiscounted future cash flows to the carrying value of the related long-lived assets. If the undiscounted cash flows are less than the related net book value of the long-lived assets, they are written down to their fair market value. The Company primarily uses discounted future cash flows directly associated with those assets, which consist principally of property and equipment and right-of-use ("ROU") assets, to determine their fair market values. In evaluating future cash flows, the Company considers external and internal factors. External factors comprise the local environment in which the store resides, including mall traffic, competition, and their effect on sales trends, as well as macroeconomic factors, such as inflationary pressures impacting our customer, and changes in product input costs, transporting costs, distribution costs and wage rates. Internal factors include the Company's ability to gauge the fashion taste of its customers, control variable costs such as cost of sales and payroll, and in certain cases, its ability to renegotiate lease costs. In addition, the Company utilizes market-corroborated inputs, including sales per square foot and cost of occupancy rates, in its calculation of the fair value of its ROU assets and any necessary discounting required for rent rates based on macroeconomic conditions or local mall conditions.

Insurance and Self-Insurance Reserves

The Company self-insures and purchases insurance policies to provide for workers' compensation, general liability and property losses, cyber-security coverage, as well as director and officers' liability, vehicle liability, and employee medical benefits. The Company estimates risks and records a liability based on historical claim experience, insurance deductibles, severity factors, and other actuarial assumptions. The Company records the current portions of employee medical benefits, workers compensation, and general liability reserves within Accrued expenses and other current liabilities.

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 12 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 lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For operating leases, the ROU asset is initially and subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, less any accrued lease payments and unamortized lease incentives. For finance leases, the ROU asset is initially measured at cost and subsequently amortized using the straight-line method, generally from the lease commencement date to the earlier of the end of its useful life or the end of the lease term.

The discount rate is the rate implicit in the lease, unless that rate cannot be readily determined. In that case, the Company is required to use its incremental borrowing rate. The discount rate for a lease is determined based on the information available at lease commencement. The Company accounts for the underlying leased asset and applies a discount rate at the lease level. However, there are certain non-real estate leases for which the Company utilizes the portfolio method by aggregating similar leased assets based on the underlying lease term.

The Company has made an accounting policy election by class of underlying asset to not apply the recognition requirements of FASB ASC 842—*Leases* ("Topic 842") to leases with an initial term of 12 months or less. Leases with an initial lease term of 12 months or less are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components. The Company has elected a policy to account for lease and non-lease components as a single component for all asset classes.

In certain leases, the Company has the right to exercise lease renewal options. Renewal option periods are included in the measurement of lease liability and related ROU asset where the exercise is reasonably certain to occur.

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 Company has certain lease agreements structured with both fixed base rent and contingent rent based on a percentage of sales over contractual levels, others with only contingent rent based on a percentage of sales, and some with a fixed base rent adjusted periodically for inflation or changes in fair market value of the underlying real estate. Contingent rent is recognized as sales occur. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss primarily consists of cumulative translation adjustments.

Treasury Stock

Treasury stock is recorded at acquisition cost. Gains and losses on disposition are recorded as increases or decreases to Additional paid-in capital with losses in excess of previously recorded gains charged directly to Accumulated deficit. When treasury shares are retired and returned to authorized but unissued status, the carrying value in excess of par is allocated to Additional paid-in capital and Accumulated deficit on a pro rata basis.

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes as set forth in FASB ASC 740—*Income Taxes*. Under the asset and liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities, as well as for net operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using currently enacted tax rates applied to taxable income in effect for the years in which the basis differences and tax assets are expected to be realized.

A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. In determining the need for valuation allowances, the Company considers projected future taxable income, the availability of tax planning strategies, taxable income in prior carryback years, and future reversals of existing taxable temporary differences. The assumptions utilized in determining future taxable income require significant judgment. Actual operating results in future years could differ from current assumptions, judgments and estimates. If the Company determines that it would not be able to realize its recorded deferred tax assets, an increase in the valuation allowance would decrease earnings in the period in which such determination is made.

The Company assesses income tax positions and records tax benefits for all years subject to examination based upon the Company's evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the consolidated financial statements. The Company recognizes accrued interest and penalties for its unrecognized tax benefits as a component of tax expense.

The Company accounts for the tax effects of the tax on global intangible low-taxed income ("GILTI") of certain foreign subsidiaries in the income tax provision in the period the tax arises.

Deferred Compensation Plan

The Company has a deferred compensation plan (the "Deferred Compensation Plan"), which is a nonqualified, unfunded plan, for eligible senior level employees. Under the Deferred Compensation Plan, a participant may elect to defer up to 80% of his or her base salary and/or up to 100% of his or her bonus to be earned for the year following the year in which the deferral election is made. The Deferred Compensation Plan also permits members of the Board of Directors to elect to defer payment of all or a portion of their retainer and other fees to be earned for the year following the year in which a deferral election is made, and they may elect to defer payment of any shares of Company stock that are earned with respect to deferred stock awards. Directors may elect to have all or a portion of their fees earned for their service on the Board invested in shares of the Company's common stock. The Deferred Compensation Plan does not allow for the deferral of the Company's common stock by employee participants. The Company is not required to contribute to the Deferred Compensation Plan, but at its sole discretion, can make additional contributions on behalf of the participants. Deferred amounts are not subject to forfeiture and are deemed invested among investment funds offered under the Deferred Compensation Plan, as directed by each participant. Payments of deferred amounts (as adjusted for earnings and losses) are payable following separation from service or at a date or dates elected by the participant at the time the deferral is elected. Payments of deferred amounts are generally made in either a lump sum or in annual installments over a period not exceeding 15 years. All deferred amounts are payable in the form in which they were made, except for Board of Directors fees invested in shares of the Company's common stock, which are settled in shares of Company common stock. Earlier distributions are not permitted, except in the case of an unforeseen hardship.

The Company has established a rabbi trust that serves as an investment to shadow the Deferred Compensation Plan liability. The assets of the rabbi trust are general assets of the Company and, as such, would be subject to the claims of creditors in the event of bankruptcy or insolvency. Investments of the rabbi trust consist of mutual funds and Company common stock. The Deferred Compensation Plan liability, excluding Company common stock, is included within Other long-term liabilities, and changes in the balance, except those relating to payments, are recognized as compensation expense within Selling, general, and administrative expenses. The value of the mutual funds in the rabbi trust is included in Other assets and related earnings and losses are recognized as investment income or loss, within Selling, general, and administrative expenses. Company stock deferrals are included within the equity section of the Company's Consolidated Balance Sheets as Treasury stock and as Deferred compensation. Deferred stock is recorded at fair market value at the time of deferral, and any subsequent changes in fair market value are not recognized.

Legal Contingencies

The Company reserves for the outcome of litigation and contingencies when it determines an adverse outcome is probable and can estimate losses. Estimates are adjusted as facts and circumstances require. The Company expenses the costs to resolve litigation as incurred, net of amounts, if any, recovered through insurance coverage.

Foreign Currency Translation and Transactions

The Company has determined that the local currencies of its Canadian and Asian subsidiaries are their functional currencies. In accordance with FASB ASC 830—*Foreign Currency Matters*, the assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the current rates of exchange existing at period-end, and revenues and expenses are translated at average monthly exchange rates. Related translation adjustments are reported as a separate component of stockholders' equity (deficit). The Company also transacts certain business in foreign denominated currencies primarily with its Canadian subsidiary purchasing inventory in U.S. dollars, and there are intercompany charges between various subsidiaries.

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 Company recognizes revenue, including shipping and handling fees billed to customers as applicable, 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 $3.2 million and $3.1 million within Accrued expenses and other current liabilities as of February 1, 2025 and February 3, 2024, 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, 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 $8.7 million and $9.0 million as of February 1, 2025 and February 3, 2024, 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 $1.0 million and $1.7 million as of February 1, 2025 and February 3, 2024, respectively.

