

Brown Shoe Company Reports Fourth Quarter and Full Year 2014 Results

Release Date:

Wednesday, March 11, 2015 6:00 am CDT

Terms:

Dateline City:

ST. LOUIS

Delivered record FY'14 consolidated operating earnings

ST. LOUIS--(BUSINESS WIRE)--Brown Shoe Company (NYSE: BWS) (brownshoe.com) today reported fourth quarter 2014 financial results, with net sales of \$615.4 million up 2.6% versus fourth quarter 2013 net sales of \$600.0 million. Fourth quarter 2014 reported net earnings of \$16.2 million, or \$0.37 per diluted share, included \$0.17 per diluted share of adjustments, primarily related to the sale of Shoes.com in December 2014. Adjusted net earnings of \$9.0 million, or \$0.20 per diluted share, were up 45.5% compared to reported net earnings of \$6.2 million, or \$0.14 per diluted share, in the fourth quarter of 2013. Gross margin was flat year-over-year, at 40.2%, while operating earnings of \$12.7 million were up 24.7%.

For the full year, the company reported net sales of \$2,571.7 million up 2.3% versus 2013 net sales of \$2,513.1 million. Reported net earnings for 2014 were \$82.8 million, or \$1.89 per diluted share, versus \$38.1 million, or \$0.88 per diluted share, in 2013. Adjusted net earnings for 2014 were \$75.6 million, or \$1.72 per diluted share, and were up 23.0% compared to 2013 adjusted net earnings of \$61.5 million, or \$1.41 per diluted share. Gross margin was flat year-over-year, at 40.4%, while operating earnings of \$125.9 million were up 27.7%.

"Both of our business segments helped drive fourth quarter results, with Famous Footwear delivering strong same-store-sales growth of 4.0% while Brand Portfolio sales improved 5.4%. Both segments also delivered good improvement in adjusted operating margin for the quarter, with Famous Footwear up 90 basis points and Brand Portfolio adjusted operating margin up 160 basis points," said Diane Sullivan, CEO, president and chairman of Brown Shoe Company. "This is in addition to record adjusted operating earnings for 2014 and good year-over-year improvement in adjusted operating margin - up 80 basis points to 5.0%."

| <i>US\$M, except per share (unaudited)</i> | 13 Weeks 4Q'14 | 13 Weeks 4Q'13 | 4Q Change | 52 Weeks FY'14 | 52 Weeks FY'13 | FY Change |
|---|---------------------------|---------------------------|----------------------|---------------------------|---------------------------|----------------------|
| Consolidated net sales | \$ 615.4 | \$ 600.0 | 2.6% | \$ 2,571.7 | \$ 2,513.1 | 2.3% |
| Famous Footwear | 369.4 | 366.5 | 0.8% | 1,589.3 | 1,588.6 | 0.0% |
| Brand Portfolio | 246.0 | 233.5 | 5.4% | 982.5 | 924.6 | 6.3% |
| Gross profit | 247.4 | 241.4 | 2.5% | 1,040.1 | 1,014.3 | 2.5% |
| <i>Margin</i> | 40.2% | 40.2% | — | 40.4% | 40.4% | — |
| SG&A | 231.2 | 231.2 | 0.0% | 910.7 | 909.7 | 0.1% |
| <i>% of net sales</i> | 37.6% | 38.5% | (90 bps) | 35.4% | 36.2% | (80 bps) |
| Restructuring and other special charges, net | 3.5 | — | 100.0% | 3.5 | 1.3 | 176.1% |
| Operating earnings | 12.7 | 10.2 | 24.7% | 125.9 | 98.6 | 27.7% |
| <i>Margin</i> | 2.1% | 1.7% | 40 bps | 4.9% | 3.9% | 100 bps |
| Gain on sale of subsidiary | 4.7 | — | 100.0% | 4.7 | — | 100.0% |
| Net interest expense | (4.7) | (5.0) | (5.4%) | (20.1) | (20.9) | (3.9%) |
| Earnings from continuing operations before income taxes | 12.2 | 5.2 | 135.8% | 110.1 | 77.7 | 41.7% |
| Tax rate | (32.4)% | (14.8)% | 1760 bps | 24.7% | 30.6% | (590 bps) |
| Net earnings from discontinued operations | — | 0.2 | (100.0%) | — | (16.1) | (100.0%) |
| Net earnings | \$ 16.2 | \$ 6.2 | 163.5% | \$ 82.8 | \$ 38.1 | 117.6% |
| <i>Per diluted share</i> | \$ 0.37 | \$ 0.14 | 164.3% | \$ 1.89 | \$ 0.88 | 114.8% |
| Adjusted net earnings | \$ 9.0 | \$ 6.2 | 45.5% | \$ 75.6 | \$ 61.5 | 23.0% |
| <i>Per diluted share</i> | \$ 0.20 | \$ 0.14 | 42.9% | \$ 1.72 | \$ 1.41 | 22.0% |

Fourth Quarter Highlights

Famous Footwear fourth quarter 2014 sales of \$369.4 million were up 0.8% year-over-year, including Shoes.com through December 12, 2014. Excluding Shoes.com, fourth quarter sales were up 3.6%. For the quarter, same-store-sales were up 4.0%, with performance driven by continued steady improvement in athletics and good performance in boots. During the quarter, 13 stores were closed and 10 new stores were added.

