28-May-2021

Caleres, Inc. (CAL)

Q1 2021 Earnings Call

Copyright © 2001-2021 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

Logan Bonacorsi
Vice President-Investor Relations, Caleres, Inc.

Diane M. Sullivan
Chairman & Chief Executive Officer, Caleres, Inc.

Kenneth H. Hannah
Chief Financial Officer & Senior Vice President, Caleres, Inc.

John W. Schmidt
President, Caleres, Inc.

OTHER PARTICIPANTS

Laura Champine
Analyst, Loop Capital Markets LLC

Steven L. Marotta
Analyst, C.L. King & Associates, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Caleres First Quarter Earnings Conference Call. My name is Lenzy and I will be your conference coordinator. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] As a reminder, this conference is being recorded.

At this time, I will turn the call over to Logan Bonacorsi, Vice President of Investor Relations. Please go ahead.

Logan Bonacorsi

Vice President-Investor Relations, Caleres, Inc.

Good morning. I would like to thank you for joining our first quarter 2021 earnings call and webcast. A press release, with detailed financial tables, as well as our quarterly slide presentation are available at caleres.com.

Please be aware today's discussion contains forward-looking statements, which are subject to a number of risks and uncertainties. Actual results may differ materially due to various risk factors, including but not limited to, the factors disclosed in the company's Form 10-K and other filings with the US Securities and Exchange Commission.

Please refer to today's press release and our SEC filings for more information on risk factors and other factors, which could impact forward-looking statements. Copies of these reports are available online. The company undertakes no obligation to update any information discussed in this call at any time.

Joining me on the call today is Diane Sullivan, Chairman and CEO; Ken Hannah, Senior Vice President and CFO; and Jay Schmidt, President. We'll begin the call with brief prepared remarks and, thereafter, we'll be happy to take your questions.

I would now like to turn the call over to Diane. Diane?

Copyright © 2001-2021 FactSet CallStreet, LLC

Diane M. Sullivan

Chairman & Chief Executive Officer, Caleres, Inc.

Thanks, Logan, and good morning, everyone. We appreciate you joining us today at this new time and capping off what we know is a busy earnings week in the footwear space. Well, I think we've all begun to see that the consumer has emerged and is ready to spend on items and experiences across the board. They're reconnecting with families, spending time with friends, traveling, returning to office in some capacity, and are celebrating all of life's occasions both large and small.

I'm pleased to report that Caleres delivered strong results during the first quarter, making significant progress across a number of our strategic initiatives. And it's driving forward with our goals to take advantage of this new and exciting phase of the current market cycle.

For the quarter just ended, Caleres exceeded first quarter 2019 earnings levels, drove sequential sales and operating earnings improvement, generated stronger gross margins and turned in an improved working capital and expense position. Overall, our consolidated revenue for the first quarter was $639 million, representing a nearly 12% improvement from the fourth quarter of 2020 and a modest 6% decline from the first quarter of 2019.

Our adjusted earnings per share for the period reached $0.60, up $0.57 sequentially and surpassing first quarter 2019 levels by $0.24. Adjusted gross margins for the company also improved, rising 70 basis points from the first quarter of 2019. Ken will provide further detail on these metrics in just a few moments.

We also continue to generate significant levels of cash, particularly as our Famous Footwear business accelerated meaningfully in the quarter's second half. And we put that cash to good use paying down an additional $50 million of debt during the period. As a reminder, we have proactively reduced our total debt by approximately $240 million since March of 2020.

In addition, we leveraged our enhanced digital platform to drive further our ecommerce sales. In fact, during the first quarter, sales from our own dot-com sites increased approximately 22% when compared to the strong ecommerce trends that prevailed during the prior-year period. And when compared to the first quarter of 2019, a more comparable time period, sales from our own dot-com sites improved approximately 57%, highlighting the previous capital investments to enhance our capabilities and upgrade our platforms and, of course, the work and the creativity of all of our digital teams.

Now, I'd like to turn to our business segments, starting with the absolute outstanding performance at Famous Footwear. We continue to execute at a very high level at Famous during the quarter, leveraging our competitive advantages and building further on the momentum that developed through the back half of 2020. In fact, we saw our business steadily improve as we moved through the period, closing the first quarter of 2021 with record-setting performance.

