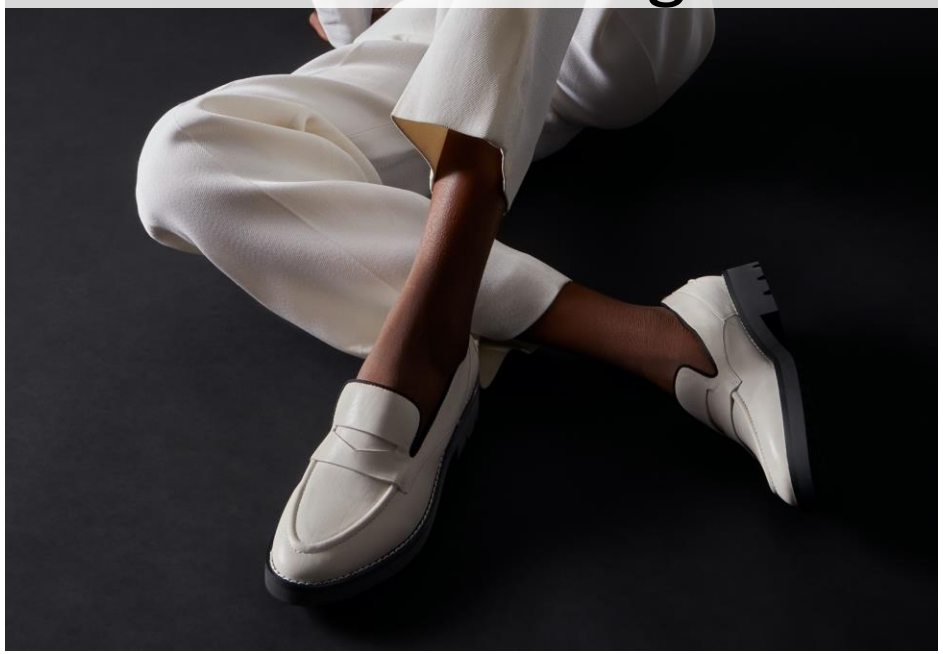




CALERES
★5★

Second Quarter
2020 earnings

9.01.2020


Safe harbor statement

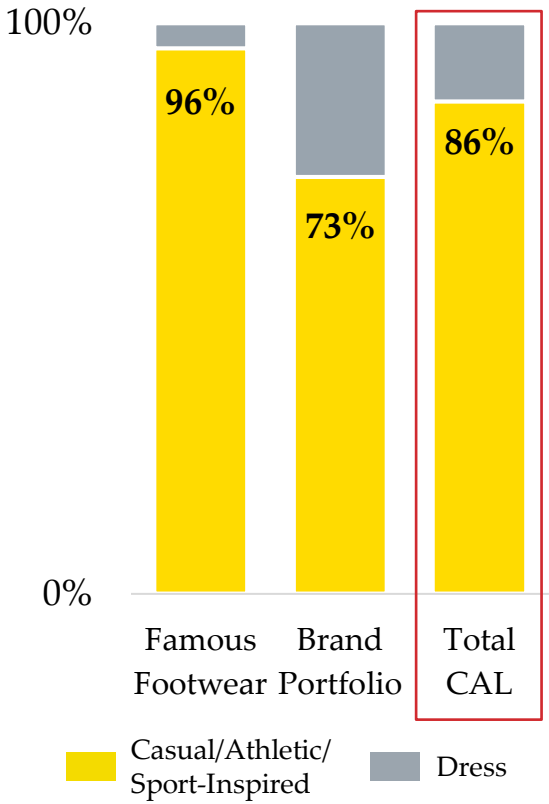
Under the private securities litigation reform act of 1995

- This presentation 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) the recent coronavirus outbreak and its adverse impact on our business operations, store traffic and financial condition (ii) changing consumer demands, which may be influenced by consumers' disposable income, which in turn can be influenced by general economic conditions and other factors; (iii) impairment charges resulting from a long-term decline in our stock price; (iv) rapidly changing fashion trends and consumer preferences and purchasing patterns; (v) intense competition within the footwear industry; (vi) 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; (vii) imposition of tariffs; (viii) the ability to accurately forecast sales and manage inventory levels; (ix) cybersecurity threats or other major disruption to the company's information technology systems; (x) customer concentration and increased consolidation in the retail industry; (xi) transitional challenges with acquisitions; (xii) a disruption in the company's distribution centers; (xiii) foreign currency fluctuations; (xiv) changes to tax laws, policies and treaties; (xv) the ability to recruit and retain senior management and other key associates; (xvi) compliance with applicable laws and standards with respect to labor, trade and product safety issues; (xvii) the ability to maintain relationships with current suppliers; (xviii) the ability to attract, retain, and maintain good relationships with licensors and protect our intellectual property rights; and (xix) the ability to secure/exit leases on favorable terms. 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, 2020, 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.

