



Caleres Inc.

First Quarter 2025 Earnings Call

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C O R P O R A T E P A R T I C I P A N T S

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P R E S E N T A T I O N

Operator

Greetings and welcome to Caleres First Quarter 2025 Earnings Conference Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Liz Dunn, Senior Vice President, Corporate Development and Strategic Communications. Thank you. You may begin.

Liz Dunn

Thanks, Bob. Good morning and thank you for joining our first quarter 2025 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 several risks and uncertainties. Actual results may differ materially due to various risk factors, including those disclosed in the Company's Form 10-K and other filings with the U.S. 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.

In discussing our operational results, we will be providing and referring to certain non-GAAP financial measures. Additional details on these measures as well as others featured in today's earnings release and presentation are available at caleres.com. The Company undertakes no obligation to update any information discussed in this call at any time.

Joining me today are Jay Schmidt, President and CEO, and Jack Calandra, Senior Vice President and CFO. Our call will begin with prepared remarks followed by a Q&A session to address any questions you have.

With that, I will turn the call over to Jay. Jay?

Jay Schmidt

Thank you and good morning everyone.

Earlier today we reported first quarter sales and earnings. While our brands continue to resonate with consumers and both segments of our business gained market share in the period, our first quarter results fell short of expectations. February sales were particularly weak, and although trends improved in March and in April, overall performance was below plan. Furthermore, operating earnings were pressured by lower gross margins, increased reserves and costs to cancel and move inventory.

Despite the weak quarter, we did experience improving momentum at retail and growth in our strategically important international business.

The operating environment has become more challenging and we must redouble our efforts to drive growth and profitability. In the near term, we are focused on controlling what we can control, including optimizing our sourcing strategy. Additionally, we expect to decrease SG&A by \$15 million on an annualized basis through structural expense cuts. We are viewing this as an opportunity to strengthen Caleres and position our company for the future.

Turning now to the results, in total for the first quarter we achieved adjusted earnings per share of \$0.22. Our first quarter sales declined 6.8% year-over-year. Sales were below plan but lower growth margin drove most of the bottom line miss. Our Q1 results include several larger-than-planned impacts related to tariff escalation and sourcing disruption, higher than planned inventories and worsening customer credit issues.

I want to take a moment to detail some of the items affecting profitability in the quarter. First, on sourcing, following the Executive Order on tariffs in early April, we acted quickly to pause our production in China. Depending on where items were in the production cycle, we either canceled, paused or relocated manufacturing. As you can imagine, each of these decisions had associated costs that impacted the quarter. Jack will talk more about our mitigation strategies, but in total we believe sourcing disruption had a minimal impact on sales but reduced gross margin profit by nearly \$1.9 million during the quarter.

Turning to our inventory position, as sales trends softened late last year and into the first quarter, our outlook shifted and we could not adjust our inventory flow quickly enough to match the lower demand coming from some parts of the Brand Portfolio. While the excess inventory is largely current and came in before April, thus avoiding the latest tariff, these higher inventory levels required additional markdown reserves. Markdown reserves impacted the quarter by about \$2.3 million as compared with last year.

Finally, we saw standing customer credit concerns this quarter and added bad debt writedowns which hit profit by almost \$3.1 million as compared with last year.

We are taking multiple actions to offset additional sourcing costs and improve our financial performance, including sourcing migration, price increases and expense reduction.

Now, let's review each of the business segments.

Brand Portfolio sales declined 6.9% in the quarter with similar softness seen across all channels. However, according to Circana, our Brand Portfolio gained market share in women's fashion footwear during the period. Consumer demand remained solid in key categories including fashion, flats, sandals, and sneakers, while dress styles were more challenged.

Lower product margins, costs relating to canceling or moving goods and higher inventory reserves pressured the Brand Portfolio gross margin and resulted in a 280 basis point decline versus last year.

Our four lead brands, which include Sam Edelman, Allen Edmonds, Naturalizer and Vionic, represented about 60% of sales and 80% of operating earnings in the quarter. While sales were down for lead brands in total, they outperformed the other brands in the portfolio.

Our Sam Edelman brand delivered a solid quarter, marked by sales growth domestically and double-digit growth internationally. We saw improvement in our business in China driven by strong response to our sneaker assortment, and expansion in the brand's global footprint through new marketplace partnerships and growth in the Middle East. Sam Edelman was well positioned with key trends this season including raffia, jellies, footbed sandals and slides, all while continuing to grow its sneaker business. Both wholesale and direct-to-consumer channels posted growth in the quarter.