The Company's private label credit card is issued to customers for use exclusively at The Children's Place and Gymboree stores and online at *www.childrensplace.com* and *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. The redemption cycle for coupons is 45 days. 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 $3.7 million, $1.7 million and $2.6 million and as of February 1, 2025, February 3, 2024, and January 28, 2023, respectively. During Fiscal 2024 and Fiscal 2023, the Company recognized Net sales of 1686435 and $2.6 million related to the points-based customer loyalty program liability balance that existed at February 3, 2024 and January 28, 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 was $4.8 million, $6.8 million, and $11.1 million as of February 1, 2025, February 3, 2024, and January 28, 2023, respectively. During Fiscal 2024 and Fiscal 2023, the Company recognized Net sales of $5.4 million and $9.3 million related to the gift card liability balance that existed at February 3, 2024 and January 28, 2023, respectively.

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.

Cost of Sales (exclusive of depreciation and amortization)

In addition to the cost of inventory sold, the Company includes certain buying, design, and distribution expenses, and shipping and handling costs on merchandise sold directly to customers. The Company records all occupancy costs in Cost of sales, except for administrative office buildings, which are recorded in Selling, general, and administrative expenses. All depreciation and amortization is reported on a separate line in the Company's Consolidated Statements of Operations.

Stock-Based Compensation

The Company's stock-based compensation plans are administered by the Human Capital & Compensation Committee of the Board of Directors. The Human Capital & Compensation Committee is comprised of independent members of the Board of Directors. Effective May 20, 2011, the stockholders approved the 2011 Equity Incentive Plan (the "Equity Plan"). The Equity Plan allows the Human Capital & Compensation Committee to grant multiple forms of stock-based compensation, such as stock options, stock appreciation rights, restricted stock awards, deferred stock awards, and performance stock awards.

The Company accounts for stock-based compensation in accordance with the provisions of FASB ASC 718—*Compensation—Stock Compensation*. These provisions require, among other things: (i) the fair value at grant date of all stock awards be expensed over their respective vesting periods; (ii) the amount of cumulative compensation cost recognized at any date must at least be equal to the portion of the grant-date value of the award that is vested at that date; and (iii) that compensation expense include a forfeiture estimate for those shares not expected to vest. The fair value of all stock awards is based on the closing price of the Company's common stock on the grant date.

We grant time-vesting and performance-based stock awards to employees at senior management levels. We also grant time-vesting stock awards to our non-employee independent directors. Time-vesting awards are granted in the form of restricted stock units that require each recipient to complete a service period ("Deferred Awards"). Typically, Performance-based stock awards are granted in the form of restricted stock units, which have performance criteria that must be achieved for the awards to be earned, in addition to a service period requirement ("Performance Awards"), and each Performance Award has a defined number of shares that an employee can earn (the "Target Shares").

In Fiscal 2024, there was a change of control of the Company, which triggered a conversion of all then-outstanding 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 or have vested, as applicable, at their Target Shares on their respective vesting dates without regard to the achievement of any of the performance metrics associated with those awards, provided that the recipient be employed at the Company on each such vesting date. In Fiscal 2024, the stock awards granted to employees at senior management levels were a combination of both Deferred Awards and Performance Awards. The Deferred Award portion has a one-year vesting schedule, while the Performance Award portion is subject to graded vesting over the subsequent two years of the stock award, whereby employees may earn from 0% to 200% of their Target Shares in each of those years, based on the terms of the award and our achievement of certain performance goals established for such Performance Awards. The expense recognized for Performance Awards throughout the service period and the number of shares that are projected to ultimately vest, are based on the estimated degree to which the related performance metrics are expected to be achieved.

Advertising and Marketing Costs

The Company defers costs associated with the production of advertising until the first time the advertising takes place. Costs associated with communicating advertising that has been produced are expensed when the advertising event takes place. Advertising and other marketing costs are recorded in Selling, general, and administrative expenses and amounted to $68.9 million, $99.9 million, and $55.5 million in Fiscal 2024, Fiscal 2023, and Fiscal 2022, respectively.

Earnings (Loss) per Common Share

The Company reports its earnings (loss) per share in accordance with FASB ASC 260—*Earnings Per Share*, which requires the presentation of both basic and diluted earnings per share on the Consolidated Statements of Operations. The diluted weighted average common shares include adjustments for the potential effects of outstanding Deferred Awards and Performance Awards (as both terms are used in "Note 12. Stock-Based Compensation" of the Consolidated Financial Statements, "Item 8. Financial Statements and Supplementary Data" of this Form 10-K), but only in the periods in which such effect is dilutive under the treasury stock method. Included in basic and diluted weighted average common shares are those shares, due to participants in the Deferred Compensation Plan, which are held in treasury stock. Anti-dilutive stock awards are comprised of unvested deferred, restricted, and performance shares which would have been anti-dilutive in the application of the treasury stock method in accordance with FASB ASC 260—*Earnings Per Share*.

Recent Accounting Standards Updates

Accounting Pronouncement Recently Adopted

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 adopted ASU 2023-07 on a retrospective basis, which expanded our disclosures but did not have a material impact on our consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

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 adoption of ASU 2023-09 will expand our disclosures, but we do not expect it to have a material impact on our consolidated financial statements.

In November 2024, the FASB issued Accounting Standards Update No. 2024-03 "Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40)," ("ASU 2024-03"). The amendments in ASU 2024-03 are designed to improve financial reporting by requiring that public business entities disclose additional information about specific expense categories in the notes to financial statements at interim and annual reporting periods. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and interim periods with fiscal years beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of this update on its consolidated financial statements.

2. REVENUES

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

	Fiscal Years Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
		(in thousands)	
South	$ 502,042	$ 586,370	$ 633,430
Northeast	254,521	304,554	339,072
West	166,234	208,249	231,135
Midwest	147,308	185,126	196,075
International and other (1)	316,164	318,209	308,770
Total net sales	$ 1,386,269	$ 1,602,508	$ 1,708,482

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

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 2549000 and 11808000 in restructuring costs during Fiscal 2024 and Fiscal 2023, respectively, on a pretax basis, summarized in the following table:

	Fiscal Years Ended	
	February 1, 2025	February 3, 2024
	(in thousands)	
Employee-related costs	$ —	$ 7,382
Lease termination costs (1)	701	4,158
TODC costs (2)	1,848	—
Professional fees	—	268
Total restructuring costs (3)	$ 2,549	$ 11,808

(1) Includes non-cash charges related to accelerated depreciation on certain assets in the corporate office over the reduced term, amounting to $0.7 million and 1800000 during Fiscal 2024 and Fiscal 2023, respectively.

(2) Includes non-cash charges related to accelerated depreciation on TODC assets, amounting to 1100000 during Fiscal 2024.

(3) 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 following tables summarize the restructuring costs that have been settled with cash payments. There was no remaining liability as of February 1, 2025.

	Employee-Related Costs	Lease Termination Costs	TODC Costs	Professional Fees	Total
			(in thousands)		
Balance at January 28, 2023	$ —	$ —	$ —	$ —	$ —
Provision	7,382	4,040	—	268	11,690
Cash Payments	(5,716)	(4,040)	—	(268)	(10,024)
Balance at February 3, 2024	1,666	—	—	—	1,666
Provision	(248)	—	432	—	184
Cash Payments	(1,418)	—	(432)	—	(1,850)
Balance at February 1, 2025	$ —	$ —	$ —	$ —	$ —

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 identified an indicator of impairment in its qualitative assessment performed during Fiscal 2024 and Fiscal 2023, primarily due to reductions in Gymboree sales forecasts and performed a quantitative impairment assessment of the Gymboree tradename. Some of the key assumptions used in the Fiscal 2024 quantitative impairment assessment included a long-term revenue growth rate of 2.5% and a discount rate of 14.5%. Based on its quantitative assessment performed, the Company recorded an impairment charge of $28.0 million in Fiscal 2024, which reduced the carrying value to its fair value of $13.0 million. The Company recorded a 29000000 impairment charge in Fiscal 2023 and there was no impairment charge in Fiscal 2022.

