



September 10, 2014

## The Gymboree Corporation Reports Second Fiscal Quarter 2014 Results

### Comparable Sales are Positive for August

San Francisco, Calif., September 10, 2014 - The Gymboree Corporation (the "Company") today reported consolidated financial results for the second fiscal quarter ended August 2, 2014.

"Despite a difficult second quarter, we continued to make progress on our key initiatives in product, inventory and execution," said Mark Breitbard, Chief Executive Officer. "We are seeing a meaningful improvement in trend at the start of the third quarter with positive comparable store sales across each of our brands in August. In addition, we are well on our way to achieve our annual efficiency and cost savings goals. Based on the progress we have made, we remain confident that we have the right action plans in place and the balance sheet strength to stabilize our sales trend and return our Company to consistent, long-term profitable growth."

### Second Fiscal Quarter Results (13 weeks ended August 2, 2014 versus 13 weeks ended August 3, 2013)

- Net sales were \$264.3 million, compared to \$290.9 million in the second quarter of fiscal 2013.
- Comparable store sales (including online stores) declined 10%.
- Gross profit was \$96.4 million, or 36.5% of net sales, compared to \$107.1 million, or 36.8% of net sales, for the second quarter of fiscal 2013.
- Adjusted gross profit was \$98.2 million, or 37.1% of net sales, compared to \$109.6 million, or 37.7% of net sales, for the second quarter of fiscal 2013. The decline in gross profit margin reflects the deleverage of fixed costs on lower sales partially offset by an increase in average unit retail prices. Adjusted gross profit excludes purchase accounting adjustments of \$1.8 million and \$2.5 million for the second quarter of fiscal 2014 and the second 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 definition and reconciliation information).
- SG&A expense was \$107.1 million, or 40.5% of net sales, compared to \$102.0 million, or 35.1% of net sales, for the second quarter of fiscal 2013.
- Adjusted SG&A expense was \$104.9 million, or 39.7% of net sales, compared to \$98.7 million, or 33.9% of net sales, in the second quarter of fiscal 2013. Adjusted SG&A in the second quarter of fiscal 2014 and 2013 excludes \$2.3 million and \$3.3 million, respectively, of additional costs resulting from the Acquisition, including the effect of purchase accounting adjustments and non-recurring adjustments (see Exhibit D for definition and reconciliation information).
- Net loss attributable to The Gymboree Corporation was \$31.2 million compared to \$9.4 million for the second 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 \$9.6 million compared to \$24.8 million for the second 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.

### Balance Sheet Highlights

- There were \$64.0 million in borrowings outstanding under the Company's \$225 million asset-backed loan facility and approximately \$95.5 million of undrawn availability after deducting letters of credit and outstanding borrowings at the end of the second quarter of fiscal 2014.
- Cash balances were at \$24.9 million at the end of the second quarter of fiscal 2014, a decrease of \$14.6 million from \$39.4 million at the end of fiscal 2013.
- Capital expenditures were \$7.2 million during the second quarter of fiscal 2014.
- Inventory balances at the end of the second quarter of fiscal 2014 were \$223.7 million, compared to \$215.0 million at the end of the second quarter of fiscal 2013. On a per square foot basis, inventory cost increased 1% and inventory units declined in the low single digits.

### Fiscal 2014 Business Outlook

The Company's fiscal 2014 outlook is based on the Company's first half 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 \$110 million. Based on this guidance, the Company expects to have sufficient liquidity during fiscal 2014 to service its debt and invest in the business to drive long-term growth.

## New Stores

The Company now plans to close approximately 30 to 40 stores and still expects to open approximately 50 new stores during fiscal 2014, distributed fairly evenly across the 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 second fiscal quarter 2014 financial results and business outlook will be available to interested parties at 1:00 p.m. PT (4:00 p.m. ET) on Wednesday, September 10, 2014. To listen to the live broadcast over the internet, please log on to [www.gymboree.com](http://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, September 17, 2014, at 855-859-2056, passcode 84323970.

## About The Gymboree Corporation

The Gymboree Corporation's specialty retail brands offer unique, high-quality products delivered with personalized customer service. As of August 2, 2014, the Company operated a total of 1,344 retail stores: 625 Gymboree® stores (572 in the United States, 46 in Canada, 1 in Puerto Rico and 6 in Australia), 171 Gymboree Outlet stores (169 in the United States and 2 in Puerto Rico), 148 Janie and Jack® shops and 400 Crazy 8® stores in the United States. The Company also operates online stores at [www.gymboree.com](http://www.gymboree.com), [www.janieandjack.com](http://www.janieandjack.com) and [www.crazy8.com](http://www.crazy8.com), and offers directed parent-child developmental play programs at 699 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 second 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 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 and concepts, 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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**Investor Relations contact:**

Marc Passalacqua

Tel: 415-278-7933

[investor\\_relations@gymboree.com](mailto:investor_relations@gymboree.com)

**Media Relations contact:**

Tel: 415-278-7493

[media\\_relations@gymboree.com](mailto:media_relations@gymboree.com)

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