

## SMART YIELD

Income Fund

Finding Efficient Frontiers

INVEST/STAY CONNECTED

INITIAL REPORT February 27, 2022

LAST UPDATED May 26, 2022

THE CHILDREN'S  
PLACE

**THE CHILDREN'S PLACE** Common shares \$47.12 Recommendation: Buy / Price Target:\$80

[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 over the last few years has successfully executed a digital transformation. The effort has *increased* merchandise margins, lowered occupancy expenses, and produced stronger earnings. Earnings increased to \$12.59 in 2021 from \$4.68 in 2019. So, we believe that the strategy is working. At the end of first quarter, share count was reduced below 13 million (market cap < \$615) leaving the company with \$218 million remaining on its' share repurchase plan. The company reported earnings for the first quarter of 2022 on May 19.

After a good 2021 most retailers are experiencing various headwinds which are leading to reduced profit margins in most but not all cases. PLCE management indicated that inbound freight delivery costs, lapping the unprecedented government stimulus, weather and some additional covid concerns caused a net decrease in revenues of 16.8%. The difficult quarter improved from beginning to end and actually went positive (Y over Y) for part of May. Management cited the strong profit margin improvement from 2019 due to the digital transformation and implied a possible reduction in SG&A for 2022 due to further store closures, and a significantly lower interest expense as well. Elevated inventory levels are expected to abate throughout the year.

Our buy recommendation is based on passing the (predicted) most difficult quarter in 2022, management's indication of pricing power and the good May. Also, if the total share repurchase is completed around these price levels it will provide a major catalyst for 2023 earnings. The price target is 9 X our 2022 earnings forecast and an enterprise value of 5 X our 2022 EBITDA projection.

**PLCE chart 2020 through May 2022**

### [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.



# SMART YIELD

Income Fund

## BROXTON CAPITAL ADVISORS Children's Place, Inc. as of 4/30/2022

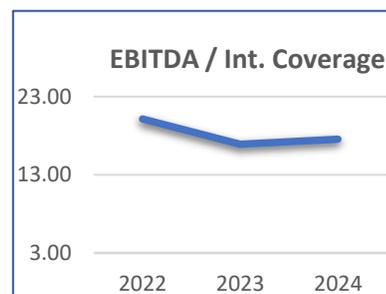
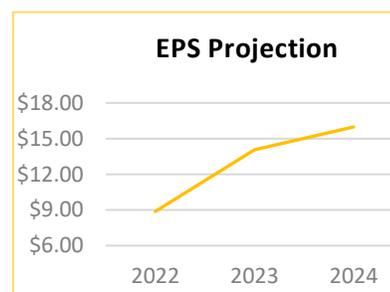
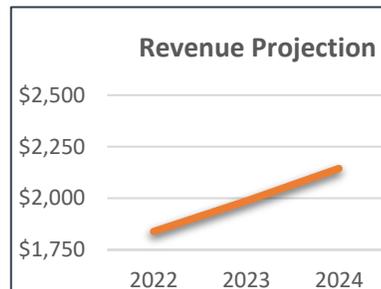
Thursday, May 26, 2022

share price (PLCE) \$47.12

<b>PROJECTIONS IN MM</b>	2022	2023	2024
<b>Income Statement</b>			
Revenue	\$1,839	\$1,986	\$2,145
Gross Profit	\$685	\$794	\$858
Operating Income	\$159	\$237	\$251
Pre-Tax Income	\$146	\$217	\$231
Net Income	\$111	\$165	\$176
EPS	\$8.87	\$14.05	\$15.98
Revenue growth	-4%	8%	8%
EBITDA	\$262	\$338	\$351
Interest	\$13	\$20	\$20
Capitalized Expense	\$30	\$30	\$30
Cash Flow	\$155	\$207	\$217
Equity Dividends	\$0	\$0	\$0
Cash Flow Dividend Coverage	NA	NA	NA
Retained Cash Flow	\$155	\$207	\$217
Retained Cash Flow Sum	\$155	\$362	\$579
Revenue Growth	-4%	8%	8%
<b>Valuations</b>			
Cash Flow Yield Vs. Equity	26.3%	35.2%	36.8%
EV/EBITDA	3.39	2.63	2.53
P.E Ratio	5.31	3.35	2.95
Enterprise Value	\$889		
Total Debt	\$300		
Equity Market Cap	\$589	\$589	\$589
<b>Debt Ratios</b>			
EBITDA/Interest Coverage ratio	20.15	16.91	17.57
Debt/EBITDA	1.15	0.89	0.85
<b>Liquidity</b>			
Cash	\$59		
Borrowing Availability est.	100+		
Total Current Assets	\$687		
Total Current Liabilities	\$718		
Current Ratio	96%		
<b>Debt</b>			
Borrowings	\$300		
Total	\$300		

NOTES:

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**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. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. All securities types mentioned in this brochure have the risk of loss. Long term strategies purchase securities which are underpriced according to our appraisal methodologies. Broxton uses regression analysis to obtain an average appraisal value for an individual company and places a priority on the securities of companies with improving financial performance and or additional catalysts that provide for increases in earnings and valuation. We use financial modeling, technical analysis, proprietary and third-party research. Smart Yield does not have any capitalization (market size), sector or industry allocation mandates. Asset class allocation percentages may be changed without notice. Broxton deploys technical analysis and momentum as indicators of movement for shorter term strategies, that may not involve deep fundamental analysis. Shorting (selling and then buying) of securities can be used for hedging and as a long term or short-term strategy. We exit positions in accordance with our discipline, this includes when valuation targets are clearly exceeded, or financial performance falls below our projections. Since Smart Yield returns will be calculated using a composite of accounts, the average account will not match the composite return and the return could be higher or lower. Broxton offers Smart Yield for other investment managers. Any commentary is solely the opinion of the Broxton Capital Advisors. It refers to securities we hold in our portfolio and sometimes ones we are considering but does not represent a complete list of positions held at Broxton Capital Advisors. A complete list covering the last twelve months will be furnished upon request. Price targets are mentioned for information purposes only. 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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.

Broxton Capital Advisors 151 Calle San Francisco  
San Juan PR, 00901 [broxtoncapital.com](http://broxtoncapital.com)  
310-208-2191

Allen Cooke Portfolio Manager 310-208-2151  
Cell 310-279-3338 [allen@broxtoncapital.com](mailto:allen@broxtoncapital.com)

Brian Stead Manager 310-208-2151  
[byron@broxtoncapital.co](mailto:byron@broxtoncapital.co)

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