The Company's intangible assets were as follows:

		February 1, 2025		
	Useful Life	Gross Amount	Accumulated Amortization	Net Amount
			(in thousands)	
Gymboree tradename	Indefinite	$ 13,000	$ —	$ 13,000
Crazy 8 tradename	5 years	4,000	(4,000)	—
Total intangible assets		$ 13,000	$ —	$ 13,000

		February 3, 2024		
	Useful Life	Gross Amount	Accumulated Amortization	Net Amount
			(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

5. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	February 1, 2025	February 3, 2024
	(in thousands)	
Land and land improvements	$ 3,403	$ 3,403
Building and improvements	36,527	36,187
Material handling equipment	88,092	90,637
Leasehold improvements	159,992	162,898
Store fixtures and equipment	151,810	173,667
Capitalized software	228,227	333,953
Construction in progress	1,647	3,386
	669,698	804,131
Less accumulated depreciation and amortization	(572,211)	(679,381)
Total property and equipment, net	$ 97,487	$ 124,750

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 impairment charges on its store related long-lived assets during Fiscal 2024. The Company recorded asset impairment charges during Fiscal 2023 and Fiscal 2022 of $5.6 million, and $3.3 million, respectively, inclusive of ROU assets.

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	February 1, 2025	February 3, 2024
	(in thousands)	
Prepaid income taxes	$ 4,834	$ 26,493
Prepaid cloud computing	4,385	8,329
Prepaid maintenance contracts	3,215	1,843
Prepaid insurance	5,097	2,679
Other	2,823	3,825
Total prepaid expenses and other current assets	$ 20,354	$ 43,169

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	February 1, 2025	February 3, 2024
	(in thousands)	
Accrued salaries and benefits	$ 19,760	$ 19,140
Related party accrued interest	6,493	—
Accrued marketing	5,754	3,177
Customer liabilities	4,784	6,817
Accrued real estate expenses	4,780	6,366
Deferred revenue	4,183	4,832
Accrued legal costs	4,100	6,771
Sales taxes and other taxes payable	4,074	7,212
Loyalty points	3,692	1,686
Accrued outside services	2,460	4,044
Accrued store expenses	2,369	2,319
Accrued insurance	2,287	3,786
Accrued freight	2,124	10,324
Accrued professional fees	1,620	2,301
Accrued IT costs	1,225	2,995
Other	6,190	7,838
Total accrued expenses and other current liabilities	$ 75,895	$ 89,608

8. LEASES

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

	Fiscal Years Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
		(in thousands)	
Fixed operating lease cost	$ 90,129	$ 91,066	$ 99,988
Variable operating lease cost	24,425	44,195	51,905
Total operating lease cost	$ 114,554	$ 135,261	$ 151,893

The following table provides the weighted-average remaining lease term of the Company's operating leases, the weighted-average discount rate used to calculate the Company's operating liabilities, cash paid for amounts included in the measurement of the Company's operating lease liabilities, and ROU assets obtained in exchange for the Company's new operating lease liabilities:

	Fiscal Years Ended	
	February 1, 2025	February 3, 2024
Weighted-average remaining lease term (years)	4.3	4.2
Weighted average discount rate (%)	8.1	7.1
Cash paid for amounts included in the measurement of operating lease liabilities ($, in millions)	79.1	93.4
ROU assets obtained in exchange for new operating lease liabilities ($, in millions)	71.8	120.5

As of February 1, 2025, the maturities of operating lease liabilities were as follows:

	February 1, 2025
	(in thousands)
2025	$ 78,499
2026	49,253
2027	23,993
2028	16,325
2029	10,715
Thereafter	34,642
Total operating lease payments	213,427
Less: imputed interest	(38,733)
Present value of operating lease liabilities	$ 174,694

9. DEBT

ABL Credit Facility and 2021 Term Loan

The Company and certain of its subsidiaries maintain a 433.0 million asset-based revolving credit facility (the "ABL Credit Facility") and, before it was fully repaid, maintained a 50000000 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.

For Fiscal 2024, Fiscal 2023, and Fiscal 2022, the Company recognized $25.0 million, $24.2 million, and $10.2 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.

The tables below present the components of the Company's ABL Credit Facility as of the end of Fiscal 2024 and Fiscal 2023:

	February 1, 2025	February 3, 2024
	(in millions)	
Total borrowing base availability (1)	$ 301.9	$ 258.4
Credit facility availability (1)	433.0	400.5
Maximum borrowing availability (2)	301.9	258.4
Outstanding borrowings	245.7	226.7
Letters of credit outstanding—standby	16.0	7.4
Utilization of credit facility at end of period	261.7	234.1
Availability (3)	$ 40.2	$ 24.3
Interest rate at end of period	7.6%	8.1%
Average end-of-day loan balance during the period	$ 284.5	$ 315.5
Highest end-of-day loan balance during the period	$ 366.9	$ 379.4
Average interest rate	8.7%	7.5%

(1) In Fiscal 2023, the total borrowing base availability and credit facility availability were both 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, and entering into cash dominion by crossing the excess availability threshold no longer poses the same risk of default under the Credit Agreement.

(2) The lower of the credit facility availability and the total borrowing base availability.

(3) The sub-limit availability for letters of credit was $9.0 million at February 1, 2025 and $42.6 million at February 3, 2024.

The 2021 Term Loan bore interest, payable monthly, at (i) the SOFR per annum plus 2.750% for any portion that was a SOFR loan, or (ii) 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. For Fiscal 2024, Fiscal 2023, and Fiscal 2022, the Company recognized $1.1 million, $4.0 million, and $2.3 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 February 1, 2025 and February 3, 2024, unamortized deferred financing costs amounted to 3.8 million and 2.2 million, respectively, related to the Company's ABL Credit Facility.

Mithaq Term Loans

Mithaq Capital SPC, a Cayman segregated portfolio company ("Mithaq"), is a controlling stockholder of the Company. 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 (i) a first tranche in an aggregate principal amount of $30.0 million (the "First Tranche") and (ii) 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 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 90000000 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 Fiscal 2024, the Company recognized 6492884 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 February 1, 2025, unamortized deferred financing costs amounted to 2625911 related to the Mithaq Term Loans.

Maturities of the Company's principal debt payments on the Mithaq Term Loans as of February 1, 2025 are as follows:

	February 1, 2025 (in thousands)
2025	$ —
2026	—
2027	168,600
Thereafter	—
Total related party debt	$ 168,600

As of February 6, 2025, $60.2 million under the Initial Mithaq Term Loan was repaid pursuant to the completion of the Rights Offering, leaving an aggregate of $108.4 million outstanding under the Mithaq Term Loans, payable in fiscal year 2027. Refer to "Note 18. Subsequent Events" for additional detail.

Mithaq Commitment Letter

On May 2, 2024, the Company entered into a commitment letter (the "Commitment Letter") with Mithaq for a 40000000 credit facility (the "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 February 1, 2025, no debt had been incurred under the Mithaq Credit Facility.

10. COMMITMENTS AND CONTINGENCIES

Commitments

As of February 1, 2025, the Company entered into various purchase commitments for the next 12 months for merchandise for re-sale of approximately $96.9 million and approximately $56.4 million for equipment, construction, and other non-merchandise commitments. The Company also has operating lease and standby letters of credit commitments of $213.4 million and $16.0 million, respectively.

Legal and Regulatory Matters

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 have now been issued as a single, final round of merchandise vouchers for qualified class members, which expired in March 2025. 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 Fiscal 2024, which is recorded within Selling, general and administrative expenses.

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. The Company's motion to dismiss was denied in November 2024. Any 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.

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.