At quarter end, we had 106 stores, 56 owned and 56 franchise, with 102 of them located internationally.

Allen Edmonds experienced a softer quarter from a demand standpoint. The consumer here continues to respond to newness across all channels and newness in our owned retail stores outperformed total store performance by 10 points. Growth in rubber soled Verse casuals and sneakers was offset by softness in leather soled dress shoes. Retail trends, however, were meaningfully impacted in April by financial market volatility, but we've seen some rebound as markets stabilized.

In first quarter, Allen Edmonds opened three additional Port Washington Studio Stores, bringing the total to 15. These stores continue to outperform the fleet by 300 to 400 basis points. We also opened a new Outlet store in Charlotte, North Carolina. We plan to open a small number of Allen Edmonds Outlets in the future to more effectively clear end of season goods.

At the end of the quarter we had a total of 57 stores.

Our Naturalizer brand had a down quarter but maintained its market share. Sneakers and casuals grew in penetration to the total and sandal styles were up, led by strong performance from new footbed styles. While Naturalizer.com saw lower sales in the quarter, conversion was up double digits. We are also seeing growth with our largest wholesale partners. As a reminder, Naturalizer invested in its first shop-in-shop at Macy's Herald Square last October. This elevated, modern shopping experience drove over a 50% sales increase in the first quarter and is on track to be the number one Naturalizer location globally.

Our Vionic brand declined year-over-year due mostly to timing issues but was slightly better than our expectations. The brand shifted some deliveries into fourth quarter to fuel and event at Nordstrom, and shifted a catalog drop from Q1 to Q2. Our walking category sales grew over 100% to last year, driven by a walking campaign in February and the launch of three new walking styles. We also saw encouraging early results in sandals supported by new styling and enhanced footbed technology.

In March, Vionic announced Gabi Reece as the brand's first wellness ambassador. Her consumer facing campaign will begin this fall with a special edition collaboration dropping in early spring 2026.

Finally, I do want to touch on our planned acquisition of Stuart Weitzman. As I said when we announced the transaction, this brand is a strategic fit for Caleres for several reasons. We love its premium positioning and we have proven an ability to operate profitably in the accessible luxury lane with our Veronica Beard and Vince licensed businesses. We see the higher end consumer as more resilient longer term, and we view Stuart's strong direct-to-consumer presence and international footprint as important strategic advantages. We continue to believe we are the right owners for this asset and we are excited about its future at Caleres. We are also engaging an external firm to ensure we integrate the business well and capture all the synergies. This work will also include ways that Caleres can work more efficiently as a portfolio company. We look forward to giving you an update after we close the transaction, which is expected later this summer.

Moving on to Famous Footwear, total sales were down 6.3% during the first quarter while comp sales declined 4.6%. As previously noted, February was significantly down, however, we saw sequential improvement in March and in April. E-commerce sales were up 2.5% in the quarter and gross margins declined 80 basis points with more promotional days mostly concentrated in February, and higher freight costs.

Men's, kids and accessories outperformed the total, while women's underperformed. By category, we saw relative strength in athletics.

Within the strategically important kid's category, Famous gained 0.5 points of market share in shoe chains, while total Famous gained 0.2 points. Kids' penetration was 21% in the quarter with sales exceeding the total chain for 16 of the last 17 quarters.

And finally, Caleres owned brands outperformed at Famous in the quarter with notable increases from both our Blowfish and our Ryka brand.

We continue to enhance the consumer experience at Famous. At the end of first quarter, we had 44 FLAIR locations in total. We saw an 8 point sales lift versus the rest of the chain for stores converted in the last year, and a 3 point lift for all FLAIR stores. FLAIR is helping to attract more elevated product and brands, and our Famous consumer is responding. We've already added two FLAIR stores this quarter and expect to add seven more by July, bringing our total to 53 stores heading into Back-to-School.

Speaking of elevated brands and products, many of you have already noticed that we launched Jordans in 147 stores in mid-May. We supported the launch with bold exterior signage, branded fixtures, full family displays at our FLAIR locations, and geotargeted messaging. We look forward to rolling the brand out to all stores for Back-to-School across men's, women's, kid's and accessories. The brand is currently exclusive to Famous in the shoe chain channel. Early selling is very encouraging and we look forward to even strong results with our national marketing campaign during Back-to-School.

