

The Children's Place Acquisition of the Disney Store Chain in North America

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Prepared by The Children's Place

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Presentation Summary

Transaction Overview and Strategic Rationale

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Transaction Overview

Select key definitive agreement deal terms:

- Equity purchase of Disney Store business in US and Canada, which will be operated as a new wholly-owned subsidiary of The Children's Place
- Exclusive right to operate the Disney Store chain in US and Canada under long-term license and conduct of business agreements
- Merchandising access to Disney-branded characters past, present and future
- Will operate retail online presence at disneystore.com URL beginning Fall 2005

Transaction Overview

Definitive agreement financial terms:

- Payment of a working capital adjustment at the time of close
- PLCE subsidiary retains responsibility for store lease obligations
- Commitment to invest \$100 million of which \$50 million will be funded at the closing
- PLCE is in the process of expanding its current credit facility and establishing a new facility for the subsidiary
- No long-term debt or stock issuance expected as result of transaction
- Initial capital commitments funded through cash on hand and short term borrowings

Strategic Rationale

The Disney Store is an excellent strategic fit:

- Adds a complementary specialty retail concept and virtually identical profile
 - Mall based, vertically integrated and ~95% private label
 - 80% mall overlap with The Children's Place
 - New channel to reach the same customer profile
- Leverages merchandising, sourcing, and operational expertise
- Strengthens position in the newborn to age 10 category
- Provides a future growth vehicle
- Expected earnings accretion in Q404 and for full year FY05

Strategic Rationale

The Disney Store is anticipated to positively impact PLCE's financial outlook this year and next:

- Assuming a November closing, Disney Store is expected to be slightly accretive in Q404 before any extraordinary items
- Expected FY05 earnings accretion of approximately \$0.30 per share, broken down as follows:
 - Net loss per share of approximately \$(0.70) in 1H, split evenly between Q1 and Q2
 - Expected EPS of approximately \$1.00 in 2H, with 80% of that coming in Q4

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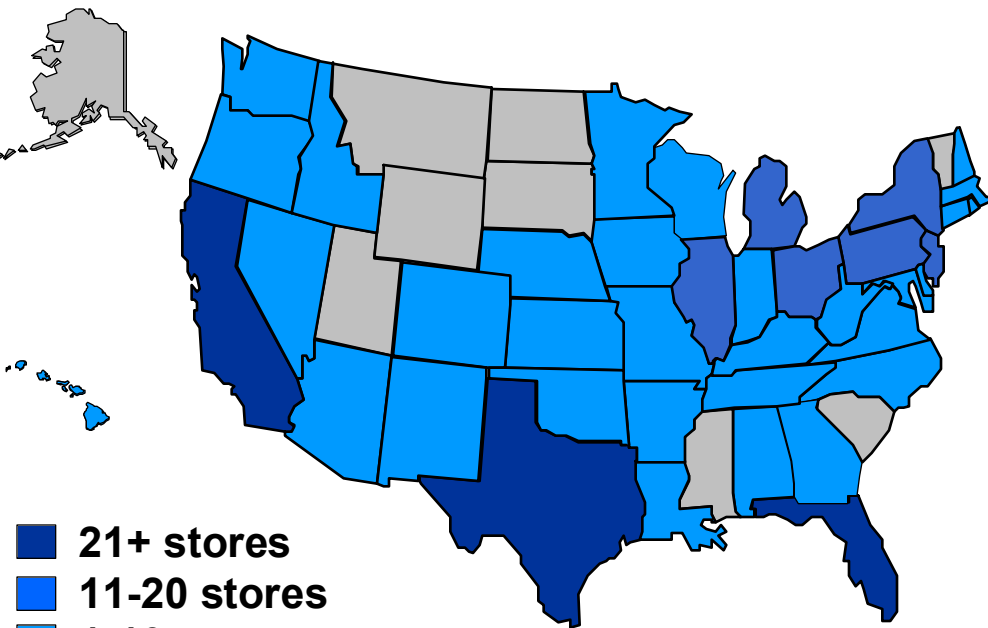
Transaction Summary

The Disney Store Overview

- Excellent real estate locations in 'A' and 'B' malls
- Average sales of approximately \$1.8 million per store, \$400 per square foot
- Strong in mall positioning
- 60% of customers visit 12x per annum
- Positive low-single digit comps