The segment generated record first quarter sales of $398 million, which equated to a 13% improvement over the first quarter of 2019. Most notably, Famous' first quarter operating earnings totaled $47.9 million, which was $37.4 million greater than the first quarter of 2019, and marked our best quarterly earnings level for this segment ever. Of course, one of the primary drivers behind Famous' improved performance was the step change in consumer confidence, which was certainly helped by the increasingly widespread availability of the vaccines, the easing of governmental restrictions and the continuation of the stimulus efforts.

Copyright © 2001-2021 FactSet CallStreet, LLC

As a result of the uplift in overall confidence levels, we saw positive trends across the omni-channel ecosystem as consumers had the inclination and the means to buy and were shopping with intent. In fact, we saw improvement in conversion and AURs when compared to the first quarter of 2019.

It's also worth noting that strong e-commerce sales continue to play an important role even as in-store trends improved. Our e-commerce business was up nearly 100% when compared to the first quarter of 2019, and still representing approximately 16% of our total net sales, which was up from the 9% penetration in the same period in 2019. In addition to these sales drivers, we believe a large part of the strong performance was due to our advantageous trend-right assortment of athletic sport and seasonal styles, with our sandal mix returning to 2019 levels from the on-trend brands the consumer knows and demands.

As consumers gravitate towards these categories and styles, our ongoing investment in these well-known brands that Famous is increasingly recognized for carrying continues to pay off. Moreover, as consumer demand improves and sales increased, we drove higher margins. In fact, margins improved by 181 basis points when compared to the first quarter of 2019 as we pulled back on promotional activity and maintained rigorous focus on expense management.

Finally, rounding out the performance, it's important to highlight that Famous capitalized on the rapid acceleration in the market, gaining share in the channel and across women's, men's and kids' product categories.

Moving ahead, as we detailed on our last quarter call, we've implemented a three-pronged strategy to maximize our momentum at Famous, which focused on merchandising marketing and, of course, the consumer experience. That strategy is in full swing and we're already seeing positive signs that these efforts are paying off.

While I just highlighted a main component of our merchandising approach, which acted as an important sales driver in the quarter, it's also worth noting that we continue to leverage our convenient and family-friendly model to increase our kids' business again this quarter. In fact, the kids' category represented nearly 18% of total sales during the period, with kids' sales up approximately 39% from the first quarter of 2019. Through our planned marketing efforts and flexible shopping environment, we fully expect to extend the momentum in our kids' business as we approach and enter the back to school season this summer.

Furthermore, we have maintained a balanced mix, not dissimilar to where it has been in previous years, as it relates to our assortment and have been able to flex to meet what the consumer wants, when and how they want to shop.

On the marketing front, I'm really thrilled with the progress we made in the period, where we increased our new Famously YOU Rewards members by 13.5% compared to the first quarter of 2019. Notably, sales from rewards members represented nearly 81% of net sales in the first quarter of 2021 and marked the best quarter ever for rewards sales, with members purchasing more and more often, and importantly, with margin rates 248 basis points higher than the first quarter of 2019.

We are highly aware of the lifetime value that rewards customers bring and believe this to be a long-term value-generating opportunity to Famous. So, to that end, as we move through the year, we're going to be redoubling our efforts to attract new, retain current and reactivate previous rewards members, optimizing our marketing mix, leveraging our newly launched Famously YOU credit card, expanding personalization across communication channels and furthering strong emotional connections with the Famous brand overall.

Copyright © 2001-2021 FactSet CallStreet, LLC

Now, turning to consumer experience, another area where we've made significant strides. First, as we mentioned, we converted famousfootwear.com over to a new platform. Since that time, we have seen improved sales, traffic conversion and AURs compared to the first quarter of 2019. This all-encompassing system optimizes the cross-channel experience and leverages our BOPIS, curbside pickup and ship-from-store capabilities.