11. STOCKHOLDERS' DEFICIT

Share Repurchase Program

In November 2021, the 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, pursuant to the terms of the Company's Credit Agreement as amended by its Seventh Amendment described above, the repurchase of any shares would require fulfilling the heightened payment conditions under the Credit Agreement, except that repurchases of shares as described below, pursuant to the Company's practice as a result of its insider trading policy, are expressly permitted. As of February 1, 2025, there was $156.5 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:

	Fiscal Years Ended					
	February 1, 2025		February 3, 2024		January 28, 2023	
	Shares	Amount	Shares	Amount	Shares	Amount
	(in thousands)					
Share repurchases related to:						
Share repurchase program	71	$ 674	210	$ 7,131	1,953	$ 92,945
Shares acquired and held in treasury	5	$ 66	8	$ 245	6	$ 293

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 Board of Directors based on a number of factors, including business and market conditions, the Company's financial performance, and other investment priorities. Currently, pursuant to the terms of the Company's Credit Agreement as amended by its Seventh Amendment described above, the Company has no current plans to pay regular cash dividends in Fiscal 2025.

12. STOCK-BASED COMPENSATION

The Company generally grants time vesting stock awards ("Deferred Awards") and performance-based stock awards ("Performance Awards") to employees at senior management levels. The Company also grants Deferred Awards to its non-employee independent directors. Deferred Awards are granted in the form of restricted stock units that require each recipient to complete a service period. Performance Awards are granted in the form of restricted stock units which have performance criteria that must be achieved for the awards to vest in addition to a service period requirement, and each Performance Award has a defined number of shares that an employee can earn (the "Target Shares"). With the approval of the Human Capital & Compensation Committee, the Company may settle vested Deferred Awards and Performance Awards in shares, in a cash amount equal to the market value of such shares at the time all requirements for delivery of the award have been met, or in part shares and cash.

In Fiscal 2024, there was a change of control of the Company, which triggered a conversion of all then-outstanding 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 or have vested, as applicable, at their Target Shares on their respective vesting dates without regard to the achievement of any of the performance metrics associated with those awards, provided that the recipient be employed at the Company on each such vesting date. In Fiscal 2024, the stock awards granted to employees at senior management levels were a combination of both Deferred Awards and Performance Awards. The Deferred Award portion has a one-year vesting schedule, while the Performance Award portion is subject to graded vesting over the subsequent two years of the stock award, whereby employees may earn from 0% to 200% of their Target Shares in each of those years, based on the terms of the award and the Company's achievement of certain performance goals established for such Performance Awards.

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Fiscal Years Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
	(in thousands)		
Deferred Awards	$ 2,956	$ 6,619	$ 9,937
Performance Awards [1]	9,830	(12,195)	19,213
Total stock-based compensation expense (benefit) [2]	$ 12,786	$ (5,576)	$ 29,150

(1) Included within the Performance Awards expense for Fiscal 2024 was a combination of ongoing expense associated with existing grants and $9.9 million associated with increasing the attainment level of certain Performance Awards due to the change of control of the Company, partially offset by the reversal of unvested expense related to forfeited awards for employees no longer at the Company. Included within the Performance Awards benefit for Fiscal 2023 was a combination of ongoing expense associated with existing grants and $13.5 million of credits resulting from (i) a change in estimate based on revised expectations of the attainment levels for performance metrics of certain awards, and (ii) the reversal of unvested expense related to forfeited awards for employees no longer with the Company.

(2) Stock-based compensation expense (benefit) recorded within Cost of sales (exclusive of depreciation and amortization) amounted to $1.1 million, $0.4 million, and $2.2 million in Fiscal 2024, Fiscal 2023, and Fiscal 2022, respectively. All other stock-based compensation expense is included in Selling, general, and administrative expenses.

The Company recognized a tax benefit related to stock-based compensation expense (benefit) before consideration of the valuation allowance of $1.6 million, $0.3 million, and $2.5 million in Fiscal 2024, Fiscal 2023, and Fiscal 2022, respectively.

At February 1, 2025, the Company had 278,400 shares available for grant under the Equity Plan.

Changes in the Company's Unvested Stock Awards

Deferred Awards

	Fiscal Years Ended					
	February 1, 2025		February 3, 2024		January 28, 2023	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
	(in thousands)		(in thousands)		(in thousands)	
Unvested Deferred Awards at beginning of year	238	$ 31.99	282	$ 49.78	467	$ 57.60
Granted	183	16.27	170	25.35	159	46.56
Vested	(158)	28.86	(203)	50.08	(222)	62.13
Forfeited	(110)	33.78	(11)	52.27	(122)	53.09
Unvested Deferred Awards at end of year	153	$ 15.23	238	$ 31.99	282	$ 49.78

Total unrecognized stock-based compensation expense related to unvested Deferred Awards was 1.7 million as of February 1, 2025, which will be recognized over a weighted average period of approximately 2.3 years.

The fair value of Deferred Awards that vested during Fiscal 2024, Fiscal 2023, and Fiscal 2022 was $4.6 million, $4.7 million, and $11.4 million, respectively.

Performance Awards

	Fiscal Years Ended					
	February 1, 2025		February 3, 2024		January 28, 2023	
	Number of Shares[(1)] (in thousands)	Weighted Average Grant Date Fair Value	Number of Shares[(1)] (in thousands)	Weighted Average Grant Date Fair Value	Number of Shares[(1)] (in thousands)	Weighted Average Grant Date Fair Value
Unvested Performance Awards at beginning of year	296	$ 51.98	483	$ 55.85	366	$ 70.01
Granted	182	14.17	131	21.55	90	48.84
Shares earned in excess of (below) Target Shares	—	—	—	—	192	48.17
Vested shares, including shares earned in excess of Target Shares	(114)	75.97	(300)	44.71	(58)	101.62
Forfeited	(112)	27.18	(18)	55.01	(107)	59.86
Unvested Performance Awards at end of year	252	$ 24.92	296	$ 51.98	483	$ 55.85

(1) For awards for which the performance period is complete, the number of unvested shares is based on actual shares that will vest upon completion of the service period. For awards for which the performance period is not yet complete, the number of unvested shares is based on the participants earning their Target Shares at 100%.

The cumulative expense (benefit) recognized for Performance Awards are based on the changes in the estimated degree to which the related performance metrics are expected to be achieved. Based on the current number of Performance Awards expected to be earned, total unrecognized stock-based compensation expense related to unvested Performance Awards was 2.2 million as of February 1, 2025, which will be recognized over a weighted average period of approximately 2.4 years.

The fair value of Performance Awards that vested during Fiscal 2024, Fiscal 2023 and Fiscal 2022 was 8633524, $11.8 million, and $3.0 million, respectively.

13. LOSS PER COMMON SHARE

On February 6, 2025, the Company completed a rights offering ("Rights Offering") pursuant to which it distributed to the holders of record of the Company's Common stock non-transferable subscription rights to purchase, in the aggregate, up to 9.2 million shares of Common stock. As the exercise price of the subscription right was less than the fair value of the Common stock, the subscription right contained a bonus element. In connection with this transaction, and in accordance with FASB ASC 260—*Earnings Per Share*, the Company's weighted average common shares outstanding and basic and diluted loss per share were retroactively adjusted for all periods presented by a factor of 1.002. Refer to "Note 18. Subsequent Events" for more information.

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

	Fiscal Years Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
	(in thousands)		
Net loss	$ (57,819)	$ (154,541)	$ (1,138)
Basic weighted average common shares outstanding	12,766	12,522	13,063
Dilutive effect of stock awards	—	—	—
Diluted weighted average common shares outstanding	12,766	12,522	13,063
Anti-dilutive shares excluded from diluted loss per common share calculation	53	114	184

14. FAIR VALUE MEASUREMENT

FASB ASC 820—*Fair Value Measurement* provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities.

This topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-level hierarchy, which encourages an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the hierarchy are defined as follows:

- Level 1 - inputs to the valuation techniques that are quoted prices in active markets for identical assets or liabilities
- Level 2 - inputs to the valuation techniques that are other than quoted prices, but are observable for the assets or liabilities, either directly or indirectly
- Level 3 - inputs to the valuation techniques that are unobservable for the assets or liabilities

The Company's cash and cash equivalents and investments in the rabbi trust are short-term in nature. As such, their carrying amounts approximate fair value. These 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 fair value of the Initial Mithaq Term Loan with a carrying value (gross of debt issuance costs) of 78.6 million at February 1, 2025, was approximately 60.2 million. The fair value of the New Mithaq Term Loan with a carrying value (gross of debt issuance costs) of 90.0 million at February 1, 2025, was approximately 80.8 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 Fiscal 2024. The Company recorded impairment charges of $5.6 million and $3.3 million during Fiscal 2023 and Fiscal 2022, 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 identified an indicator of impairment in its qualitative assessment performed during Fiscal 2024, primarily due to reductions in Gymboree sales forecasts. Based on its quantitative assessment performed, the Company recorded an impairment charge of $28.0 million in Fiscal 2024, which reduced the carrying value to its fair value of $13.0 million. The Company recorded a 29000000 impairment charge recorded in Fiscal 2023 and there was no impairment charge in Fiscal 2022. The impairment charge was recorded in The Children's Place U.S. segment.

15. INCOME TAXES

The components of Loss before provision (benefit) for income taxes were as follows:

	Fiscal Years Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
	(in thousands)		
Domestic	$ (58,830)	$ (156,703)	$ (61,065)
Foreign	9,382	42,905	46,303
Total loss before provision (benefit) for income taxes	$ (49,448)	$ (113,798)	$ (14,762)

The components of the Company's Provision (benefit) for income taxes consisted of the following:

	Fiscal Years Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
	(in thousands)		
Current:			
Federal	$ 4,812	$ (1,239)	$ 4,172
State and local	1,120	249	(1,193)
Foreign	2,439	4,758	(2,842)
	8,371	3,768	137
Deferred:			
Federal	—	21,125	(12,030)
State and local	—	13,019	(2,712)
Foreign	—	2,831	981
	—	36,975	(13,761)
Total provision (benefit) for income taxes	$ 8,371	$ 40,743	$ (13,624)
Effective tax rate	(16.9)%	(35.8)%	92.3 %

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 February 1, 2025, the remaining income tax receivable of $19.1 million is included within Prepaid expenses and other current assets on the Consolidated Balance Sheets.

A reconciliation between the calculated tax provision (benefit) based on the U.S. federal statutory rate of 21.0% and the effective tax rate for Fiscal 2024, Fiscal 2023, and Fiscal 2022 follows:

	Fiscal Years Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
		(in thousands)	
Calculated income tax benefit at U.S. federal statutory rate	$ (10,384)	$ (23,898)	$ (3,100)
State and local income taxes, net of federal benefit	(2,145)	(6,901)	(3,812)
Foreign tax rate differential [1]	(3,082)	(4,937)	(5,498)
Non-deductible expenses	2,654	(1,488)	3,696
Excess tax detriment related to stock compensation	889	558	816
Unrecognized tax benefits	104	3,127	(5,324)
Change in valuation allowance	18,251	68,625	163
Global intangible low-taxed income	251	9,505	1,760
Federal tax credits	(291)	(3,242)	(2,934)
Other	2,124	(606)	609
Total provision (benefit) for income taxes	$ 8,371	$ 40,743	$ (13,624)

(1) The Company has substantial operations in Hong Kong, which has a lower statutory income tax rate as compared to the U.S. The Company's foreign effective tax rate for Fiscal 2024, Fiscal 2023, and Fiscal 2022 was 17.5%, 11.6%, and 9.8%, respectively. This rate will fluctuate from year to year in response to changes in the mix of income by country, as well as changes in tax laws in foreign jurisdictions.

The assessment of the amount of value assigned to the Company's deferred tax assets under the applicable accounting rules is judgmental. The Company is required to consider all available positive and negative evidence in evaluating the likelihood that it will be able to realize the benefit of the Company's deferred tax assets in the future. Such evidence includes scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and the results of recent operations. Since this evaluation requires consideration of events that may occur some years into the future, there is an element of judgment involved. Realization of the Company's deferred tax assets is dependent on generating sufficient taxable income in future periods. The Company believes that it is not more likely than not that future taxable income will be sufficient to allow it to recover substantially all of the value assigned to the Company's deferred tax assets. Thus, in Fiscal 2024, the Company increased its valuation allowance accordingly.

The tax effects of temporary differences which give rise to deferred tax assets and liabilities were as follows:

	February 1, 2025	February 3, 2024
	(in thousands)	
Deferred tax assets:		
Operating lease liabilities	$ 45,209	$ 48,122
Capitalized research and development, net	22,193	23,653
Net operating loss carryforward	13,578	13,704
Reserves	10,295	10,167
Interest expense carryforward	16,853	9,980
Tax credits	5,616	6,630
Inventory	10,299	3,333
Tradenames and customer databases, net	9,407	3,304
Charitable contributions	815	1,084
Stock-based compensation	843	924
Subtotal	135,108	120,901
Less: valuation allowance	(88,148)	(69,898)
Total deferred tax assets	46,960	51,003
Deferred tax liabilities:		
Right-of-use assets	(41,460)	(44,844)
Property and equipment, net	(3,530)	(3,149)
Prepaid expenses	(998)	(2,038)
Foreign and state tax on unremitted earnings	(1,554)	(1,554)
Total deferred tax liabilities	(47,542)	(51,585)
Total deferred tax liabilities, net	$ (582)	$ (582)

The Company has gross federal NOL carryforwards of approximately $19.3 million which do not expire, state NOL carryforwards of approximately $126.7 million which either expire between one and nineteen years, or carryforward indefinitely, and foreign NOL carryforwards of approximately $9.3 million which expire between five and twenty years. The Company also has an Alternative Minimum Tax credit ("AMT") in Puerto Rico of approximately $0.6 million.

The Company has concluded that it is not more likely than not that its deferred tax assets, including NOLs, can be utilized in the foreseeable future. Thus, the Company's valuation allowance continues to be maintained against its net deferred tax assets and increased $18.3 million to 88148000 in Fiscal 2024. However, to the extent that tax benefits related to these deferred tax assets are realized in the future, the reduction of the valuation allowance will reduce income tax expense accordingly.

During Fiscal 2024, there was a change of control of the Company. This change of control constituted an "ownership change" under 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 may 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.

On December 22, 2017, the U.S. government passed the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act is a comprehensive tax legislation that implemented complex changes to the U.S. tax code including, but not limited to, the reduction of the corporate tax rate from 35% to 21% and a move from a global tax regime to a modified territorial regime which required U.S. companies to pay a mandatory one-time transition tax on historical offshore earnings that have not been repatriated to the U.S. The remaining unpaid transition tax of $9.5 million is shown net in Prepaid expenses and other current assets on the Consolidated Balance Sheet as of February 1, 2025.

While the Company is no longer permanently reinvested to the extent earnings were subject to the transition tax under the Tax Act, no additional income taxes have been provided on any earnings subsequent to the transition tax or for any additional outside basis differences inherent in the Company's foreign subsidiaries, as these amounts continue to be permanently reinvested in foreign operations. Determining the amount of the unrecognized deferred tax liability related to any additional outside basis differences in the Company's foreign subsidiaries (i.e., basis differences in excess of that subject to the one-time transition tax) is not practicable. The unremitted foreign earnings earned subsequent to the transition tax, which are permanently reinvested, were $262.4 million at February 1, 2025.

Unrecognized Tax Benefits

Tax positions are evaluated in a two-step process. First, the Company determines whether it is more-likely-than-not that a tax position will be sustained upon examination. Second, if a tax position meets the more-likely-than-not recognition threshold, it is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement.