In addition to Jordan, we are well positioned for Back-to-School with expanded or new assortments from Nike, Adidas, Birkenstock, New Balance, Brooks, Timberland, and Sorel, as well as Frye which arrives later in Fall.

In summary, the strength of athletic, kids, our FLAIR results and the brand and product lineup make us feel cautiously optimistic. We believe Famous' inherent competitive advantages, namely its leadership position with the millennial family—especially kids—coupled with its clear avenues for growth and support from the Caleres structure position the business to gain additional market share in shoe chains, generate robust levels of cash and increase profitability over the long term.

As we look ahead, we are confident in our ability to get back on track, execute our strategic plans, invest to fuel our growth initiatives and drive sustained value for our shareholders.

With that, I will now hand it over to Jack for a more detailed view of our financial performance. Jack?

Jack Calandra

Thanks Jay, and good morning everyone.

During today's call, I'll provide additional details on our first quarter results and some color on 2Q quarter-to-date performance. Please note my comments will be on an adjusted basis.

For the first quarter, sales were \$614.2 million, down 6.8%. This was below our expectations for sales down 5% to 6%.

Brand Portfolio sales were down 6.9%. Tariff-related challenges and other discrete items adversely impacted the comparison to last year by about \$7 million.

Famous sales were down 6.3%, with comparable sales down 4.6%. Comparable sales declined low double digits in February and improved to a low single-digit decline for the combined March/April period.

Consolidated gross margin was 45.4%, down 150 basis points to last year and was driven by lower margins in both segments.

Brand Portfolio gross margin was 43.8%, down 280 points to last year as a result of lower initial margins, costs associated with canceling and moving production out of China and higher reserves for inventory markdowns.

Famous gross margin was 45.3%, down 80 basis points to last year, due to more days on promotion and higher shipping costs, partially offset by lower clearance sales and a higher clearance margin. We continued to utilize our BOGO promotion during key selling periods.

SG&A expense was about flat year over year at \$266.5 million. As a percentage of sales, SG&A was 43.4%, up 300 basis points versus last year. On a dollar basis, continued investment in our international business and higher depreciation for store and IT investments was offset by lower marketing spending and incentive compensation expense.

Operating earnings were \$12.2 million, and operating margin was 2%. Operating margin was 5.9% at Brand Portfolio and 1.5% at Famous.

Net interest expense was \$3.8 million, about flat to last year. Higher average borrowings were offset by a lower weighted average borrowing rate.

Earnings per diluted share were \$0.22 versus \$0.88 last year.

Trailing 12-month EBITDA was \$187.9 million and 7% of sales.

Turning to the balance sheet and cash flow, we ended the first quarter with \$258.5 million in borrowings, up \$67.5 million to last year, and no long-term debt. Debt to trailing 12-month EBITDA was 1.4 times.

Inventory at quarter end was \$573.6 million, up \$43 million and 8.1% to last year.

Inventory was up slightly in Famous and included a build for the May 17 launch of the Jordan brand.

Inventory was up 20% in Brand Portfolio with the increase coming from fall 2024 carry-forward product and current spring styles. We've accrued markdown reserves as appropriate for slow-moving spring inventory that we expect will be needed to close that product at the end of the season.

Cash flow from operations was a negative \$5.7 million as a result of lower net income and higher inventory levels.

Now, a few comments on the impact of tariffs and how we are managing the volatile environment.

First, as it relates to China, as previously discussed, the two original tranches of tariffs of 10% each imposed in February and March were managed through a combination of factory concessions, lower gross margin and, to a lesser degree, select price increases. When the broader reciprocal tariffs and dramatically increased tariffs on China were announced on April 2, we paused all China production and took steps to move work-in-progress to other countries where it made financial sense to do so. When the tariff came down to 30%, we selectively released some goods where appropriate. We also took steps to further accelerate our move out of China and now expect about 10% of our dollars sourced to come from China in the back half.

As it relates to the rest of the world, the additional 10% tariff is being managed much like the initial China tariffs, that is through a combination of factory concessions, lower gross margin and select price increases.

As you all know, the situation remains fluid with the 90-day pause on the incremental reciprocal China tariffs lapsing in August, and the 90-day pause on reciprocal tariffs for the rest of the world expiring in July. We will remain nimble and we are well-positioned to operate in a variety of different sourcing environments. However, given the continued uncertainty, we are suspending guidance at this time. That said, we are providing the following information about 2Q quarter-to-date performance.