Additionally, we're going to be placing a greater importance on the role of our kids' business in store. We know that our highest value customers shop at Famous for their families and kids. And when they do, those customers shop at Famous more frequently, have higher retention rates and drive more long-term net margin dollars.

With that in mind, we are finalizing two separate shop-in-shop concepts: one that will further elevate our kids' business, leading into back-to-school; and the second focusing on strong on-trend women's brands.

Looking ahead, we expect Famous Footwear to be an important and strong driver of our profitability in 2021, with our first quarter results and the market share gains achieved providing a solid foundation on which to build. We'll work with – towards extending our momentum through back-to-school and the remainder of 2021. We will accomplish this goal by keeping the consumer at the center of everything we do and remaining agile in order to support and capitalize on the dynamic market environment.

Now, let's turn to the Brand Portfolio. While down 26.6% from the first quarter of 2019, first quarter net sales in the Brand Portfolio surpassed our expectations and were accompanied by adjusted operating earnings of $10.7 million. Sales from our ongoing business was down 22%. In addition, first quarter sales increased approximately 7% sequentially, underscoring the rapid and ongoing rebound for certain brands and trending styles.

In particular, as we have discussed with you on prior calls, we've always been known for brands that are rooted in wellness, comfort and sport categories. And we know that that is very well-aligned with current consumer preferences and the changing cultural landscape.

As we just mentioned, consumers are much more comfortable getting out and about, and as a result, we were encouraged by the monthly improvement as we progressed throughout the quarter, market share gains in certain growth categories and even more interestingly the early signs of strength of opened-up products that appeared in late April.

Several of our brand performances demonstrate these points. We are particularly enthusiastic about the recent results from our Vionic, Sam Edelman, Blowfish Malibu and Rykä brands. Given that fact, I'd just like to provide a little bit more color on each of those.

Vionic returned to its strong growth track and it's developed and emerged as our largest brand in our portfolio, highlighting the company's capability to curate, nurture and develop strong new brands. During the quarter, Vionic experienced a significant improvement in its ecommerce sales, which were up 122% compared to the same period in 2019.

Vionic also delivered stronger margins during the quarter as promotional activity waned and made way for more full-priced selling. Furthermore, Vionic's beach line of sustainable California lifestyle product hit the market with early success and is currently sold out. As planned, this new line has provided Vionic access to a large and growing segment of the footwear market.

Turning now to Sam Edelman, as we highlighted last quarter, this brand remains a central part of the Brand Portfolio, and over the years has shown its ability to ship with consumer preferences and behaviors and provide

Copyright © 2001-2021 FactSet CallStreet, LLC

its consumer with new and fresh styles she desires every year. For example, the brand gained share in the casual athletic category, where it was lagging pre-pandemic. Now that the consumer is spending more on in-person social events and occasions, we will likely see another step-up in its performance as she gravitates towards the great fashion that Sam Edelman is known for.

During the first quarter, Sam built on its late 2020 performance, executing on its strategy, delivering compelling new products, driving strong digital improvement across all metrics and reestablishing its position in the marketplace. During the period, samedelman.com delivered significant improvement in demand, margin conversion and traffic and launched its first online catalog.

Now, let's talk about two emerging growth brands, Blowfish Malibu and Rykä that should allow us to continue to expand our vertical integration at Famous Footwear as they represent a great fit with the Famous consumer. In the sports fashion category, Blowfish Malibu started the year strong, delivering sales and earnings growth. In fact, Blowfish sales increased approximately 50% when compared to the first quarter of 2019. We expect Blowfish will continue to resonate with the younger consumer, particularly in the 18 to 24-year-old segment.

And finally, turning to Rykä, our athletic brand made for women, which has benefited from the shift to more casual styles and a focus on health and wellness, the brand has acted quickly to ensure it furthers its growth, expand its distribution and remains a strong player in the category. We believe that Rykä consumer is stronger than ever before and we're engaging her in unique and relevant ways on social media. From inspirational workouts from our Rykä ambassadors to Rykä-sponsored playlist and our [ph] Rykä tried (00:16:39) female empowerment series, she's double tapping and commenting now more than ever.