Brand Portfolio sales of \$246.0 million were up 5.4% in the fourth quarter. Performance in the quarter was driven by a 22.8% improvement in Contemporary Fashion sales, offset by a 4.7% decline in Healthy Living sales.

Consolidated gross profit of \$247.4 million was up 2.5% in the fourth quarter, while gross margin was flat year-over-year at 40.2%. SG&A for the fourth quarter was \$231.2 million, or 37.6% of net sales, which was down approximately 90 basis points versus the prior year. For the quarter, adjusted operating margins improved approximately 90 basis points year-over-year to 2.6%.

Inventory at the end of the fourth quarter was \$543.1 million, down slightly from \$547.5 million in the prior year. Famous Footwear inventory was down 8.0%, while Brand Portfolio inventory was up 14.5%. At quarter-end, Brown Shoe Company had no borrowings against its revolving credit facility and had \$67.4 million of cash and equivalents. The company's debt-to-capital ratio improved to 26.9% from 30.1% in the fourth quarter of 2013.

Full Year Highlights

Famous Footwear reported full year 2014 sales of \$1,589.3 million, roughly flat year-over-year, including Shoes.com. Excluding Shoes.com, sales were up 1.1% in 2014, while same-store-sales were up 1.5%. During the year, 56 stores were closed and 50 new stores were added, as average revenue per square foot improved to \$215.

Brand Portfolio sales of \$982.5 million were up 6.3% over \$924.6 million in 2013. For the year, strong Contemporary Fashion sales growth of 20.0% was offset by a slight decline in Healthy Living sales of 1.6%.

For 2014, consolidated gross profit of \$1,040.1 million was up 2.5%, while gross margin of 40.4% was flat year-over-year. SG&A for 2014 was \$910.7 million, or 35.4% of net sales and down 80 basis points versus the prior year. For the year, adjusted operating margins improved by 80 basis points to 5.0%. Capital expenditures of \$50.0 million were up 1.7% from \$49.2 million in the prior year.

Financial Review and 2015 Outlook

"We're looking forward to following up a strong 2014 with additional growth in 2015, and we expect to deliver diluted EPS between \$1.78 and \$1.88 this year," said Ken Hannah, chief financial officer of Brown Shoe Company. "While we're confident about our 2015 strategy, we are also cautious about the potential for product delays in the first half of the year, as the west coast port situation is gradually untangled. However, we believe the supply chain changes we implemented last fall should help mitigate most of the impact."

| Guidance Metric | FY'15 |
|---------------------------------------|---------------------------------------|
| Consolidated net sales | \$2.61 to \$2.63 billion |
| Famous Footwear same-store sales | Up low-single digits |
| <i>Famous Footwear reported sales</i> | <i>Flat, due to sale of Shoes.com</i> |
| Brand Portfolio sales | Up mid-single digits |
| Gross margin | Up approximately 10 bps |
| SG&A | Less than or equal to 35.4% of sales |
| Net interest expense | ~\$18 million |
| Effective tax rate | 30% to 33% |
| Earnings per diluted share | \$1.78 to \$1.88 |
| Depreciation and amortization | ~\$53 million |
| Capital expenditures | ~\$75 million |

Investor Conference Call: Brown Shoe Company will host an investor conference call at 9 a.m. ET today, March 11, 2015. The webcast and slides will be available at investor.brownsne.com/news/events. A live conference call will be available at (877) 217-9089 for analysts in North America or (706) 679-1723 for international analysts by using the conference ID 94046375. A replay will be available for a limited period at investor.brownsne.com/news/events/archive. Investors may also access the replay by dialing (855) 859-2056 in North America or (404) 537-3406 internationally and using the conference ID 94046375 through March 25, 2015.

Definitions: All references in this press release, outside of the condensed consolidated financial statements that follow, unless otherwise noted, related to net earnings attributable to Brown Shoe Company, Inc. and diluted earnings per common share attributable to Brown Shoe Company, Inc. shareholders, are presented as net earnings and earnings per diluted share, respectively.