~ 298 in the U.S. ~

~ 15 in Canada ~



- 21+ stores
- 11-20 stores
- 1-10 stores
- 0 stores



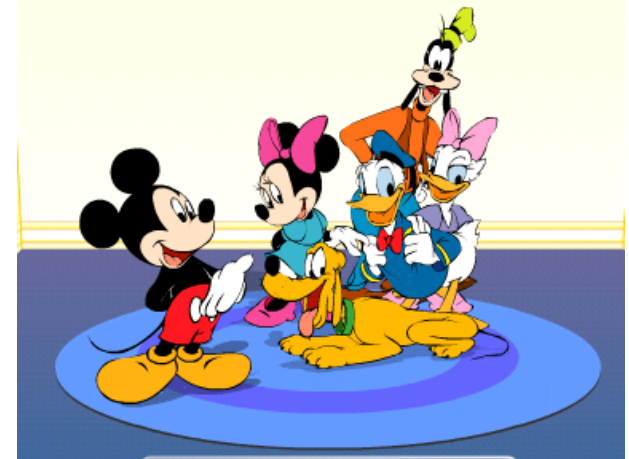
Source: company reports

Disney's Brand Power

- High brand recognition (ahead of Johnson & Johnson and Nike)*
- Disney characters represent 3 of the top 5 selling licensed characters in terms of dollars spent**
- Disney characters represent almost 40% of the total children's character apparel market**
- The Disney Channel is one of the leading children's TV networks
- Disney's parks are the #1 theme park destinations

* *Landor Brand Asset Valuator 2002*

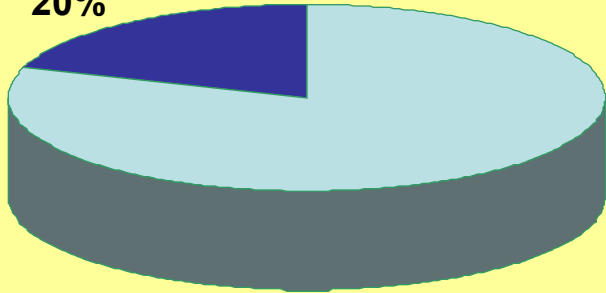
** *NPD*



Sales Breakdown

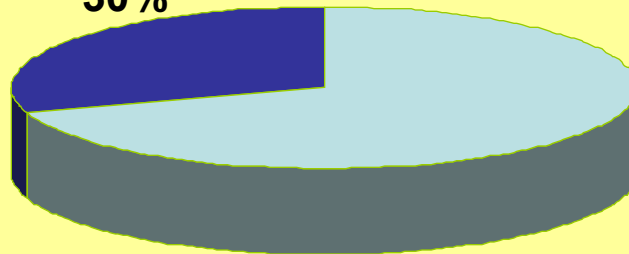
Children vs. Adult Merchandise

Adult
20%



Classic vs. Other Character Merchandise

Other
30%

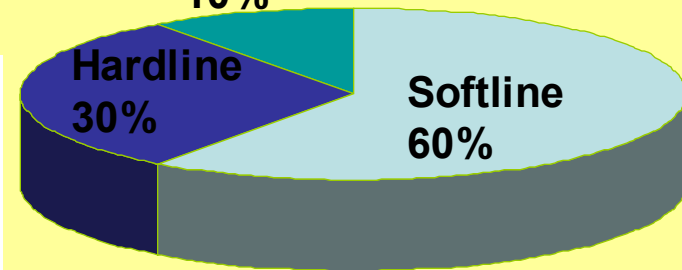


Merchandise Mix

Media
10%

Hardline
30%

Softline
60%



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The Children's Place Expertise

The Children's Place is uniquely qualified to continue to improve the performance of the Disney Stores and unlock the value this opportunity represents:

- Focused specialty retailer with leading position in children's apparel market
- Sourcing expertise with a focus on the value equation
- Design and merchandising expertise
- Deep knowledge of core customer base
- Best of breed systems and scalable infrastructure
- Deep management team to lead both businesses

Strategic Fit

- Specialty retail concept associated with one of the most familiar and desirable brands in the world
- Access to the \$2 billion and growing licensed-character apparel market
- Ability to benefit from The Walt Disney Company's significant brand and character marketing initiatives
- New distribution channel to reach similar customer profile
- Provide consumers with depth and breadth of Disney merchandise in unique "emporium" format that cannot be found anywhere else
- Enhances The Children's Place negotiating position as REIT consolidation intensifies