Caleres in brief – trailing 12-month view

Segment by Style

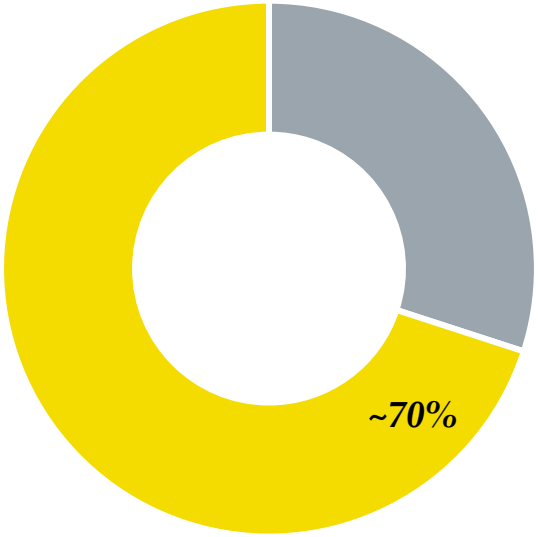
TTM, as a percentage of total net sales



Casual, athletic and sport-inspired styles represented 86 of total CAL sales over the last 12 months

Direct-to-Consumer Penetration

TTM, as a percentage of total sales

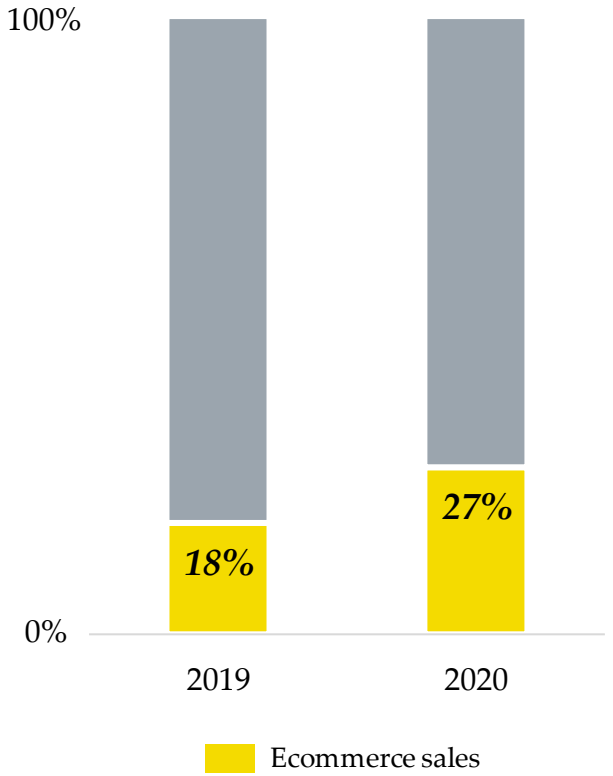


~70% of total sales are direct-to-consumer

DTC sales included: Brick-and-mortar retail, owned websites and external drop ship sales

Total Ecommerce Penetration

TTM, as a percentage of total net sales



Previous investments in our ecommerce platform and capabilities supported ecommerce growth and increased ecommerce penetration

Sequential improvements in second quarter 2020

Sequential Financial Improvements in Q2 vs. Q1

	Q1	Q2	
Net Sales	$397M	$501M	**+26%** *improvement*
Gross Profit	$157M	$183M	**+16%** *improvement*
SG&A *(as % of sales)*	56.7%	40.2%	**-1,655 bps** *improvement*
Adj. EPS	($1.30)	($0.57)	**+$0.73** *improvement*

Strategic Actions Driving Improvements

Store Fleet Utilization

- Phased and efficient reopening (majority open by mid-June)
- Contactless curbside pick-up at 60 percent of store locations
- Utilization of store network as distribution points

Acceleration of Direct E-Commerce Business

- Up 80 percent year-over-year and up 37 percent versus Q1
- Both Famous Footwear and Brand Portfolio capitalized on growing ecommerce trend
- Ecommerce sales continued momentum even as stores reopened