A reconciliation of the gross amounts of unrecognized tax benefits, excluding accrued interest and penalties, is as follows:

	Fiscal Years Ended	
	February 1, 2025	February 3, 2024
	(in thousands)	
Beginning Balance	$ 6,990	$ 3,626
Additions for current year tax positions	636	1,756
Additions for prior year tax positions	35	1,608
Reductions for prior year tax positions	(661)	—
Reductions related to settlements with taxing authorities	(70)	—
Reductions due to a lapse of the applicable statute of limitations	(56)	—
Ending Balance	$ 6,874	$ 6,990

Unrecognized tax benefits of $6.5 million, excluding accrued interest and penalties, at February 1, 2025 would affect the Company's effective tax rate in future periods, if recognized. The Company believes that it is reasonably possible that the total amount of unrecognized tax benefits as of February 1, 2025 could decrease by up to $1.8 million in the next 12 months as a result of settlements with taxing authorities or the expiration of statutes of limitations.

The Company accrues interest and penalties related to unrecognized tax benefits as part of the provision for income taxes. At February 1, 2025 and February 3, 2024, accrued interest and penalties of $0.8 million and $0.6 million, respectively, were included in unrecognized tax benefits. Interest, penalties, and reversals thereof, net of taxes, amounted to an expense of $0.2 million and $0.3 million in Fiscal 2024 and Fiscal 2023, respectively.

The Company is subject to tax in the U.S. 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.

16. RETIREMENT AND SAVINGS PLANS

401(k) Plan

The Company has adopted The Children's Place 401(k) Savings Plan (the "401(k) Plan"), which qualifies under Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"). The 401(k) Plan is a defined contribution plan established to provide retirement benefits for employees. The 401(k) Plan is employee funded up to an elective annual deferral amount and also provides for Company matching contributions up to a certain percentage of the employee's salary.

The 401(k) Plan is available for all U.S. employees of the Company. The Company matches the first 3% of the participant's contributions and 50% of the next 2% of the participant's contributions, and the Company's matching contribution vests immediately. The Company's matching contributions were $3.4 million in Fiscal 2024, $4.0 million in Fiscal 2023, and $4.5 million in Fiscal 2022.

Deferred Compensation Plan

The Deferred Compensation Plan liability, excluding Company stock, was $1.1 million and $1.2 million at February 1, 2025 and February 3, 2024, respectively. The value of the assets held in the rabbi trust was $1.1 million and $1.2 million at February 1, 2025 and February 3, 2024, respectively. The cost of the Company's stock repurchased was $0.1 million and $2.9 million at February 1, 2025 and February 3, 2024, respectively.

Other Plans

Under statutory requirements, the Company contributes to retirement plans for its operations in Canada, Puerto Rico, and Asia. Contributions under these plans were $0.5 million, $0.6 million, and $0.6 million in Fiscal 2024, Fiscal 2023, and Fiscal 2022, respectively.

17. SEGMENT INFORMATION

The Company's reportable segments are based on the financial information the chief operating decision maker ("CODM") uses to allocate resources and assess performance of its business. The Company's President and Interim Chief Executive Officer is the CODM. The Company's CODM evaluates the performance of each segment and measures its segment profitability based on operating income (loss), defined as income (loss) before interest and taxes. Operating income (loss) is used as a key metric during the annual budget process, and on a quarterly basis to monitor actual performance against the annual budget and forecasts.

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* and *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 and revenue from international franchisees. 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.

Major Customers

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 170693448 during Fiscal 2024, and accounts for a majority of the Company's accounts receivable, amounting to 31648000 as of February 1, 2025.

Store Count by Segment

As of February 1, 2025, The Children's Place U.S. had 437 stores and The Children's Place International had 58 stores. As of February 3, 2024, The Children's Place U.S. had 460 stores and The Children's Place International had 63 stores.

THE CHILDREN'S PLACE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The tables below present certain segment information for our reportable segments for the periods indicated:

	Fiscal Year Ended February 1, 2025		
	The Children's Place U.S.	The Children's Place International [1]	Total
	(in thousands)		
Net sales	$ 1,266,500	$ 119,769	$ 1,386,269
Cost of sales [2]	836,351	90,457	926,808
Selling, general, and administrative expenses [3]	405,895	39,267	445,162
Other segment expenses [4]	28,000	—	28,000
Segment operating loss	$ (3,746)	$ (9,955)	$ (13,701)
Segment operating loss as a percentage of net sales	(0.3)%	(8.3)%	(1.0)%

	Fiscal Year Ended February 3, 2024		
	The Children's Place U.S.	The Children's Place International [1]	Total
	(in thousands)		
Net sales	$ 1,457,352	$ 145,156	$ 1,602,508
Cost of sales [2]	1,058,423	98,811	1,157,234
Selling, general, and administrative expenses [3]	450,868	43,661	494,529
Other segment expenses [4]	34,543	—	34,543
Segment operating income (loss)	$ (86,482)	$ 2,684	$ (83,798)
Segment operating income (loss) as a percentage of net sales	(5.9)%	1.8%	(5.2)%

	Fiscal Year Ended January 28, 2023		
	The Children's Place U.S.	The Children's Place International [1]	Total
	(in thousands)		
Net sales	$ 1,533,934	$ 174,548	$ 1,708,482
Cost of sales [2]	1,079,241	115,079	1,194,320
Selling, general, and administrative expenses [3]	460,218	52,218	512,436
Other segment expenses [4]	3,256	—	3,256
Segment operating income (loss)	$ (8,781)	$ 7,251	$ (1,530)
Segment operating income (loss) as a percentage of net sales	(0.6)%	4.2%	(0.1)%

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(1) 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.

(2) Refer to Note 1. Basis of Presentation for additional information on the components of Cost of sales.

(3) Selling, general, and administrative expenses include store expenses, marketing, corporate payroll, including long-term incentive compensation, information technology, other administrative expenses, and depreciation and amortization.

(4) Other segment expenses include asset impairment charges.

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The table below presents a reconciliation of reportable segment operating loss to Loss before provision (benefit) for income taxes:

	Fiscal Years Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
	(in thousands)		
Total segment operating loss	$ (13,701)	$ (83,798)	$ (1,530)
Related party interest expense	(6,493)	—	—
Other interest expense	(29,301)	(30,087)	(13,324)
Interest income	47	87	92
Loss before provision (benefit) for income taxes	$ (49,448)	$ (113,798)	$ (14,762)

Additional Segment Data

	Fiscal Years Ended		
	February 1, 2025	February 3, 2024	January 28, 2023
	(in thousands)		
Depreciation and amortization:			
The Children's Place U.S.	$ 35,644	$ 43,428	$ 47,612
The Children's Place International	3,968	3,758	3,852
Total depreciation and amortization	$ 39,612	$ 47,186	$ 51,464
Capital expenditures:			
The Children's Place U.S.	$ 15,245	$ 27,462	$ 44,970
The Children's Place International	585	97	607
Total capital expenditures	$ 15,830	$ 27,559	$ 45,577

	February 1, 2025	February 3, 2024
	(in thousands)	
Total assets:		
The Children's Place U.S.	$ 711,564	$ 758,003
The Children's Place International	35,988	42,305
Total assets	$ 747,552	$ 800,308

Geographic Information

The Company's long-lived assets were located in the following countries:

	February 1, 2025	February 3, 2024
	(in thousands)	
Long-lived assets [(1)]:		
United States	$ 267,751	$ 334,425
Canada	9,801	13,382
Asia	1,996	375
Total long-lived assets	$ 279,548	$ 348,182

(1) The Company long-lived assets are comprised of net Property and equipment, ROU assets, Tradenames, and Other assets.