Non-GAAP Financial Measures: In this press release, the company's financial results are provided both in accordance with generally accepted accounting principles (GAAP) and using certain non-GAAP financial measures. In particular, the company provides historic and estimated future gross profit, operating earnings, net earnings and earnings per diluted share adjusted to exclude certain gains, charges and recoveries, which are non-GAAP financial measures. These results are included as a complement to results provided in accordance with GAAP because management believes these non-GAAP financial measures help identify underlying trends in the company's business and provide useful information to both management and investors by excluding certain items that may not be indicative of the company's core operating results. These measures should not be considered a substitute for or superior to GAAP results. Reconciliations to the applicable GAAP financial measures have been included in the attached schedules.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: This press release contains certain forward-looking statements and expectations regarding the company's future performance and the performance of its brands. Such statements are subject to various risks and uncertainties that could cause actual results to differ materially. These risks include (i) changing consumer demands, which may be influenced by consumers' disposable income, which in turn can be influenced by general economic conditions; (ii) rapidly changing fashion trends and purchasing patterns; (iii) intense competition within the footwear industry; (iv) the ability to accurately forecast sales and manage inventory levels; (v) political and economic conditions or other threats to the continued and uninterrupted flow of inventory from China and other countries, where the company relies heavily on third-party manufacturing facilities for a significant amount of its inventory; (vi) cybersecurity threats or other major disruption to the company's information technology systems; (vii) customer concentration and increased consolidation in the retail industry; (viii) a disruption in the company's distribution centers; (ix) foreign currency fluctuations; (x) additional duties, quotas, tariffs or other trade restrictions; (xi) compliance with applicable laws and standards with respect to labor, trade and product safety issues; (xii) the ability to recruit and retain senior management and other key associates; (xiii) the ability to attract, retain and maintain good relationships with licensors and protect intellectual property rights; (xiv) the ability to secure/exit leases on favorable terms; and (xv) the ability to maintain relationships with current suppliers. The company's reports to the Securities and Exchange Commission contain detailed information relating to such factors, including, without limitation, the information under the caption Risk Factors in Item 1A of the company's Annual Report on Form 10-K for the year ended February 1, 2014, which information is incorporated by reference herein and updated by the company's Quarterly Reports on Form 10-Q. The company does not undertake any obligation or plan to update these forward-looking statements, even though its situation may change.

About Brown Shoe Company: Brown Shoe Company is a \$2.6 billion, global, footwear company whose shoes are worn by people of all ages, from all walks of life. Our products are available virtually everywhere - in the over 1,200 Famous Footwear and Naturalizer retail stores we operate, in hundreds of major department and specialty stores, on 13 branded ecommerce sites, and on many additional third-party retail websites. Through our broad range of products, we serve three key consumer platforms. Famous Footwear and Famous.com serve as our Family brands and provide one-stop-shopping destinations for high quality, affordable styles for a family's every occasion. Active people who want comfort, style and performance, can look to our Healthy Living brands - Naturalizer, Dr. Scholl's, LifeStride and Ryka. Our Contemporary Fashion brands - Sam Edelman, Franco Sarto, Vince, Via Spiga, Fergie Footwear and Carlos Santana - keep fashionistas in step with the latest trends. At Brown Shoe Company, we inspire people to feel good and live better... feet first!

SCHEDULE 1

BROWN SHOE COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

| <i>(Thousands, except per share data)</i> | (Unaudited) | | (Unaudited) | |
|---|----------------------|---------------------|-----------------------|---------------------|
| | Thirteen Weeks Ended | | Fifty-Two Weeks Ended | |
| | January 31, 2015 | February 1, 2014 | January 31, 2015 | February 1, 2014 |
| Net sales | \$ 615,393 | \$ 599,962 | \$ 2,571,709 | \$ 2,513,113 |
| Cost of goods sold | 368,006 | 358,555 | 1,531,609 | 1,498,825 |
| Gross profit | 247,387 | 241,407 | 1,040,100 | 1,014,288 |
| Selling and administrative expenses | 231,210 | 231,229 | 910,682 | 909,749 |
| Restructuring and other special charges, net | 3,484 | — | 3,484 | 1,262 |
| Impairment of assets held for sale | — | — | — | 4,660 |
| Operating earnings | 12,693 | 10,178 | 125,934 | 98,617 |
| Interest expense | (4,808) | (5,087) | (20,445) | (21,254) |
| Loss on early extinguishment of debt | (420) | — | (420) | — |
| Interest income | 85 | 95 | 379 | 377 |
| Gain on sale of subsidiary | 4,679 | — | 4,679 | — |
| Earnings before income taxes from continuing operations | 12,229 | 5,186 | 110,127 | 77,740 |
| Income tax benefit (provision) | 3,962 | 765 | (27,184) | (23,758) |
| Net earnings from continuing operations | 16,191 | 5,951 | 82,943 | 53,982 |
| Discontinued operations: | | | | |
| Earnings (loss) from discontinued operations, net of tax of \$0, \$134, \$0 and \$5,922, respectively | — | 210 | — | (4,574) |
| Disposition/impairment of discontinued operations, net of tax of \$0 | — | — | — | (11,512) |
| Net earnings (loss) from discontinued operations | — | 210 | — | (16,086) |
| Net earnings | 16,191 | 6,161 | 82,943 | 37,896 |
| Net (loss) earnings attributable to noncontrolling interests | (53) | (3) | 93 | (177) |
| Net earnings attributable to Brown Shoe Company, Inc. | <u>\$ 16,244</u> | <u>\$ 6,164</u> | <u>\$ 82,850</u> | <u>\$ 38,073</u> |
| Basic earnings (loss) per common share: | | | | |
| From continuing operations | \$ 0.37 | \$ 0.14 | \$ 1.90 | \$ 1.25 |
| From discontinued operations | — | — | — | (0.37) |
| Basic earnings per common share attributable to Brown Shoe Company, Inc. shareholders | <u>\$ 0.37</u> | <u>\$ 0.14</u> | <u>\$ 1.90</u> | <u>\$ 0.88</u> |
| Diluted earnings (loss) per common share: | | | | |
| From continuing operations | \$ 0.37 | \$ 0.14 | \$ 1.89 | \$ 1.25 |
| From discontinued operations | — | — | — | (0.37) |
| Diluted earnings per common share attributable to Brown Shoe Company, Inc. shareholders | <u>\$ 0.37</u> | <u>\$ 0.14</u> | <u>\$ 1.89</u> | <u>\$ 0.88</u> |
| Basic number of shares | 42,178 | 41,560 | 42,071 | 41,356 |
| Diluted number of shares | <u>42,352</u> | <u>41,886</u> | <u>42,274</u> | <u>41,653</u> |

