



December 11, 2014

The Gymboree Corporation Reports Third Fiscal Quarter 2014 Results

Comparable Store Sales Increase 1%

San Francisco, Calif., December 11, 2014 - The Gymboree Corporation (the "Company") today reported consolidated financial results for the third fiscal quarter ended November 1, 2014.

"We made progress in the third quarter, which resulted in increased net sales, positive consolidated comparable sales, and increased gross profit dollars as compared to the prior year," stated Mark Breitbard, Chief Executive Officer. "During the quarter, our customers responded favorably to our merchandising and marketing strategies, which lead to a significant improvement in trend as compared to the first half of the year. As we begin the holiday selling season, we are encouraged that our comparable sales trend continued in November." Third Fiscal Quarter Results (13 weeks ended November 1, 2014 versus 13 weeks ended November 2, 2013)

Third Fiscal Quarter Results (13 weeks ended November 1, 2014 versus 13 weeks ended November 2, 2013)

- Net sales were \$316.8 million, compared to \$309.8 million in the third quarter of fiscal 2013.
- Comparable store sales (including online stores) increased 1%.
- Gross profit was \$125.9 million, or 39.7% of net sales, compared to \$123.5 million, or 39.8% of net sales, for the third quarter of fiscal 2013.
- Adjusted gross profit was \$127.7 million, or 40.3% of net sales, compared to \$126.0 million, or 40.7% of net sales, for the third quarter of fiscal 2013. The decline in gross profit margin rate is due to an increase in occupancy expenses. Adjusted gross profit excludes purchase accounting adjustments of \$1.8 million and \$2.6 million for the third quarter of fiscal 2014 and the third quarter of fiscal 2013, respectively, relating to the November 2010 acquisition of the Company by investment funds advised by Bain Capital Partners, LLC (the "Acquisition") (see Exhibit D for reconciliation information).
- SG&A expense was \$113.7 million, or 35.9% of net sales, compared to \$111.2 million, or 35.9% of net sales, for the third quarter of fiscal 2013.
- Adjusted SG&A expense was \$111.4 million, or 35.2% of net sales, compared to \$109.1 million, or 35.2% of net sales, in the third quarter of fiscal 2013. Adjusted SG&A in the third quarter of fiscal 2014 and 2013 excludes \$2.3 million and \$2.1 million, respectively, of additional costs resulting from the Acquisition, including the effect of purchase accounting adjustments and non-recurring adjustments (see Exhibit D for reconciliation information).
- The Company recorded a \$591.4 million non-cash goodwill and intangible asset impairment charge in the third quarter of fiscal 2014.
- Net loss attributable to The Gymboree Corporation was \$522.1 million compared to \$24.0 million for the third quarter of fiscal 2013.
- Adjusted EBITDA, defined as net loss attributable to The Gymboree Corporation before interest income/expense, income taxes and depreciation and amortization, adjusted for other items described above, was \$29.8 million compared to \$33.9 million for the third quarter of fiscal 2013.

Adjusted EBITDA is not a financial measure under U.S. generally accepted accounting principles ("GAAP"). For a description of these measures, see "Non-GAAP Financial Measures" below. A reconciliation of net loss attributable to The Gymboree Corporation to Adjusted EBITDA presented herein is included in Exhibit D of this press release.

Goodwill and other Intangible Asset Impairment

In connection with the long-range planning process in the third quarter of fiscal 2014, the Company revised its growth assumptions based on estimates of future operations. The updated assumptions resulted in a plan that reflects slower growth in revenues and margins in the Company's retail stores. As a result, during the quarter ended November 1, 2014, the Company recorded a \$591.4 million non-cash goodwill and intangible asset impairment charge. This impairment charge does not have any effect on the Company's operations, liquidity, debt covenants, or the Company's ability to service its debt.

Balance Sheet Highlights

- There were \$42.0 million in borrowings outstanding under the Company's \$225 million asset-backed loan facility and approximately \$146 million of undrawn availability after deducting letters of credit and outstanding borrowings at the end of the third quarter of fiscal 2014.

- Cash balances were at \$20.8 million at the end of the third quarter of fiscal 2014, a decrease of \$18.6 million from \$39.4 million at the end of fiscal 2013.
- Capital expenditures were \$7.8 million during the third quarter of fiscal 2014.
- Inventory balances at the end of the third quarter of fiscal 2014 were \$259.3 million, compared to \$222.4 million at the end of the third quarter of fiscal 2013. On a per square foot basis, inventory cost increased 14% and inventory units increased in the low teens compared to the prior year. The increase in inventory dollars was primarily due to an investment in holiday goods, timing of spring receipts, and an increase in net stores.

Fiscal 2014 Business Outlook

The Company's fiscal 2014 outlook is based on the Company's first nine months of performance, current economic environment trends, and management expectations for the remainder of the year.