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Operating Priorities

The Children's Place will leverage its core competencies to improve gross margin, leverage operating expenses and increase sales:

- Enhance the in-store experience through a store remodel program
- Utilize direct sourcing expertise
- Strengthen the value equation by offering quality merchandise at affordable prices
- Implement character-based merchandise strategy that will include more frequent product flows
- Leverage existing back office functions and systems infrastructure



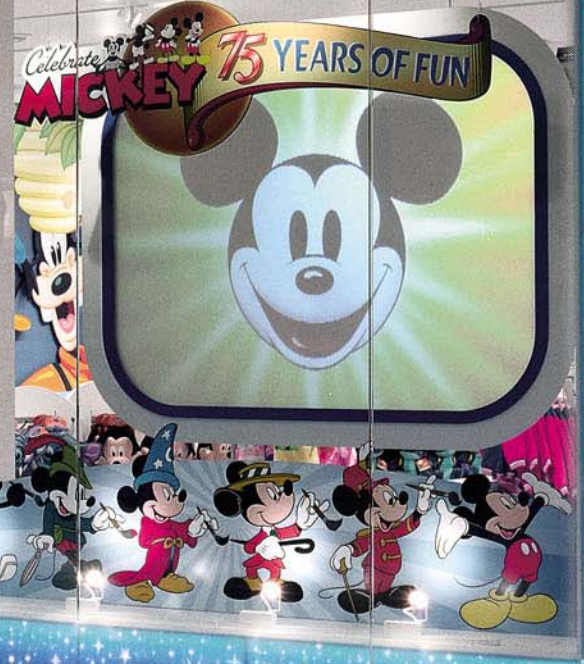
Drive Traffic and Increase Sales

- Make a significant capital investment in store remodels
- Conduct market and customer research and develop direct-to-consumer marketing
- Coordinate hardlines and softlines teams to create impactful merchandise presentation
- Promote multi-channel shopping experience through disneystore.com (Fall 2005)



Increase Sales

Disney
store



EXIT

25%

10%



Improve Gross Margin

- Incorporate The Children's Place proven sourcing formula:
 - Implement direct sourcing (i.e., reduce reliance on agents)
 - Leverage overseas infrastructure
 - Apply bottoms-up approach
 - Utilize long-term relationships
- Implement improved price/value equation
- Reduce markdown rates and promotional activity