SCHEDULE 2

BROWN SHOE COMPANY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

| <i>(Thousands)</i> | (Unaudited) | |
|---|------------------|------------------|
| | January 31, 2015 | February 1, 2014 |
| ASSETS | | |
| Cash and cash equivalents | \$ 67,403 | \$ 82,546 |
| Receivables, net | 136,646 | 129,217 |
| Inventories, net | 543,103 | 547,531 |
| Prepaid expenses and other current assets | 43,744 | 33,136 |
| Current assets - discontinued operations | — | 119 |
| Total current assets | <u>790,896</u> | <u>792,549</u> |

| | | |
|-------------------------------------|---------------------|---------------------|
| Property and equipment, net | 149,743 | 143,560 |
| Goodwill and intangible assets, net | 134,587 | 73,673 |
| Other assets | 141,586 | 139,621 |
| Total assets | <u>\$ 1,216,812</u> | <u>\$ 1,149,403</u> |

LIABILITIES AND EQUITY

| | | |
|---|---------------------|---------------------|
| Borrowings under revolving credit agreement | \$ — | \$ 7,000 |
| Trade accounts payable | 215,921 | 226,602 |
| Other accrued expenses | 181,162 | 152,545 |
| Current liabilities - discontinued operations | — | 708 |
| Total current liabilities | <u>397,083</u> | <u>386,855</u> |
| Long-term debt | 199,197 | 199,010 |
| Deferred rent | 39,742 | 38,593 |
| Other liabilities | 39,168 | 47,583 |
| Total other liabilities | <u>278,107</u> | <u>285,186</u> |
| Total Brown Shoe Company, Inc. shareholders' equity | 540,910 | 476,699 |
| Noncontrolling interests | 712 | 663 |
| Total equity | <u>541,622</u> | <u>477,362</u> |
| Total liabilities and equity | <u>\$ 1,216,812</u> | <u>\$ 1,149,403</u> |

SCHEDULE 3

BROWN SHOE COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| <i>(Thousands)</i> | (Unaudited) | |
|---|-----------------------|------------------|
| | Fifty-Two Weeks Ended | |
| | January 31, 2015 | February 1, 2014 |
| OPERATING ACTIVITIES: | | |
| Net earnings | \$ 82,943 | \$ 37,896 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 51,615 | 55,329 |
| Amortization of debt issuance costs and debt discount | 2,400 | 2,513 |
| Loss on early extinguishment of debt | 420 | — |
| Share-based compensation expense | 6,190 | 5,567 |
| Tax benefit related to share-based plans | (929) | (3,439) |
| Loss on disposal of facilities and equipment | 1,610 | 1,697 |
| Impairment charges for facilities and equipment | 1,982 | 1,636 |
| Impairment of assets held for sale | — | 4,660 |
| Disposition/impairment of discontinued operations | — | 11,512 |
| Net (gain) loss on sale of subsidiaries | (4,679) | 576 |
| Deferred rent | 1,149 | 4,882 |
| Provision for doubtful accounts | 1,716 | 551 |
| Changes in operating assets and liabilities, net of dispositions: | | |
| Receivables | (9,175) | (17,570) |
| Inventories | (7,651) | (44,852) |
| Prepaid expenses and other current and noncurrent assets | (23,469) | 3,798 |
| Trade accounts payable | (8,204) | 12,951 |
| Accrued expenses and other liabilities | 22,553 | 24,785 |
| Other, net | 341 | 1,540 |
| Net cash provided by operating activities | <u>118,812</u> | <u>104,032</u> |
| INVESTING ACTIVITIES: | | |
| Capital expenditures | (50,038) | (49,203) |
| Acquisition of trademarks | (65,065) | — |

| | | |
|--|-----------|--------|
| Investment in nonconsolidated affiliate | (7,000) | — |
| Net proceeds from sale of subsidiaries, inclusive of note receivable | 10,120 | 69,347 |
| Net cash (used for) provided by investing activities | (111,983) | 20,144 |