For Famous, comparable sales are slightly better than 1Q's down 4.6%. For Brand Portfolio, we've seen a modest increase versus last year in direct-to-consumer sales, which represent about one-third of this segment's sales. That said, the larger domestic wholesale order book is fluid as we rebalance the country sourcing mix and customers reconfirm orders at the new, higher prices.

Finally, as Jay referenced, we are also executing a structural cost initiative that will result in \$15 million of SG&A savings on an annualized basis and \$7.5 million in the back half of 2025.

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

Operator

Thank you. At this time we'll be conducting a question-and-answer session. If you'd like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. One moment, please, while we poll for questions.

Our first question comes from Dana Telsey with Telsey Advisory Group. Please proceed with your question.

Dana Telsey

Hi. Good morning everyone. A lot to unpack. As you think about the tariff headwinds and what was going on with the inventory now up around 8%, and you mentioned about higher prices, how are you thinking about the prices of your Portfolio Brands moving into the summer and into fall, what type of price differentiation is there? Then on the gross margin side of the business, particularly with Brand Portfolio, how do you think of that going forward, and would there ever be a time where maybe the weaker Brand Portfolio brands, do you ever think of a restructuring or exiting of any of those brands, giving bringing in the Stuart Weitzman, and you have the Veronica Beard and some of the other stronger brands?

And just lastly on the Famous Footwear business with Back-to-School, do you have the goods for Back-to-School? Was there any differentiation in brand performance of Famous from what had been in the recent past? And should I assume in suspending the guidance for now, the FLAIR stores, they remain at 44 for the year? Thank you.

Jay Schmidt

Okay. So first off, in our Brand Portfolio, as we quoted, we're making selective price increases. We're being taking a very thoughtful approach brand by brand and working with that, and those begin with Fall one receipts, so we haven't seen the effect of it. We do plan to manage that in real time with our key partners as well as ourselves, and we'll really find out more as we get them through the system, but we're trying to make them as low as we can. Obviously, we were working with our key factory partners to secure support on that and really help with that experience. That's really where we are on the subject right now. It's still very fluid and in motion as we speak.

In terms of the Brand Portfolio brands, we do see the lead brands getting stronger as a percent to total, but we do have work to do across the board. We don't have anything to announce on that, but we are obviously good portfolio managers and we'll continue to review it as we go through, but again, we are in this moment right now where it's very fluid.

Then finally, your question about Famous Back-to-School, so far we're in a pretty good position as we look at what's coming in for back to school. We haven't been informed of any major cancellations that are material to Famous right now, as many players were well in advance of that and we have been building inventory for it. I think across the board, we did see a similar thing in Famous where our key brands and our stronger brands continue to outperform the total, so that gives us encouragement as we bring in new brands like Jordan.

I think then finally, we will have—we are in the middle of bringing the FLAIR stores—we're going to be at 53 walking into the Back-to-School period. Those were already in motion, and we continue—and I think Jack mentioned this—we'll continue to review capital as we go forward, and really making sure we're getting all the value for everything we invest in.

Dana Telsey

Thank you. Then just a quick follow-up on the strategic expense cutting, I think \$15 million on an annualized basis. What is being adjusted and do you see the \$7.5 million for the \$25 million, does it flow through evenly in the third and fourth quarter, or is there some that would flow to the second quarter too? Thank you. Yes.

Jack Calandra

Hi, Dana. It's Jack. Thanks for your question. What we can share at this time, first of all, I would say these reductions are permanent and structural in nature so they will continue to carry forward. As you noted, it's \$15 million on an annualized basis. We expect that those savings will begin in the third quarter and should be spread evenly between the third and fourth quarter, and that will be \$7.5 million in the back half of 2025.

We're also bringing in a partner to help us integrate Stuart Weitzman, and as part of their remit and scope they will also be looking for greater efficiencies across the Company in addition to what we've identified internally. So, we think there is likely going to be more opportunity but right now what we can commit to is the \$15 million on an annualized basis, and that will be in SG&A specifically.

Dana Telsey

Thank you.

Operator

Our next question comes from Laura Champine with Loop Capital Markets. Please proceed with your question.

Laura Champine

Thanks for taking my question. I certainly heard that I think quarter-to-date Famous is tracking down a little bit better than the Q1 result, but I think a fair number of us are excited about the Jordan launch. Was there a significant shift in trend then? And given that it should be in place for all of Back-to-School, how excited should we be about that?