Management of Expense and Working Capital

- Generated $67 million of cash from operations
- Reduced borrowings under credit facility by $88.5 million versus first quarter 2020 levels
- Managed inventory aggressively resulting in a 27 percent reduction versus last year
- Ended Q2 with $150 million of cash on hand

Caleres Second Quarter 2020 highlights



$501.4
million in sales

$66.8
million in cash generated from operating activities

$88.5
million of debt repaid

+30%
growth in ecommerce related sales

+80%
growth in direct ecommerce sales*

$13.1
million returned to shareholders

~27%
decline in inventory

*Direct ecommerce sales includes sales from our owned ecommerce sites and drop ship business

Famous Footwear – *2Q'20*



- Net sales of $333.9 million, down 20.5 percent vs. 2Q19, up ~75 percent sequentially
  - Excluding stores that were permanently closed during the period, Famous Footwear sales would have been down 17.5%.
  - Traditional comparable sales were up 14.7%
- Ongoing robust ecommerce sales, up ~150 percent year-over-year
- Exited the second quarter with inventory down 23 percent year-over-year
- Strong performance in top brands with top 10 brands representing 70 percent of sales
- Assortment concentrated in styles resonating with consumers during the prevailing work-from-home/stay-at-home environment

Back-to-School Update:

- BTS sales peak lower than last year
- Mixed regional demand, heavily dependent on school decisions
- To date, experiencing improved conversion, pairs-per-transaction and AUR online and in-store
- Expect BTS purchasing activity to be more evenly spread over an extended period of time

Brand Portfolio – *2Q'20*

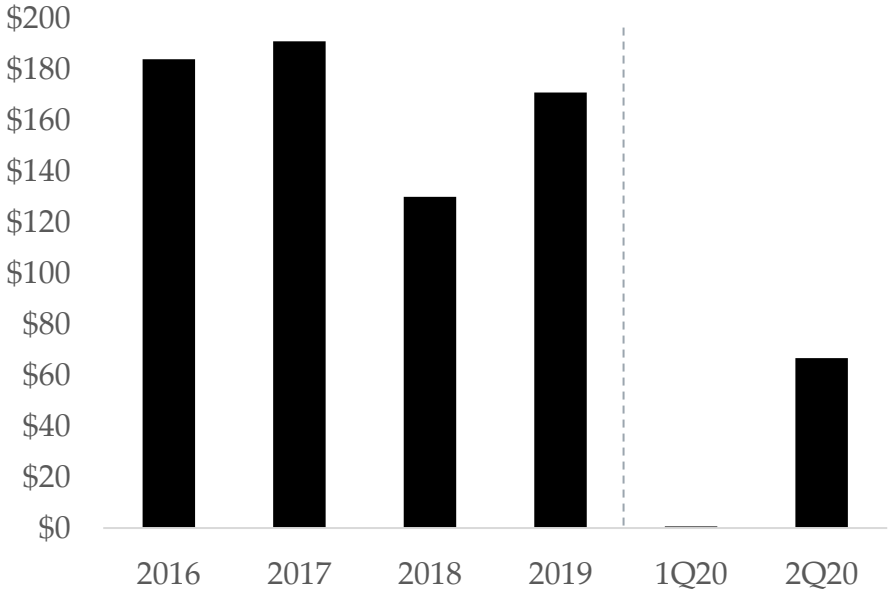
- Sales of $183.6 million, down ~49 percent year-over-year, reflecting store closures and fewer wholesale order as retailers continued to mange inventory post the retail shutdown
- Aggressively cut inventory levels to position the business for fall – exiting the quarter down 33 percent year-over-year
- Assortment concentrated in casual, athletic and sport-inspired styles –representing 75 of the portfolio…up from 70 percent last year
- Ecommerce sales for internal brands increased 35% year-over-year, with Vionic posting a significant year-over-year improvement
- Ecommerce penetration reached 46 percent up from 26 percent last year
- Developed virtual market capability for Spring 2021 offering



Caleres Historical Cash Generation and Debt Repayment

Historical Operating Cash Flow

in millions of dollars



Caleres continued to generate cash from operations consistent with historical periods, despite challenging market conditions