FINANCING ACTIVITIES:

| | | |
|--|-----------|-------------|
| Borrowings under revolving credit agreement | 867,000 | 1,129,000 |
| Repayments under revolving credit agreement | (874,000) | (1,227,000) |
| Dividends paid | (12,237) | (12,105) |
| Debt issuance costs | (2,615) | — |
| Issuance of common stock under share-based plans, net | 440 | 804 |
| Tax benefit related to share-based plans | 929 | 3,439 |
| Contributions by noncontrolling interest | — | 50 |
| Net cash used for financing activities | (20,483) | (105,812) |
| Effect of exchange rate changes on cash and cash equivalents | (1,489) | (4,041) |
| (Decrease) increase in cash and cash equivalents | (15,143) | 14,323 |
| Cash and cash equivalents at beginning of period | 82,546 | 68,223 |
| Cash and cash equivalents at end of period | \$ 67,403 | \$ 82,546 |

SCHEDULE 4

BROWN SHOE COMPANY, INC.

RECONCILIATION OF NET EARNINGS AND DILUTED EARNINGS PER SHARE (GAAP BASIS) TO ADJUSTED NET EARNINGS AND ADJUSTED DILUTED EARNINGS PER SHARE (NON-GAAP BASIS)

| | (Unaudited) | | | (Unaudited) | | |
|---|---------------------------------------|---|----------------------------|---------------------------------------|---|----------------------------|
| | Thirteen Weeks Ended January 31, 2015 | | | Thirteen Weeks Ended February 1, 2014 | | |
| | Pre-Tax Impact of Charges/Other Items | Net Earnings Attributable to Brown Shoe Company, Inc. | Diluted Earnings Per Share | Pre-Tax Impact of Charges/Other Items | Net Earnings Attributable to Brown Shoe Company, Inc. | Diluted Earnings Per Share |
| GAAP earnings | | \$ 16,244 | \$ 0.37 | | \$ 6,164 | \$ 0.14 |
| <u>Charges/Other Items - Continuing Operations:</u> | | | | | | |
| Disposal of Shoes.com | (3,134) | (9,757) | (0.23) | — | — | — |
| Organizational changes | 1,939 | 1,185 | 0.03 | — | — | — |
| Tax on dividend of international subsidiary | — | 1,040 | 0.02 | — | — | — |
| Loss on debt extinguishment | 420 | 257 | 0.01 | — | — | — |
| Total Charges/Other items - Continuing Operations | \$ (775) | \$ (7,275) | \$ (0.17) | \$ — | \$ — | \$ — |
| Adjusted earnings | | \$ 8,969 | \$ 0.20 | | \$ 6,164 | \$ 0.14 |

| | (Unaudited) | | | (Unaudited) | | |
|---|--|---|----------------------------|--|---|----------------------------|
| | Fifty-Two Weeks Ended January 31, 2015 | | | Fifty-Two Weeks Ended February 1, 2014 | | |
| | Pre-Tax Impact of Charges/Other Items | Net Earnings Attributable to Brown Shoe Company, Inc. | Diluted Earnings Per Share | Pre-Tax Impact of Charges/Other Items | Net Earnings Attributable to Brown Shoe Company, Inc. | Diluted Earnings Per Share |
| GAAP earnings | | \$ 82,850 | \$ 1.89 | | \$ 38,073 | \$ 0.88 |
| <u>Charges/Other Items - Continuing Operations:</u> | | | | | | |
| Portfolio realignment | | | | | | |
| Business exits and cost reductions | \$ — | — | — | \$ 1,262 | 803 | 0.02 |
| Non-cash impairments/dispositions | — | — | — | 4,660 | 4,660 | 0.11 |
| Disposal of Shoes.com | (3,134) | (9,757) | (0.23) | — | — | — |
| Organizational changes | 1,939 | 1,185 | 0.03 | — | — | — |

| | | | | | | |
|---|-------|---------|--------|-------|-------|------|
| Tax on dividend of international subsidiary | — | 1,040 | 0.02 | — | — | — |
| Loss on debt extinguishment | 420 | 257 | 0.01 | — | — | — |
| Total Charges/Other items - Continuing Operations | (775) | (7,275) | (0.17) | 5,922 | 5,463 | 0.13 |

Charges/Other Items - Discontinued Operations:

| | | | | | | |
|---|----------|-----------|---------|-----------|-----------|---------|
| Portfolio realignment | | | | | | |
| Business exits and cost reductions | — | — | — | 13,233 | 6,414 | 0.13 |
| Non-cash impairments/dispositions | — | — | — | 11,512 | 11,512 | 0.27 |
| Total Charges/Other Items - Discontinued Operations | — | — | — | 24,745 | 17,926 | 0.40 |
| Total Charges/Other Items | \$ (775) | (7,275) | (0.17) | \$ 30,667 | 23,389 | 0.53 |
| Adjusted earnings | | \$ 75,575 | \$ 1.72 | | \$ 61,462 | \$ 1.41 |

SCHEDULE 5

BROWN SHOE COMPANY, INC.