While these four brands have already displayed significant momentum, we expect the balance of the Brand Portfolio to follow suit as this year progresses and we see significant upside for many of our brands during this fiscal year.

As we discussed last quarter, there are a couple of brands in the portfolio that were impacted in a disproportionate manner in recent quarters, namely Naturalizer and Allen Edmonds. And over the next several months, we plan to continue to take the steps necessary to accelerate their rebound. While Allen Edmonds will certainly benefit as consumers return to the office, resume travel and attend social outings, we will also continue to build on our efforts to appeal to new consumers, provide the Allen Edmonds consumer with a great experience across all channels, and balance out the product line with additional casual and sport offerings.

This year, we still plan to reach 50% penetration from these categories and are pleased with the ongoing response on these key casual styles. Moreover, we are encouraged by the early positive signposts that emerged in late April, which included better-than-anticipated sales levels, improved margins, higher AURs and an increase in new customer acquisition.

While the early stages of the rebound have been uneven, we continue to expect that we will see ongoing improvement as we progress through the year. We believe the portfolio is well-positioned to capitalize on the new dynamics in the marketplace and to take significant step-up in contribution, reaching 2019 operating earnings levels in the year's second half, thus setting the stage for further expansion in 2022 and beyond.

So, in summary, we came out of the gate strong, but we fully understand there's still work to do this year. We are agile, we're focused and poised to lean in to the robust momentum at Famous. Our enhanced direct-to-consumer capabilities and our data-derived consumer insights to drive greater consumer alignment engagement, while at the same time making sure that we maintain our balanced and disciplined approach to capital allocation.

Copyright © 2001-2021 FactSet CallStreet, LLC

We are confident in the strategy that we have in place for value creation and believe that we are uniquely positioned to capitalize on the accelerated rebound in the marketplace and to chase and capture market share opportunities as they develop throughout the balance of 2021.

And I just want to add my thanks to the entire Caleres team, as always, because it really takes everybody working together as one Caleres to make sure that we deliver these kind of results.

And with that, I'd like to now turn the call over to Ken for a financial review.

Kenneth H. Hannah

Chief Financial Officer & Senior Vice President, Caleres, Inc.

Thank you, Diane, and good morning, everyone. I'm very encouraged by our first quarter results, where the teams exceeded 2019 earnings levels, improved our gross margins and maintained and improved working capital and expense position. I'm pleased to report that in addition to the strong performance on the operating side of the house, we also continue to advance our ongoing efforts to strengthen our financial foundation. As we've stated in previous periods, our top priority for cash remains debt reduction, and we've made excellent progress towards that objective in the quarter.

In total, we paid down an additional $50 million in debt during the period, and believe we are well positioned for further reductions as the year progresses. We believe this ongoing effort to, in effect, swap debt for equity will drive greater value for our shareholders in future periods.

I will remind you that our senior notes are callable at par in August of this year. As a result, it's important to note that the incremental reductions after the second quarter of 2021 will go to reduce our higher costs senior notes which, net-net over the course of the year, will drive a further reduction in our interest expense.

In addition, during the first quarter, we continued to return capital to shareholders through our recurring dividend, which, as you all well know, we maintained through the depths of the pandemic. We believe this is emblematic of our firm commitment to rewarding our shareholders for their strong and ongoing support of our business and their confidence in our long-term prospects for value creation and growth. This morning, we announced that our board of directors approved our 393rd consecutive quarterly dividend, which will be paid on June 30 of 2021 to shareholders of record as of June 11.

Now, let's look at our financial performance in a bit more detail. For the most part, my comparisons are going to be to 2019. For the first quarter, we delivered $638.6 million in sales, including a record first quarter sales performance in our Famous Footwear segment and better-than-expected sales performance in our Brand Portfolio segment.

As Diane mentioned, improved consumer confidence due to the ongoing successful rollout of the vaccine and the government stimulus resulted in incremental sales of Famous Footwear. Additionally Brand Portfolio sales of $250.3 million during the first quarter were $90.7 million lower than the 2019 comparison period, of which $25 million was attributed to the brand exits announced in late 2019 and early 2020 as well as the closing of our Naturalizer retail stores, which we completed in the first quarter.