Improve Gross Margin

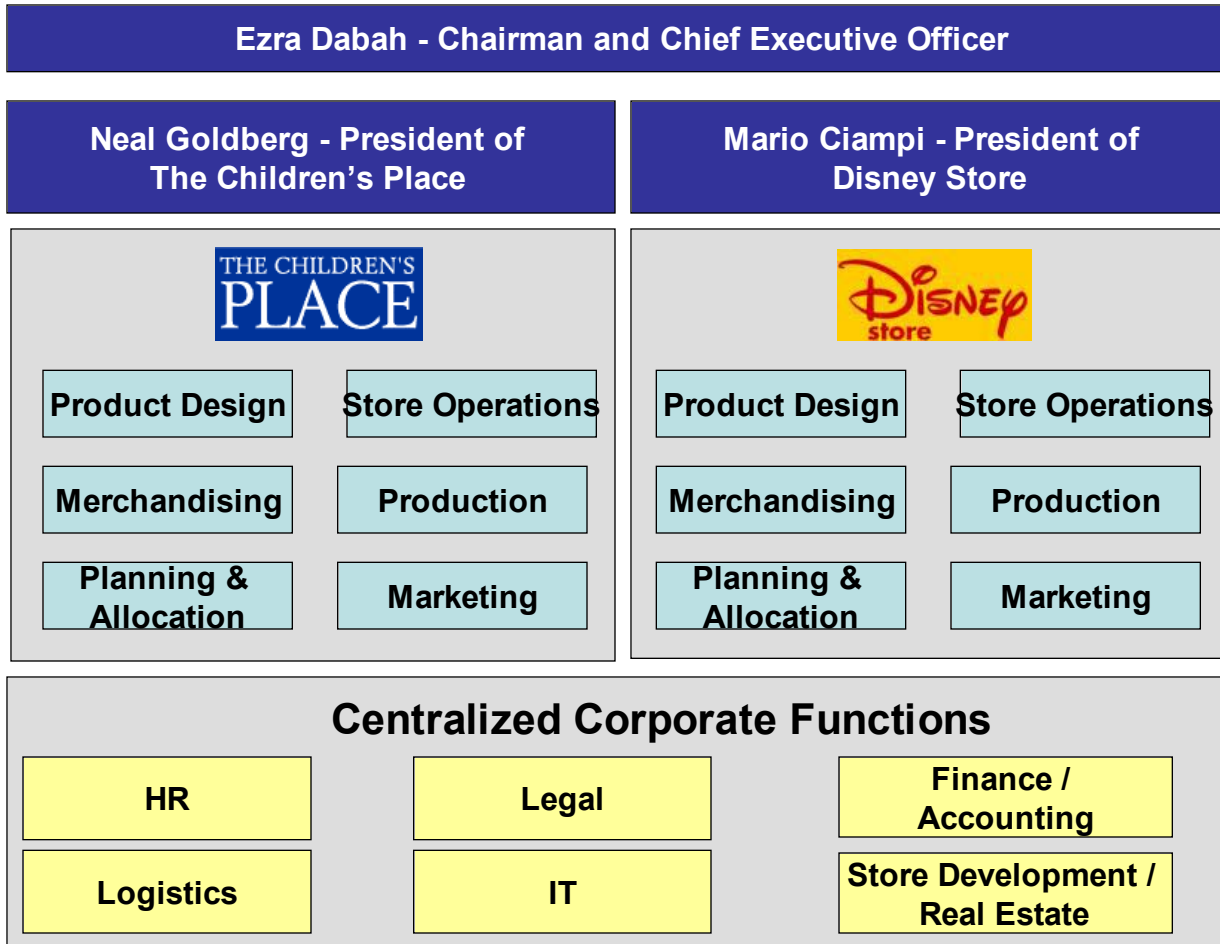
Reduce Operating Expenses

- Leverage The Children's Place distribution network:
 - Reduce overhead
 - Maximize efficiencies
- Deploy The Children's Place store development team to optimize capital expenditures
- Enhance merchandising and planning/allocation processes
- Leverage back office functions, technology and systems



Reduce Operating Expenses

Management Plan



Key Features of Plan

- Allows The Children's Place to remain completely focused on its core business
- Supports differences in the Disney Store's processes, structure and culture
- Provides operating scale efficiencies and back office synergies

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Growth Opportunity

- Roll out store remodel program
- Enhance merchandise assortment
- Drive traffic to increase total sales and comparable store sales
- Introduce a Disney Store outlet store strategy
- Tap into under-penetrated U.S. and Canadian markets
- Potential long-term expansion total of ~1,600 The Children's Place & Disney Store stores
 - 750 Place stores* ➡ 1,000+
 - 308 Disney stores* ➡ 600



* As of year end FY2004

© As to Disney elements

Disney Store Growth Potential

Reasonable long-term store expansion goal of ~600 stores across the US and Canada:

	<u>2004*</u>	<u>Potential # Targets*</u>	<u>%Penetrated</u>
'A' malls	125	250	50%
'B' malls	188	400	47%
Lifestyle Centers	0	50	0%
Premium Outlets	0	120	0%
Total	313	820	38%

**Includes Canada*

Source: Company estimates

Children's Licensed Product Market

Apparel:

- In 2003, character-based children's apparel represented ~7% of the \$26 billion children's apparel market
 - YTD character-based children's apparel market share is stronger in both dollar value and number of units
- LTM, licensed children's character apparel grew 9% - 3x the growth rate of the overall children's apparel market
- Within licensed apparel, Disney characters represent almost 40% of the total market and are among the most popular

Toys:

- Character based toy market has grown 11% (2002 – 2003) over the past year, while the overall toy industry has declined 3%
- With recent consolidation in the toy market, the Disney Store is one of, if not the only, toy retailer available in malls

Source: NPD

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Key Merits of the Transaction

- The Children's Place retail expertise with the power and creativity of the Disney brand offers opportunity for enhanced shareholder value
- Expected earnings accretion
- Limited integration/execution risk
- Substantial opportunity for growth of the Disney Store chain
- Fits The Children's Place long-term vision of becoming the leading player in the newborn to age 10 category