SUMMARY FINANCIAL RESULTS BY SEGMENT

(Unaudited)

SUMMARY FINANCIAL RESULTS

| | Thirteen Weeks Ended | | | | | | | |
|---|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Famous Footwear | | Brand Portfolio | | Other | | Consolidated | |
| | January 31, 2015 | February 1, 2014 | January 31, 2015 | February 1, 2014 | January 31, 2015 | February 1, 2014 | January 31, 2015 | February 1, 2014 |
| <i>(Thousands)</i> | | | | | | | | |
| Net Sales | \$ 369,378 | \$ 366,487 | \$ 246,015 | \$ 233,475 | \$ — | \$ — | \$ 615,393 | \$ 599,962 |
| Gross Profit | \$ 165,982 | \$ 165,047 | \$ 81,405 | \$ 76,360 | \$ — | \$ — | \$ 247,387 | \$ 241,407 |
| Adjusted Gross Profit | \$ 165,982 | \$ 165,047 | \$ 81,405 | \$ 76,360 | \$ — | \$ — | \$ 247,387 | \$ 241,407 |
| Gross Profit Rate | 44.9% | 45.0 % | 33.1 % | 32.7 % | —% | —% | 40.2% | 40.2% |
| Adjusted Gross Profit Rate | 44.9% | 45.0 % | 33.1 % | 32.7 % | —% | —% | 40.2% | 40.2% |
| Operating Earnings (Loss) | \$ 14,923 | \$ 12,587 | \$ 17,061 | \$ 12,493 | \$ (19,291) | \$ (14,902) | \$ 12,693 | \$ 10,178 |
| Adjusted Operating Earnings (Loss) | \$ 15,748 | \$ 12,587 | \$ 17,344 | \$ 12,493 | \$ (16,915) | \$ (14,902) | \$ 16,177 | \$ 10,178 |
| Operating Earnings % | 4.0% | 3.4 % | 6.9 % | 5.4% | —% | —% | 2.1% | 1.7% |
| Adjusted Operating Earnings % | 4.3% | 3.4 % | 7.0 % | 5.4% | —% | —% | 2.6% | 1.7% |
| Same-store Sales % (on a 13-week basis) | 4.0% | (1.8)% | (4.2)% | 1.3% | —% | —% | —% | —% |
| Number of Stores | 1,038 | 1,044 | 171 | 179 | — | — | 1,209 | 1,223 |

RECONCILIATION OF ADJUSTED RESULTS (NON-GAAP)

| | Thirteen Weeks Ended | | | | | | | |
|------------------------------------|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Famous Footwear | | Brand Portfolio | | Other | | Consolidated | |
| | January 31, 2015 | February 1, 2014 | January 31, 2015 | February 1, 2014 | January 31, 2015 | February 1, 2014 | January 31, 2015 | February 1, 2014 |
| <i>(Thousands)</i> | | | | | | | | |
| Gross Profit | \$ 165,982 | \$ 165,047 | \$ 81,405 | \$ 76,360 | \$ — | \$ — | \$ 247,387 | \$ 241,407 |
| <u>Charges/Other Items:</u> | | | | | | | | |
| Portfolio realignment | | | | | | | | |
| Business exits and cost reductions | — | — | — | — | — | — | — | — |
| Total charges/other items | — | — | — | — | — | — | — | — |
| Adjusted Gross Profit | \$ 165,982 | \$ 165,047 | \$ 81,405 | \$ 76,360 | \$ — | \$ — | \$ 247,387 | \$ 241,407 |

| | | | | | | | | |
|--------------------------------------|-----------|-----------|-----------|-----------|------------|------------|-----------|-----------|
| Operating Earnings (Loss) | \$ 14,923 | \$ 12,587 | \$ 17,061 | \$ 12,493 | \$(19,291) | \$(14,902) | \$ 12,693 | \$ 10,178 |
| Charges/Other Items: | | | | | | | | |
| Restructuring related to disposition | 825 | — | 283 | — | 437 | — | 1,545 | — |
| Organizational changes | — | — | — | — | 1,939 | — | 1,939 | — |
| Total charges/other items | 825 | — | 283 | — | 2,376 | — | 3,484 | — |
| Adjusted Operating Earnings (Loss) | \$ 15,748 | \$ 12,587 | \$ 17,344 | \$ 12,493 | \$(16,915) | \$(14,902) | \$ 16,177 | \$ 10,178 |

SCHEDULE 5

BROWN SHOE COMPANY, INC.