As a reminder, the Brand Portfolio sales in each quarter of 2019 were between $35 million and $40 million for these exited brands and retail doors. Our consolidated adjusted gross margin was 43%, up 70 basis points from the first quarter of 2019.

Copyright © 2001-2021 FactSet CallStreet, LLC

Famous Footwear had a gross profit margin of approximately 45.2% in the first quarter. This 181-basis-point improvement from 2019 was driven primarily by less promotional activity during the period and improvements in both brick-and-mortar and ecommerce margins.

Brand Portfolio first quarter gross margin of 37.6% was 171 basis points lower than the first quarter of 2019, reflecting the final liquidation and closing of the remaining Naturalizer stores, where products were sold at prices lower than originally anticipated. As I mentioned earlier, all scheduled Naturalizer exits were completed in the first quarter.

Our first quarter SG&A expense was $243.5 million during the period. This level included incremental expense related to additional performance-based and share-based compensation associated with our improved operating and stock price performance.

The company generated a little over $70 million of cash from operations in the first quarter, and as we discussed, use that cash to reduce our debt levels further. All told, we ended the quarter with a solid liquidity position, consisting of approximately $100 million of cash on hand and $400 million of capacity on our asset-based revolving credit facility.

As Diane outlined, Blowfish Malibu turned in another strong quarter and furthered its growth story. We will be finalizing the mandatory purchase obligation of Blowfish Malibu in the third quarter of 2021 and we expect to fund this final obligation from cash on hand.

Our inventory at the quarter end was down 31% compared to the first quarter of 2019 and included a 25% decline in Famous Footwear and a 41% decline for the Brand Portfolio. Our Brand Portfolio inventory for their ongoing businesses was down approximately 32% from the first quarter of 2019.

As we look to the rest of the year and we continue to work to align our inventory levels with a stronger than expected consumer demand, we expect there will be ongoing delays as the global supply chain struggles to recover. To that end, we will be hyper focused on managing these challenges, optimizing and maximizing our current inventory, emphasizing our trending brands and brands with trending styles and taking appropriate actions in order to drive ongoing improvement.

While we remain highly confident in the direction of the business, the pace and consistency of the ongoing rebound is still uncertain. However, we do have some reasonable visibility around the second quarter and we expect to deliver sales between $625 million and $650 million, or essentially flat to the first quarter of 2021 due to the pull forward of sales related to government stimulus actions, removal of certain government restrictions and improved consumer trends. Our SG&A expense is expected to be relatively consistent with the first quarter of 2021. And with that, we expect to deliver adjusted earnings per share of between $0.50 and $0.55 per share.

In closing, the progress we have made is significant. Our business is nimble, our team is committed and our foundation is strong. In the near term, as we move through this rebuilding year, we will continue to fine-tune our approach to adjust to and to capitalize on this ever-changing marketplace. At the same time, we will prioritize cash flow and liquidity, place a high degree of focus on our long-term strategic objectives, continue to invest for future growth and create long-term and sustainable value for our shareholders.

With that, I'd like to turn the call over to the operator for questions. Operator?

Copyright © 2001-2021 FactSet CallStreet, LLC

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Laura Champine with Loop Capital. Your line is open.

Laura Champine
Analyst, Loop Capital Markets LLC

Q

Thanks for taking my question. Great result in margins. The one area that ticked up more than we thought it would was the unallocated expense line. Is that just corporate expense? And what drove the significant increase on that line?

Kenneth H. Hannah
Chief Financial Officer & Senior Vice President, Caleres, Inc.

A

Yeah, Laura. So, our record-setting performance and the timing of that as a much larger percentage of our earnings in the first quarter and so, as we mentioned, we have exceeded our plans and expectations. So, that's incremental stock-based performance and share-based plan expense.

Laura Champine
Analyst, Loop Capital Markets LLC

Q

Okay. Got it. Is there any update you can provide on the potential sale of your headquarters building?

Kenneth H. Hannah
Chief Financial Officer & Senior Vice President, Caleres, Inc.