Jack Calandra

Yes. Laura, this is Jack. I'll start. The launch was on May 17, so it's very new, obviously not in all of our stores, and I would say fairly limited marketing at this point. Obviously, as we get more into Back-to-School we will go into an all-store all-door format and have increased marketing.

We are obviously very excited about the potential for Jordan, especially given sort of the exclusivity we have in the family channel for the remainder of the year, but not much was obviously done so far in sort of May month-to-date.

Laura Champine

Got it. Understood. I think on the tariff front, obviously, we got news yesterday. Does that change your plan? If the tariffs that are incremental this year do go away, does that percentage shift back up in China?

Jay Schmidt

Yes. Currently we are on our current plan and we've made no change to make that. Obviously, this is a great example of how fluid everything is and we will be watching it in real time, but until everything is finalized, we will not really significantly adjust. We feel very good about the movement that we made in our best factory partners. As you know, we've been working on it a long time and we feel good where everything is placed currently, and that's our position for the moment.

Laura Champine

Got it. Any more color you could give on the comment that wholesale is fluid at Brand Portfolio. Does that mean fluid negative? Any additional color you could give would be helpful.

Jay Schmidt

On the second quarter, Laura?

Laura Champine

Correct. Just Q-to-date.

Jay Schmidt

Yes. I did mention that we saw improving retail trends, and we have seen that come into May, which is helpful. But again, with all of the shifts and moves that are currently underway, we just really are characterizing what we know right now, which is our direct-to-consumer business. But certainly we'll be managing this in real time. The improving retail trends, as we all know, give you a lot to work with and I'm seeing that good for the piece of it.

We also did see in the Brand Portfolio improved sandal selling, which is really that's the first time we've seen it this quarter—this spring so far. So really, that's betterment that's coming through there while the other categories are still working.

Laura Champine

Understood. Thank you.

Jay Schmidt

Mm-hmm.

Operator

Our next question is from Mitch Kummetz with Seaport Research. Please proceed with your question.

Mitch Kummetz

Yes. Thanks for taking my questions. Let me start with the Jordan introduction. I know it's 10-plus days in 147 stores, that's a pretty small sample size. But Jay, you characterized, kind of early trends as encouraging. I don't know if you can say anything more than that, kind of what lift those stores got over that period based on Jordan?

Jay Schmidt

I don't think we can we have that much data to really pull that lift together, but what I will tell you is, is that we did see we're excited about Jordan, and we did see some of the selling come through in the small sample set. Men's and boys' are tracking extremely well, as are accessories. We have seen by door some very strong sell-throughs on it, which I think are very encouraging, but we're really looking at it in that moment. I think, Mitch, it was one of the reasons that we were excited for it.

The other thing is that the retails are for a lot of the sneakers around \$100 which is a really nice ticket for us to come through on, and it's very representative of our movement of what we feel Famous—the consumer is moving toward that direction, and we're very excited that we have a great brand partner that is moving with us on that.

As we said, the product is rolling in. We will be in all doors for the Back-to-School period, but particularly interested in seeing the men's and boy's pop up, which really is exciting. Then also, the backpack business has been very good out of the gate too, so that's exciting also in that accessory category.

Mitch Kummetz

When you say all doors for Back-to-School, I kind of think of Back-to-School starting sort of mid-July. Is that when we would see that? Is there sort of a date that we can think about?

Jay Schmidt

Yes. That's really where our big Back-to-School weeks are. There are some markets that open early and those will be supported in that similar way as we roll it out. But really mid-July is where the big weeks are and that's when you'll see the most of it. But again, super exciting and really looking forward to it coming through in all doors.

Mitch Kummetz

On the tariffs, I guess as of yesterday, they're blocked for now. I'm just curious when you guys are clearing customs today, tomorrow, are you paying no tariff then? How do we think about that?

Jay Schmidt

I think maybe in a couple of hours, we might be able to answer that in a slightly better way. But seriously, it's very new and I think we're still—it's in the courts right now and we're trying to get as many answers to it right now as you can imagine we are, but it is certainly an example of how fluid this moment is. That's what we know right this minute.

Mitch Kummetz

You outlined a few cost impacts on the quarter. I think it was \$1.9 million on the sourcing, \$2.3 million on the inventory reserves. I think it was \$3 million on bad debt. How do we think about those? I know you're not giving guidance, but how should we think about those pieces moving forward?