SUMMARY FINANCIAL RESULTS BY SEGMENT

(Unaudited)

SUMMARY FINANCIAL RESULTS

| | Fifty-Two Weeks Ended | | | | | | | |
|---|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Famous Footwear | | Brand Portfolio | | Other | | Consolidated | |
| | January 31, 2015 | February 1, 2014 | January 31, 2015 | February 1, 2014 | January 31, 2015 | February 1, 2014 | January 31, 2015 | February 1, 2014 |
| <i>(Thousands)</i> | | | | | | | | |
| Net Sales | \$1,589,258 | \$1,588,552 | \$982,451 | \$924,562 | \$ — | \$ — | \$2,571,709 | \$2,513,113 |
| Gross Profit | \$ 706,101 | \$ 701,178 | \$333,999 | \$313,110 | \$ — | \$ — | \$1,040,100 | \$1,014,288 |
| Adjusted Gross Profit | \$ 706,101 | \$ 701,178 | \$333,999 | \$313,110 | \$ — | \$ — | \$1,040,100 | \$1,014,288 |
| Gross Profit Rate | 44.4% | 44.1% | 34.0 % | 33.9% | —% | —% | 40.4% | 40.4% |
| Adjusted Gross Profit Rate | 44.4% | 44.1% | 34.0 % | 33.9% | —% | —% | 40.4% | 40.4% |
| Operating Earnings (Loss) | \$ 104,581 | \$ 105,381 | \$ 73,403 | \$ 39,909 | \$(52,050) | \$(46,673) | \$ 125,934 | \$ 98,617 |
| Adjusted Operating Earnings (Loss) | \$ 105,406 | \$ 105,381 | \$ 73,686 | \$ 45,815 | \$(49,674) | \$(46,657) | \$ 129,418 | \$ 104,539 |
| Operating Earnings % | 6.6% | 6.6% | 7.5 % | 4.3% | —% | —% | 4.9% | 3.9% |
| Adjusted Operating Earnings % | 6.6% | 6.6% | 7.5 % | 5.0% | —% | —% | 5.0% | 4.2% |
| Same-store Sales % (on a 13-week basis) | 1.5% | 2.9% | (3.6)% | 1.6% | | | | |
| Number of Stores | 1,038 | 1,044 | 171 | 179 | — | — | 1,209 | 1,223 |

RECONCILIATION OF ADJUSTED RESULTS (NON-GAAP)

| | Fifty-Two Weeks Ended | | | | | | | |
|------------------------------------|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Famous Footwear | | Brand Portfolio | | Other | | Consolidated | |
| | January 31, 2015 | February 1, 2014 | January 31, 2015 | February 1, 2014 | January 31, 2015 | February 1, 2014 | January 31, 2015 | February 1, 2014 |
| <i>(Thousands)</i> | | | | | | | | |
| Gross Profit | \$ 706,101 | \$ 701,178 | \$333,999 | \$313,110 | \$ — | \$ — | \$1,040,100 | \$1,014,288 |
| Charges/Other Items: | | | | | | | | |
| Portfolio realignment | | | | | | | | |
| Business exits and cost reductions | — | — | — | — | — | — | — | — |
| Total charges/other items | — | — | — | — | — | — | — | — |
| Adjusted Gross Profit | \$ 706,101 | \$ 701,178 | \$333,999 | \$313,110 | \$ — | \$ — | \$1,040,100 | \$1,014,288 |
| Operating Earnings (Loss) | \$ 104,581 | \$ 105,381 | \$ 73,403 | \$ 39,909 | \$(52,050) | \$(46,673) | \$ 125,934 | \$ 98,617 |
| Charges/Other Items: | | | | | | | | |
| Portfolio realignment | | | | | | | | |
| Business exits and cost reductions | — | — | — | 1,246 | — | 16 | — | 1,262 |
| Non-cash impairments/dispositions | — | — | — | 4,660 | — | — | — | 4,660 |

| | | | | | | | | |
|--------------------------------------|------------|------------|-----------|-----------|------------|------------|------------|------------|
| Restructuring related to disposition | 825 | — | 283 | — | 437 | — | 1,545 | — |
| Organizational changes | — | — | — | — | 1,939 | — | 1,939 | — |
| Total charges/other items | 825 | — | 283 | 5,906 | 2,376 | 16 | 3,484 | 5,922 |
| Adjusted Operating Earnings (Loss) | \$ 105,406 | \$ 105,381 | \$ 73,686 | \$ 45,815 | \$(49,674) | \$(46,657) | \$ 129,418 | \$ 104,539 |

SCHEDULE 6

BROWN SHOE COMPANY, INC.