A

We've – we went through a process. It's been formally put on the market. I guess that all went out about a week ago officially.

Diane M. Sullivan
Chairman & Chief Executive Officer, Caleres, Inc.

A

Week-and-a-half ago. Yeah.

Kenneth H. Hannah
Chief Financial Officer & Senior Vice President, Caleres, Inc.

A

And we're going through the process of providing folks tours of the property and providing information.

Laura Champine
Analyst, Loop Capital Markets LLC

Q

Got it. Any sense you can give on what the asking price might be there?

Kenneth H. Hannah
Chief Financial Officer & Senior Vice President, Caleres, Inc.

A

No, I think we'll see what the bids come in. We should have an idea by the end of the second quarter kind of what that might be. And then we'll qualify the appropriate buyers and try to move forward. At the same time, we're – Diane and I are looking at opportunities here in the market for a new headquarters. So, there's lots of work going

Copyright © 2001-2021 FactSet CallStreet, LLC

on. Obviously, we're hoping to take advantage of what is a highly desirable piece of property right here in the heart of Clayton.

Diane M. Sullivan
Chairman & Chief Executive Officer, Caleres, Inc.
A

It'll be the best of both worlds, Laura, if we can – if we – when we get it all complete, because it'll be – will enhance our ability to sort of reduce our footprint here, where we don't really need all the space and at the same time create a new workspace of the future somewhere else. So, I think it's very exciting on so many fronts on that. So, keep your fingers crossed.

Laura Champine
Analyst, Loop Capital Markets LLC
Q

Got it. And then if I could just go back to the stock-based comp on the unallocated, is that a level that we should continue to see throughout the year or is this just a one quarter step-up?

Kenneth H. Hannah
Chief Financial Officer & Senior Vice President, Caleres, Inc.
A

No, I mean if you go back and, again, we're comparing to 2019 levels, which there was very little of that accrued, and so, it's a little bit of timing throughout the year. Obviously, with $0.60 of earnings in the first quarter when you compare that to prior years, that's quite a bit higher. So, that's a little bit of just timing in terms of how that expense would hit throughout the year and then the incremental is the part that for the year that would be above our baseline plans.

Laura Champine
Analyst, Loop Capital Markets LLC
Q

Got it. And if – it's basically gone up by $15 million on that one line year-on-year, is that all a bonus accrual or there's some other...

Kenneth H. Hannah
Chief Financial Officer & Senior Vice President, Caleres, Inc.
A

That all-in is bonus accrual both stock and deferred comp as well as profit sharing accrual.

Laura Champine
Analyst, Loop Capital Markets LLC
Q

Got it. Thank you.

Kenneth H. Hannah
Chief Financial Officer & Senior Vice President, Caleres, Inc.
A

Thank you, Laura.

Operator: [Operator Instructions] Our next question comes from Steve Marotta with C.L. King & Associates. Your line is open.

Steven L. Marotta
Analyst, C.L. King & Associates, Inc.
Q

Copyright © 2001-2021 FactSet CallStreet, LLC

Good morning, Diane and Ken. Congrats on a great first quarter. Diane, I can't [indiscernible] (00:31:33)

Diane M. Sullivan
Chairman & Chief Executive Officer, Caleres, Inc.
A

[ph] Morning, Steve. How are you? (00:31:33)

Steven L. Marotta
Analyst, C.L. King & Associates, Inc.
Q

I can't resist the urge to ask as far as quarter to-date goes, what are you seeing during the month of May? How did that differ, say, from the last few weeks of April?

Diane M. Sullivan
Chairman & Chief Executive Officer, Caleres, Inc.
A

Well, we fully expect that Famous' sales to be very close to 2019 levels and we honestly haven't seen that much of a shift in the last couple of weeks. So, right now, all continues to look encouraging.

Steven L. Marotta
Analyst, C.L. King & Associates, Inc.
Q

That's great. And maybe comment a little bit on the Branded – I can take a guess, but the Branded Portfolio's (sic) [Brand Portfolio's] order book. Obviously, there's a bit of a lag between what would be realized, say, at Famous on a retail unit basis...