Jack Calandra

Yes, Mitch, this is Jack. I would say on the tariff-related piece, I mean that's really going to be the TBD amount based on, it was really a pretty limited tariff impact, which was some order cancellations, you know, customers canceling orders from us but then also us canceling some production of work-in-progress that requires debit notes to our core factories. So, there's that piece.

I think on the inventory reserves, we believe we've taken the reserves that we need for the Spring '25 product. I would expect that we should be in pretty good shape on that. We'll continue to work those inventories down. I do think those inventories will continue to be probably elevated into 2Q EOQ and getting them to a more stable level, if you will, by the third quarter.

The customer credit issues are—I would say, we watch them very closely. We get credit reports on all of our customers. We have a sort of a policy and a procedure that we follow in terms of booking credit reserves based on those credit ratings. Obviously, when we see customers start to have credit ratings deteriorate or becoming slower on payments, we will adjust the credit limits for those customers. But I think it's really going to depend on how the tariffs flow through the economy, what the macro impacts are, and it certainly could have some continued but very specific impacts on certain of our customers.

Mitch Kummetz

Then maybe lastly on Brand Portfolio, I think if my math was right the SG&A dollars were up like \$5 million year-over-year, even though the sales were down. Was that the international investments? How should we think about kind of that piece of BP going forward?

Jay Schmidt

Yes, we it was mostly in the international was the biggest chunk of that. We continue, as I said, to see good growth coming out of it so it will have continued investment this year, but we really are trying to set that up for a really great 2026. Very encouraged about the sell-throughs that we're seeing. So, the operating piece is there, but of course it's more investment coming out of the gate than we can recapture all-in sales and profit at the moment.

Mitch Kummetz

All right. Thanks. Good luck.

Jay Schmidt

Thank you.

Operator

Our next question comes from Ashley Owens with KeyBanc Capital Markets. Please proceed with your question.

Chris Brazeau

Hey, thanks for taking our call. This is Chris Brazeau on for Ashley.

This might be hitting on some things you already talked about, but you cited the pressures on operating earnings during the quarter with the inventory movement and reserves. I think you mentioned 280 bps headwind to the Brand Portfolio from this. I was wondering if you could quantify how much of this was just one-time in nature, particularly related to positioning for tariffs and uncertainty there, versus how much might persist in the future quarters?

Jack Calandra

Yes. I think the way I would answer that, Chris, is to say that if I look at the decline, that 280 basis point decline, in order of materiality, I would say the first one is the higher reserves for inventory markdowns on Spring 2025 product. Again, we believe that we should be pretty well reserved for that at this point, so I wouldn't expect that to be a continued sort of headwind as we move forward into the second quarter.

The second item in terms of materiality was tariff-related cancellations and this was largely for both some sales, some order cancellations from customers, but as well as I mentioned those debit notes for canceled production, but that was sort of the second item in terms of materiality.

Then the third one was lower initial margins, and that's the piece that could continue a little bit as we go forward, but again, that was the smallest of the three pieces.

Chris Brazeau

Okay, great. I know you're not giving your full-year guide anymore, but any context you could provide on what you're assuming around the headwinds related to tariffs, related to what you've already planned and maybe how we should be thinking of the timing of those pressures?

Jack Calandra

No. Again, it's such a volatile environment. It's really hard to do that. But what I would say is, again, the strategies we put in place are really three-pronged, right? Which is one, to get our factory partners to absorb some of that and we've been successful in doing that both in China and in our factory partners in the rest of the world. Second piece is we will be certainly absorbing some of that in terms of lower gross margins. I would say, those first two things are probably in equal shares, if you will. And then a smaller piece is where we're looking to make these select price increases.

Chris Brazeau

Awesome. Thank you.

Jack Calandra

Thank you.

Operator

We have reached the end of the question-and-answer session. I'd now like to turn the call back over to Jay Schmidt for closing comments.

Jay Schmidt

Okay. Thank you. Before we close today, I would like to thank the Caleres team for their focus and their hard work during this quarter. Despite this setback, we are confident in our long-term plans and growth opportunities and I look forward to working closely with all of our team members to put them into action.

Thank you for joining us this morning and thank you for your continued interest in Caleres. Have a good day.

Operator

This concludes today's conference. You may disconnect your lines at this time, and we thank you for your participation.