BASIC AND DILUTED EARNINGS (LOSS) PER SHARE RECONCILIATION

| | (Unaudited) | | (Unaudited) | |
|--|----------------------|------------------|-----------------------|------------------|
| | Thirteen Weeks Ended | | Fifty-Two Weeks Ended | |
| | January 31, 2015 | February 1, 2014 | January 31, 2015 | February 1, 2014 |
| <i>(Thousands, except per share data)</i> | | | | |
| Net earnings attributable to Brown Shoe Company, Inc.: | | | | |
| Net earnings from continuing operations | \$ 16,191 | \$ 5,951 | \$ 82,943 | \$ 53,982 |
| Net loss (earnings) attributable to noncontrolling interests | 53 | 3 | (93) | 177 |
| Net earnings allocated to participating securities | (588) | (235) | (3,068) | (2,304) |
| Net earnings from continuing operations | 15,656 | 5,719 | 79,782 | 51,855 |
| Net earnings (loss) from discontinued operations | — | 210 | — | (16,086) |
| Net (earnings) loss allocated to participating securities | — | (8) | — | 687 |
| Net earnings (loss) from discontinued operations | — | 202 | — | (15,399) |
| Net earnings attributable to Brown Shoe Company, Inc. after allocation of earnings to participating securities | \$ 15,656 | \$ 5,921 | \$ 79,782 | \$ 36,456 |
| Basic and diluted common shares attributable to Brown Shoe Company, Inc.: | | | | |
| Basic common shares for continuing operations and discontinued operations | 42,178 | 41,560 | 42,071 | 41,356 |
| Dilutive effect of share-based awards for continuing operations and discontinued operations | 174 | 326 | 203 | 297 |
| Diluted common shares for continuing operations and discontinued operations attributable to Brown Shoe Company, Inc. | 42,352 | 41,886 | 42,274 | 41,653 |
| Basic earnings (loss) per common share: | | | | |
| From continuing operations | \$ 0.37 | \$ 0.14 | \$ 1.90 | \$ 1.25 |
| From discontinued operations | — | — | — | (0.37) |
| Basic earnings per common share attributable to Brown Shoe Company, Inc. shareholders | \$ 0.37 | \$ 0.14 | \$ 1.90 | \$ 0.88 |
| Diluted earnings (loss) per common share: | | | | |
| From continuing operations | \$ 0.37 | \$ 0.14 | \$ 1.89 | \$ 1.25 |
| From discontinued operations | — | — | — | (0.37) |
| Diluted earnings per common share attributable to Brown Shoe Company, Inc. shareholders | \$ 0.37 | \$ 0.14 | \$ 1.89 | \$ 0.88 |

SCHEDULE 7

BROWN SHOE COMPANY, INC.

BASIC AND DILUTED ADJUSTED EARNINGS PER SHARE RECONCILIATION

| | (Unaudited) | | (Unaudited) | |
|---|----------------------|------------------|-----------------------|------------------|
| | Thirteen Weeks Ended | | Fifty-Two Weeks Ended | |
| | January 31, 2015 | February 1, 2014 | January 31, 2015 | February 1, 2014 |
| <i>(Thousands, except per share data)</i> | | | | |
| Adjusted net earnings attributable to Brown Shoe Company, Inc.: | | | | |
| Adjusted net earnings from continuing operations | \$ 8,916 | \$ 5,951 | \$ 75,668 | \$ 59,445 |

| | | | | |
|---|----------|----------|-----------|-----------|
| Net loss (earnings) attributable to noncontrolling interests | 53 | 3 | (93) | 177 |
| Net earnings allocated to participating securities | (325) | (235) | (2,799) | (2,538) |
| Adjusted net earnings from continuing operations | 8,644 | 5,719 | 72,776 | 57,084 |
| Adjusted net earnings from discontinued operations | — | 210 | — | 1,840 |
| Net earnings allocated to participating securities | — | (8) | — | (79) |
| Net earnings from discontinued operations | — | 202 | — | 1,761 |
| Adjusted net earnings attributable to Brown Shoe Company, Inc. after allocation of earnings to participating securities | \$ 8,644 | \$ 5,921 | \$ 72,776 | \$ 58,845 |
| Basic and diluted common shares attributable to Brown Shoe Company, Inc.: | | | | |
| Basic common shares for continuing operations and discontinued operations | 42,178 | 41,560 | 42,071 | 41,356 |
| Dilutive effect of share-based awards for continuing operations and discontinued operations | 174 | 326 | 203 | 297 |
| Diluted common shares for continuing operations and discontinued operations attributable to Brown Shoe Company, Inc. | 42,352 | 41,886 | 42,274 | 41,653 |
| Basic adjusted earnings per common share: | | | | |
| From continuing operations | \$ 0.20 | \$ 0.14 | \$ 1.73 | \$ 1.38 |
| From discontinued operations | — | — | — | 0.04 |
| Basic adjusted earnings per common share attributable to Brown Shoe Company, Inc. shareholders | \$ 0.20 | \$ 0.14 | \$ 1.73 | \$ 1.42 |
| Diluted adjusted earnings per common share: | | | | |
| From continuing operations | \$ 0.20 | \$ 0.14 | \$ 1.72 | \$ 1.37 |
| From discontinued operations | — | — | — | 0.04 |
| Diluted adjusted earnings per common share attributable to Brown Shoe Company, Inc. shareholders | \$ 0.20 | \$ 0.14 | \$ 1.72 | \$ 1.41 |

Language:
English

Contact:

Brown Shoe Company
Peggy Reilly Tharp, 314-854-4134
ptharp@brownshoe.com

Ticker Slug:

Ticker: BWS
Exchange: NYSE

Source URL: <https://investor.caleres.com/press-release/brown-shoe-company-reports-fourth-quarter-and-full-year-2014-results>