Full Year

For the full year, the Company expects Adjusted EBITDA in the range of \$90 million to \$100 million. Based on this guidance, the Company expects to have sufficient liquidity during the next 12 months to service its debt and invest in the business to drive long-term growth.

New Stores

The Company now plans to close approximately 40 stores (14 closed to date) and still expects to open approximately 50 new stores (46 opened to date) during fiscal 2014, distributed fairly evenly across its brands.

Capital Expenditures

During fiscal 2014, the Company still anticipates spending approximately \$35 million to \$40 million for capital expenditures.

Non-GAAP Financial Measures

The Company defines "Adjusted EBITDA" as net loss attributable to The Gymboree Corporation before interest income/expense, income taxes, and depreciation and amortization ("EBITDA") adjusted for other items including non-cash share-based compensation, loss on disposal/impairment of assets and sponsor management fees and expenses, as well as the impact of purchase accounting adjustments resulting from the Acquisition and other non-recurring or unusual items.

Adjusted EBITDA is a non-GAAP measure but is considered an important supplemental measure of the Company's operating performance and is believed to be used frequently by securities analysts, investors and other interested parties in the evaluation of similar retail companies. Adjusted EBITDA is not a presentation made in accordance with GAAP and the Company's computation of Adjusted EBITDA may vary from others in the industry. Adjusted EBITDA should not be considered an alternative to operating income or net income, as a measure of operating performance or cash flow, or as a measure of liquidity. Adjusted EBITDA has important limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP (see Exhibit D for a reconciliation of Adjusted EBITDA to net loss attributable to The Gymboree Corporation).

Management Presentation

The live broadcast of the discussion of third fiscal quarter 2014 financial results and business outlook will be available to interested parties at 2:00 p.m. PT (5:00 p.m. ET) on Thursday, December 11, 2014. To listen to the live broadcast over the internet, please log on to www.gymboree.com, click on "Company Information" at the bottom of the page, go to "Investors & Media" and then "Conference Calls & Webcasts." A replay of the call will be available two hours after the broadcast through midnight PT, Wednesday, December 17, 2014, at 855-859-2056, passcode 30153133.

About The Gymboree Corporation

The Gymboree Corporation's specialty retail brands offer unique, high-quality products delivered with personalized customer service. As of November 1, 2014, the Company operated a total of 1,355 retail stores: 626 Gymboree® stores (572 in the United States, 47 in Canada, 1 in Puerto Rico and 6 in Australia), 174 Gymboree Outlet stores (172 in the United States and 2 in Puerto Rico), 151 Janie and Jack® shops and 404 Crazy 8® stores in the United States. The Company also operates online stores at www.gymboree.com, www.janieandjack.com and www.crazy8.com, and offers directed parent-child developmental play programs at 702 franchised and Company-operated Gymboree Play & Music® centers in the United States and 41 other countries.

Forward-Looking Statements

The foregoing financial information for the third quarter of fiscal 2014 is unaudited and subject to quarter-end and year-end adjustments. This press release includes forward-looking statements, including statements relating to The Gymboree Corporation's anticipated future financial performance, especially those set forth under the heading "Fiscal 2014 Business Outlook" and the Company's expectation that it will be able to stabilize its sales trend and return to consistent, long-term profitable growth. These forward-looking statements generally can be identified by the use of words such as "anticipate," "expect," "plan," "could," "may," "will," "believe," "estimate," "forecast," "goal," "project," and other words of similar meaning. Each forward-looking statement contained in this press release is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statement. The Company presently considers the following risks and uncertainties to be important factors that could cause actual results to differ materially from the Company's expectations: the recent disruptions in the west coast ports, the ongoing volatility in the commodities markets, uncertainties relating to high levels of unemployment and consumer debt, volatility in the financial markets, general economic conditions, the Company's dependence on the holiday season in November and December to sell a significant portion of its existing inventory, the Company's ability to anticipate and timely respond to changes in trends, consumer preferences and customer reactions to new merchandise, competitive market conditions, success in meeting the Company's delivery targets, the Company's promotional activity, particularly during the holiday season, that may be required to sell existing inventory, gross margin achievement, the Company's ability to appropriately manage inventory, effects of future embargos from countries used to source product, the Company's ability to attract and retain key personnel and other qualified team members, the limited data available in the future upon which to base its expectations for stabilizing sales trends, and other factors, including those discussed under "Risk Factors" in "Item 1A. Risk Factors," of the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2014, filed with the Securities and Exchange Commission ("SEC") on May 2, 2014. The Company cautions investors to carefully consider the risks associated with, and not to place considerable reliance on, the forward-looking statements contained in this press release. The forward-looking statements in this press release speak only as of the date of this document, and the Company undertakes no obligation to update or revise any of these statements.

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