Diane M. Sullivan
Chairman & Chief Executive Officer, Caleres, Inc.
A

Yes. Yes. Sure.

Steven L. Marotta
Analyst, C.L. King & Associates, Inc.
Q

...and what would be realized at Branded Portfolio (sic) [Brand Portfolio], but on the other hand maybe there is a tad bit more optimism on the part of...

Diane M. Sullivan
Chairman & Chief Executive Officer, Caleres, Inc.
A

Yeah.

Steven L. Marotta
Analyst, C.L. King & Associates, Inc.
Q

...wholesale accounts over the last four to six weeks.

Diane M. Sullivan
Chairman & Chief Executive Officer, Caleres, Inc.
A

Right. I'll give you a little perspective and then I'll ask Jay to comment, too. Obviously, going into this year, most of our retail partners did not plan to see the kind of consumer demand levels be where they're at today, and most were planning in the down kind of 15% to 20%. And as we've seen consumer come back with a vengeance, particularly in the month of late March and April, we've seen most of our retail partners looking for additional

Copyright © 2001-2021 FactSet CallStreet, LLC

inventory, we planned, as you could tell with our inventory levels, to turn being as productive as possible and make sure we were still chasing demand.

But, our order book for our second quarter right now looks about like where we had expected it to be. We still have the supply chain challenges with late goods here and there, but believe that again back – as we turn the corner to the back half of the year, our expectation is that we're going to return to 2019 operating earnings levels. But Jay, maybe a little bit on what you're seeing on the demand side.

John W. Schmidt
President, Caleres, Inc.
A

Yeah. For sure as Diane mentioned, we are seeing a lot more optimism forward and we are chasing good within that timeframe for them. But certainly we've seen sales continue strongly particularly in the sandal category, which is great to see.

Steven L. Marotta
Analyst, C.L. King & Associates, Inc.
Q

And Jay, hello. Thank you for that.

John W. Schmidt
President, Caleres, Inc.
A

Hello.

Steven L. Marotta
Analyst, C.L. King & Associates, Inc.
Q

Ken – I think Ken mentioned as far as the supply chain goes, and forgive me I missed the timing of it, you alluded to when you thought it would be a little bit more freed up, more not that kind of backlog. Did you say by the end of summer or by the end of the third quarter? I didn't get that.

Kenneth H. Hannah
Chief Financial Officer & Senior Vice President, Caleres, Inc.
A

Yeah. We didn't say specifically. We're just highlighting that it continues to be delayed. And certainly as we go through the – probably the most uncertain thing around the second quarter is really when will everyone actually go back to school, and then from a Famous perspective, will we have enough of the goods come in to really support what we believe is going to be a great back to school season. Obviously, in the second quarter, the last couple of weeks in historical years has been a big piece of that. So, obviously we're waiting to see when everyone will actually go back to school and start and how that will impact Q2 versus Q3.

Where – I think with everything that we've seen that the delays do not get resolved in the second quarter. They'll likely go into the third quarter. And the teams have done a great job managing through that, that certainly we're trying to take the inventory we have and do the best we can with it. And Jay is working with the teams to try to move things around to support the demand. But it's really about an opportunity as to get back to school is as good as it could be. How far will the supply chain be caught up to be able to support it and that's really the uncertain aspect of kind of our view on Q2.

Steven L. Marotta
Analyst, C.L. King & Associates, Inc.
Q

Copyright © 2001-2021 FactSet CallStreet, LLC

Yeah. No, I completely get that. That is a huge timing issue across the industry. And I'll take the balance of my questions offline. Thank you all.

Diane M. Sullivan
Chairman & Chief Executive Officer, Caleres, Inc.

A

Thank you, Steve.

Kenneth H. Hannah
Chief Financial Officer & Senior Vice President, Caleres, Inc.

A

Thank you, Steve.

Operator: There are no further questions in queue at this time. I'll turn the call over to Diane Sullivan for closing comments.

Diane M. Sullivan
Chairman & Chief Executive Officer, Caleres, Inc.

Thanks, everybody for joining us and have a wonderful Memorial Day weekend. And we will see you in August, just not before. Take care.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2021 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.