18. SUBSEQUENT EVENTS

On February 6, 2025, the Company completed a rights offering pursuant to which the Company distributed to the holders of record of the Company's Common stock as of the close of business on December 13, 2024, the record date for the Rights Offering, non-transferable subscription rights to purchase, in the aggregate, up to 9.2 million shares of Common stock. Each subscription right entitled its holder to purchase 0.7220 shares of Common stock at a subscription price of $9.75 per whole share of Common stock. Additionally, rights holders who fully exercised their basic subscription rights were entitled to subscribe for additional shares of Common stock that remained unsubscribed as a result of any unexercised basic subscription rights. The subscription price was payable by rights holders (i) in cash, (ii) by delivery in lieu of cash of an equivalent amount of any indebtedness for borrowed money (principal and/or accrued and unpaid interest) owed by the Company to such rights holder, or (iii) by delivery of a combination of cash and such indebtedness. Upon the completion of the Rights Offering, the Company issued 9.2 million shares of Common stock for a total purchase price of $90 million.

Mithaq purchased 6.7 million shares of Common stock pursuant to the Rights Offering and as of February 6, 2025, it owns and controls the voting power of 62.2% of our outstanding shares of Common stock. It paid (i) $5.1 million of the subscription price for such shares in cash and (ii) the remaining $60.2 million of the subscription price for such shares by delivery of indebtedness for borrowed money owed by the Company to Mithaq pursuant to the Initial Mithaq Term Loan. Accordingly, the aggregate outstanding indebtedness owed by the Company to Mithaq pursuant to the Mithaq Term Loans has been reduced to $108.4 million as of February 6, 2025, the date of issuance of shares. The Company received approximately $29.8 million in gross cash proceeds from the Rights Offering on February 6, 2025. Substantially all of the gross cash proceeds from the Rights Offering were used towards prepaying the Company's ABL Credit Facility.

The following table reflects a pro forma condensed consolidated balance sheet of the Company to reflect the impact of the Rights Offering had the shares of Common stock been issued as of February 1, 2025:

	February 1, 2025		
	Pre-Rights Offering	Adjustments	Post Rights Offering
		(in thousands)	
Cash and cash equivalents	$ 5,347	$ 29,813	$ 35,160
Total assets	747,552	29,813	777,365
Related party long-term debt	165,974	(59,148)	106,826
Total liabilities	806,963	(59,148)	747,815
Stockholder's equity (deficit)	(59,411)	88,961	29,550
Total liabilities and stockholder's equity (deficit)	$ 747,552	$ 29,813	$ 777,365
Number of shares of Common stock outstanding	12,782	9,231	22,013

(a)(3) Exhibits.

Exhibit	Description
3.1	Amended and Restated Certificate of Incorporation of the Company dated May 31, 2016 filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on June 7, 2016 is incorporated by reference herein.
3.2	Eighth Amended and Restated Bylaws of The Children's Place, Inc. filed as Exhibit 3.2 to the registrant's Current Report on Form 8-K filed on December 12, 2024, is incorporated by reference herein.
4.1[(1)]	Form of Certificate for Common Stock of the Company filed as an exhibit to the registrant's Registration Statement No. 333-31535 on Form S-1, is incorporated by reference herein.
4.2[(1)]	Amended Form of Certificate for Common Stock of the Company filed as Exhibit 4.2 to the registrant's Annual Report on Form 10-K for the period ended January 28, 2017, is incorporated by reference herein.
4.3	Description of capital stock of the Company filed as Exhibit 4.3 to the registrant's Annual Report on Form 10-K for the period ended February 1, 2020, is incorporated by reference herein.
10.1	Lease Agreement as of August 12, 2003 between Orlando Corporation and The Children's Place (Canada), LP, together with Indemnity Agreement as of August 12, 2003 between the Company and Orlando Corporation, together with Surrender of Lease as of August 12, 2003 between the Company and Orlando Corporation and Orion Properties Ltd. (Canadian Distribution Center) filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the period ended November 1, 2003, is incorporated by reference herein.
10.2	Form of Indemnity Agreement between the Company and certain members of management and the Board of Directors filed as Exhibit 10.7 to registrant's Quarterly Report on Form 10-Q for the period ended August 2, 2008, is incorporated by reference herein.
10.3	Lease Agreement between The Children's Place Services Company, LLC and 500 Plaza Drive Corp. effective as of March 12, 2009 (500 Plaza Drive), Secaucus, New Jersey filed as Exhibit 10.67 to the registrant's Annual Report on Form 10-K for the period ended January 31, 2009, is incorporated by reference herein.
10.4	Guaranty between the Company and 500 Plaza Drive Corp. effective as of March 12, 2009 filed as Exhibit 10.68 to the registrant's Annual Report on Form 10-K for the period ended January 31, 2009, is incorporated by reference herein.
10.5	The First Lease Modification Agreement, dated as of August 27, 2009, between The Children's Place Services Company, LLC and 500 Plaza Drive Corp. filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the period ended August 1, 2009, is incorporated by reference herein.
10.6	Sixth Modification Agreement, dated as of January 23, 2024, by and between Hancock S-REIT SECA LLC and The Children's Place Services Company, LLC filed as Exhibit 10.6 to the registrant's Annual Report on Form 10-K for the period ended February 3, 2024, is incorporated by reference herein.
10.7	The Company Nonqualified Deferred Compensation Plan effective January 1, 2010 filed as Exhibit 10.82 to the registrant's Annual Report on Form 10-K for the period ended January 30, 2010, is incorporated by reference herein.
10.8	Form of Amended and Restated Change in Control Agreement filed as Exhibit 10.41 to the registrant's Annual Report on Form 10-K for the period ended January 29, 2011, is incorporated by reference herein.
10.9	Agreement dated May 22, 2015, by and among The Children's Place, Inc., Macellum SPV II, LP, Barington Companies Equity Partners, L.P., Jonathan Duskin, James A. Mitarotonda, certain of their affiliates listed on Schedule A to the Agreement, and Robert L. Mettler filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on May 29, 2015, is incorporated by reference herein.
10.10(*)	The Company Profit Sharing/401(k) Plan Adoption Agreement No.#001 for use with Fidelity Basic Plan Document No. 17 entered into by the Company and Fidelity Management Trust Company on September 11, 2015 as filed as Exhibit 10.28 to the registrant's Annual Report on Form 10-K for the period ended January 30, 2016, is incorporated by reference herein.
10.11	The Children's Place, Inc. Fourth Amended and Restated 2011 Equity Incentive Plan filed as Annex B to the registrant's Definitive Proxy Statement on Schedule 14A filed on April 2, 2021, is incorporated by reference herein.
10.12	Amended and Restated Credit Agreement, dated as of May 9, 2019, by and among the Company and The Children's Place Services Company, LLC, as borrowers, The Children's Place (International), LLC, The Children's Place Canada Holdings, Inc., the childrensplace.com, inc., TCP IH II, LLC, TCP International IP Holdings, LLC and TCP International Product Holdings, LLC, as guarantors, Wells Fargo Bank, National Association (successor by merger to Wells Fargo Retail Finance, LLC), as Administrative Agent and Collateral Agent, L/C Issuer, Swing Line Lender and as a lender and Bank of America, N.A., HSBC Bank USA, N.A. and JPMorgan Chase Bank, N.A., as lenders, filed as Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the period ended May 4, 2019, is incorporated by reference herein.

