

INVEST/STAY CONNECTED

INITIAL REPORT February 27, 2022 LAST UPDATED June 12, 2023



THE CHILDREN'S PLACE Common shares \$18.16 Recommendation: Hold / Price Target:\$22

The Children's Place (PLCE) is a children's clothing retailer that designs, licenses, wholesales, and retails its' value priced apparel under the brands: The Children's Place, Place, Baby Place, Gymboree, and Sugar & Jade. The company has long had a reputation as a mall retailer but is currently executing a digital transformation. This effort has increased digital sales to 46% of total sales as of 1st quarter 2023. The company is also reporting strong success on Amazon.com. However, over the last year PLCE has not increased selling prices as much as expenses have increased, leading to margin declines. The company's primary customer profile is lower income and more vulnerable to inflation.

Over the last year, most retailers have been experiencing various headwinds which have reduced profits. PLCE management reported that its gross profit percentage decreased by over 9% in the 1st quarter. Cotton, inbound transportation expenses, and the higher ratio of costs versus revenues were cited. For 2023, the Company now expects net sales in the range of \$1.575 billion to \$1.590 billion, representing a decrease in the high-single digits compared to 2022. Adjusted operating income is expected to be in the range of 2.5% to 2.9% of net sales and adjusted net earnings are expected to be \$1.00 to \$1.50.

Our hold recommendation and price target are based on our \$1.95 2023 EPS estimate and an enterprise value of 5 X our 2023 EBITDA projections. However, at this time we caution investors to wait for signs of turnaround in revenue and margins before initiating positions and predict we may start to see signs of recovery in 2024.

PLCE chart 2022 through June 2023

Recent Presentation

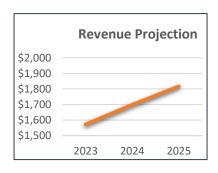
Company Description: The Children's Place, Inc. is the largest pure-play children's specialty apparel retailer in North America. We design, contract to manufacture, sell at retail and wholesale, and license to sell trend right, high quality children's apparel, footwear, and accessories predominately at value prices, under the proprietary "The Children's Place", "Place", "Baby Place", and "Gymboree" brand names.

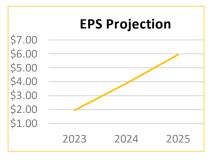


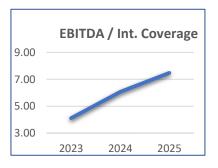
NOTES:

BROXTON CAPITAL ADVISORS	Children's Place, Inc. as of 4/29/2023
Monday, June 12, 2023	

Wioriday, Julic 12, 2025			
share price (PLCE)	\$18.16		
PROJECTIONS IN MM	2023	2024	2025
Income Statement			
Revenue	\$1,572	\$1,698	\$1,816
Gross Profit	\$585	\$628	\$672
Operating Income	\$63	\$95	\$130
Pre-Tax Income	\$33	\$67	\$102
Net Income	\$25	\$51	\$78
EPS	\$1.95	\$3.88	\$5.94
Revenue growth	-8%	8%	7%
EBITDA	\$123	\$152	\$187
Interest	\$30	\$25	\$25
Capitalized Expense	\$30	; \$30	\$30
Cash Flow	\$55	\$78	\$105
Equity Dividends	\$0	\$0	\$0
Cash Flow Dividend Coverage	NA	NA	NA
Retained Cash Flow	\$55	\$78	\$105
Retained Cash Flow Sum	\$55	\$133	\$238
Revenue Growth	-8%	8%	7%
Valuations	0,0	0 /0	.,,
Cash Flow Yield Vs. Equity	23.6%	33.0%	44.4%
EV/EBITDA	4.74	3.86	3.13
P.E Ratio	9.24	4.64	3.04
Enterprise Value	\$585		
Total Debt	\$350		
Equity Market Cap	\$235	\$235	\$235
Debt Ratios	,	,	,
EBITDA/Interest Coverage ratio	4.12	6.07	7.48
Debt/EBITDA	2.83	2.31	1.87
Liquidity	2.03	2.51	1.07
Cash	\$18		
Borrowing Availability est.	100+		
Total Current Assets	\$607		
Total Current Liabilities	\$607 \$719		
Current Ratio	3719 84%		
Debt	0470		
Debt			
Borrowings	\$350		
Borrowings Total	\$350 \$350		











Disclosures

Price target reduced from 98 to 70 and rating reduced from buy to hold on March 13. Previous reports are available upon request. Smart Yield Fund targets a mix of different security classes that contain the risk of loss. Investors should carefully consider the Fund's investment objectives and risk factors before investing. Investing involves risk, including possible loss of principal. Investors should consider the loss of principle and targeted returns are not guaranteed. Individual investors in Smart Yield are generally required to be accredited investors. Smart Yield is a fund operated through individual accounts creating the composite. Smart Yield Fund is a new product with an inception date of September 30, 2020, and as such does not have historical data. Asset Mix Projections on page 2 and 6, Smart Yield Portfolio Metrics on page 5 are estimated or targets of the fund. Asset class mix and targets may change based on the direction of the managers. Portfolio allocation projected annual return and beta assumption for each asset class on pages 7-10 are estimated. Beta for the fund and each asset class is estimated versus the S&P 500. The average beta for the entire fund is projected to be .32. Beta is a measure of the fund's volatility in relation to S&P 500 Index. This index has a beta of 1.0. The fund targets a total gross return before fees and expenses of 9.24%. The fund projects a blended return based on income securities and capital gains. Smart Yield attempts to continuously improve the value of investment portfolios by investing in corporate bonds, convertible bonds, other types of bonds (investment grade and sub-investment grade, [which may also have limited liquidity]), dividend paying equities, non-dividend paying equities, ETFs, including leveraged ETFs, and other securities. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. 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On request we provide a list of all investment recommendations made by the firm over the last twelve months. Also, from time-to-time we may also discuss and display, charts, graphs, formulas which are not intended to be used by themselves to determine which securities to buy or sell, or when to buy or sell them. Such charts and graphs offer limited information and should not be used on their own to make investment decisions.

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