Exhibit	Description
10.13	First Amendment to Amended and Restated Credit Agreement, dated April 24, 2020, by and among the Company and The Children's Place Services Company, LLC, as borrowers, The Children's Place (International), LLC, The Children's Place Canada Holdings, Inc., the childrensplace.com, inc., TCP IH II, LLC, TCP International IP Holdings, LLC and TCP International Product Holdings, LLC, as guarantors, Wells Fargo Bank, National Association (successor by merger to Wells Fargo Retail Finance, LLC), as Administrative Agent and Collateral Agent, L/C Issuer, Swing Line Lender and as a lender and HSBC Bank USA, N.A. and JPMorgan Chase Bank, N.A., as lenders, filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the period ended May 2, 2020, is incorporated by reference herein.
10.14	Joinder and Second Amendment to Amended and Restated Credit Agreement and Other Loan Documents, dated as of October 5, 2020, among the Company, the Borrowers identified on Schedule I thereto, TCP Brands, LLC, TCP Investment Canada I Corp., collectively, the New Guarantors, the Guarantors identified on Schedule II thereto, the Credit Agreement Lenders and Wells Fargo Bank, National Association (successor by merger to Wells Fargo Retail Finance, LLC), as Administrative Agent and Collateral Agent, L/C Issuer, Swing Line Lender and as a lender, filed as Exhibit 4.2 to the registrant's Current Report on Form 8-K filed on October 6, 2020, is incorporated by reference herein.
10.15	Third Amendment to Amended and Restated Credit Agreement, dated as of April 23, 2021, by and among the Company, the Borrowers identified on Schedule I thereto, the Guarantors identified on Schedule II thereto, the Credit Agreement Lenders and Wells Fargo Bank, National Association (successor by merger to Wells Fargo Retail Finance, LLC), as Administrative Agent, Collateral Agent, L/C Issuer, and Swing Line Lender filed as Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the period ended January 29, 2022, is incorporated by reference herein.
10.16	Joinder and Fourth Amendment to Amended and Restated Credit Agreement and Other Loan Documents, dated as of November 15, 2021, among the Company, the Borrowers identified on Schedule I thereto, TCP Brands, LLC, The Children's Place International, LLC, collectively the New Borrowers, the Guarantors identified on Schedule II thereto, the Credit Agreement Lenders and Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent, L/C Issuer, Swing Line Lender and Term Agent, filed as Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the period ended October 30, 2021, is incorporated by reference herein.
10.17	Joinder and Fifth Amendment to the Amended and Restated Credit Agreement and Other Loan Documents, dated as of June 5, 2023, among the Company, the Borrowers identified on Schedule I thereto, the Guarantors identified on Schedule II thereto, the Credit Agreement Lenders and Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent, L/C Issuer, Swing Line Lender and Term Agent filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended April 29, 2023, is incorporated by reference herein.
10.18	Waiver and Amendment Agreement to the Credit Agreement, dated as of October 24, 2023, among the Company, the Borrowers identified on Schedule I thereto, the Guarantors identified on Schedule II thereto, the Credit Agreement Lenders and Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent, L/C Issuer, Swing Line Lender and Term Agent, filed as Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the period ended October 28, 2023, is incorporated by reference herein.
10.19	Seventh Amendment to Amended and Restated Credit Agreement, dated April 16, 2024, among the Company, certain subsidiaries of the Company, the Credit Agreement Lenders and Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent, L/C Issuer and Swing Line Lender filed as Exhibit 10.24 to the registrant's Annual Report on Form 10-K for the period ended February 3, 2024, is incorporated by reference herein.
10.20	Unsecured Promissory Note, dated February 29, 2024, among the Company, certain subsidiaries of the Company, and Mithaq Capital SPC filed as Exhibit 4.1 to the registrant's Current Report on Form 8-K filed on March 4, 2024, is incorporated by reference herein.
10.21	Unsecured Promissory Note, dated April 16, 2024, among the Company, certain subsidiaries of the Company, and Mithaq Capital SPC filed as Exhibit 10.26 to the registrant's Annual Report on Form 10-K for the period ended February 3, 2024, is incorporated by reference herein.
10.22	Commitment Letter for $40 Million Senior Unsecured Credit Facility (Third), dated as of May 2, 2024, among the Company, certain subsidiaries of the Company, and Mithaq Capital SPC filed as Exhibit 10.27 to the registrant's Annual Report on Form 10-K for the period ended February 3, 2024, is incorporated by reference herein.
10.23	Asset Purchase Agreement, dated March 1, 2019, by and among TCP Brands, LLC, as buyer, and Gymboree Group, Inc. and its subsidiaries, as sellers, filed as Exhibit 10.6 to the registrant's Quarterly Report on Form 10-Q for the period ended May 4, 2019, is incorporated by reference herein.
10.24	The Fifth Lease Modification Agreement, dated as of January 29, 2021, by and between The Children's Place Services Company, LLC and Hancock S-REIT SECA LLC filed as Exhibit 10.24 to the registrant's Annual Report on Form 10-K for the period ended January 30, 2021, is incorporated by reference herein.

Exhibit	Description
10.25(*)	Letter Agreement dated July 21, 2021 between The Children's Place Services Company, LLC and Jared Shure filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the period ended July 31, 2021, is incorporated by reference herein.
10.26(*)	Letter Agreement dated May 29, 2024 between The Children's Place, Inc. and Muhammad Umair filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the period ended May 4, 2024, is incorporated by reference herein.
10.27(*)	Letter Agreement dated August 9, 2024 between The Children's Place, Inc. and Claudia Lima-Guinehut filed as Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the period ended August 3, 2024, is incorporated by reference herein.
10.28(+)(*)	Letter Agreement dated February 25, 2025 between The Children's Place, Inc. and John Szczepanksi.
10.29(+)(*)	Form of Deferred Cash Award Agreement under the 2011 Equity Incentive Plan (Group Vice President & below).
10.30(+)(*)	Form of Restricted Stock Unit Award Agreement under the 2011 Equity Incentive Plan (Senior Vice President & above).
19.1(+)	The Children's Place Inc. Insider Trading Policy
21.1(+)	Subsidiaries of the Company.
23.1(+)	Consent of Independent Registered Public Accounting Firm BDO USA, P.C.
23.2(+)	Consent of Independent Registered Public Accounting Firm Ernst & Young, LLP.
31.1(+)	Certificate of Principal Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.2(+)	Certificate of Principal Financial Officer and Principal Accounting Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32(+)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.SCH*	XBRL Taxonomy Extension Schema.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase.
101.LAB*	XBRL Taxonomy Extension Label Linkbase.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase.

(1) Exhibit numbers are identical to the exhibit numbers incorporated by reference to such registration statement.

(*) Compensation Arrangement.

(+) 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.

(b) Exhibits. The exhibits required by Item 601 of Regulation S-K are filed herewith or incorporated by reference.

(c) Financial Statement Schedules and Other Financial Statements.

All other financial statement schedules are omitted from this Annual Report on Form 10-K, as they are not required or applicable or the required information is included in the financial statements or notes thereto.

ITEM 16. FORM 10-K SUMMARY.

Omitted at registrant's option.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /S/ Muhammad Umair

Muhammad Umair

President and Interim Chief Executive Officer
(Principal Executive Officer)

April 17, 2025

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ Turki Saleh A. AlRajhi Turki Saleh A. AlRajhi	Chairman of the Board	April 17, 2025
/S/ Muhammad Umair Muhammad Umair	Director, President and Interim Chief Executive Officer (Principal Executive Officer)	April 17, 2025
/S/ John Szczepanski John Szczepanski	Chief Financial Officer (Principal Financial Officer)	April 17, 2025
/S/ Laura Lentini Laura Lentini	Chief Accounting Officer (Principal Accounting Officer)	April 17, 2025
/S/ Douglas Edwards Douglas Edwards	Director	April 17, 2025
/S/ Hussan Arshad Hussan Arshad	Director	April 17, 2025
/S/ Muhammad Asif Seemab Muhammad Asif Seemab	Director	April 17, 2025
/S/ Rhys Summerton Rhys Summerton	Director	April 17, 2025

Supplement*

The Children's Place, Inc.

Board of Directors and Executive Officers †

Board of Directors

Turki Saleh A. AlRajhi
(Chairman of the Board)
Muhammad Asif Seemab
(Vice Chairman of the Board)
Hussan Arshad
Douglas Edwards
Rhys Summerton
Muhammad Umair

Executive Officers

Muhammad Umair
President and Interim Chief Executive Officer

Claudia Lima-Guinehut
Brand President

John Szczepanski
Chief Financial Officer

Jared Shure
Chief Administrative Officer, General Counsel and Corporate Secretary

* This document, together with the Annual Report on Form 10-K for the fiscal year ended February 1, 2025, constitutes our 2024 Annual Report to Stockholders.

† As of April 17, 2025