CAL FCF Yield

30.6%

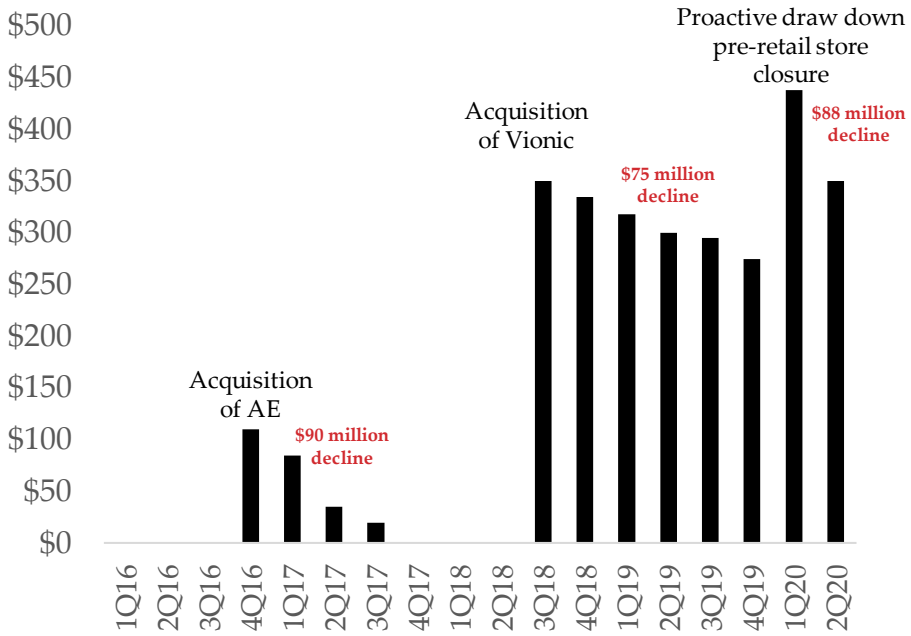
versus

Peer Average FCF Yield

11.7%

Historical Credit Facility Borrowings

in millions of dollars



Caleres has a proven track record of paying down its revolving credit facility in a rapid manner

The company has no significant debt maturities until 2023

FCF Yield is on a trailing 12 month basis and peer average includes: CROX, DBI, DECK,FL,GCO,NKE,SCVL,SHOO, SKX and WWW

Outlook and Capital Allocation Plan



Given the ongoing uncertainty and limited visibility, Caleres will not be providing fiscal year 2020 guidance. We will revisit this traditional practice as conditions stabilize.

For third quarter 2020, Caleres currently expects:

- Net sales are expected to improve sequentially and decline between 20 percent and 25 percent year-over-year
  - Famous Footwear down 15 percent to 20 percent
  - Brand Portfolio down ~30 percent
- Gross margin rate should improve versus the second quarter 2020 as we shift out of the promotional cadence required to reduce inventory;
- SG&A as a percent of sales should be slightly better than the second quarter and $30 to $35 million favorable to the third quarter of 2019
- A return to positive adjusted earnings per share

Capital Allocation Plan:

- Focus on debt reduction initiatives
- Maintain long-standing quarterly dividend
- Supplement with opportunistic share repurchases

Compelling Value Proposition



We have the capabilities to meet consumers increasing preference to transact digitally having made critical investments in our digital and fulfillment capabilities platform;

We are known for Iconic brands that consumers trust. Consumers now more than ever before are searching for brands that they know and trust to give them the style, fit and value they desire and we are capitalizing on this across our portfolio and at Famous Footwear;

We possess a diversified offering of lifestyle brands deeply rooted in comfort, casual and athletic – This is very much aligned with the categories desired most by our customers and provides strategic and comprehensive access to a large and growing component of the footwear market

We have an improving capital structure that gives us the ability to invest in innovation and drive our long term strategy while returning value to shareholders through dividends and share repurchase

Other financial metrics

US$M except per share	2Q'20	2Q'19	YOY Chg
Gross profit	$182.6	$305.9	(40.3%)
Margin	36.4%	40.7%	(424 bps)
SG&A	$201.3	$267.5	(24.7%)
Percent of sales	40.1%	35.6%	460 bps
Op earnings	($24.1)	$37.8	N/A
Margin	(4.8%)	5.0%	(984 bps)
Adj. op earnings	($18.7)	$38.4	N/A
Percent of Sales	(3.7%)	5.1%	(884 bps)
Net earnings	($30.7)	$25.3	N/A
Per share, diluted	($0.83)	$0.61	N/A
Adj. net earnings	($21.1)	$25.8	N/A
Per share, diluted	($0.57)	$0.62	N/A
Diluted shares	37.1	40.0	N/A



Reconciliation of Non-GAAP net earnings

Second Quarter 2020

	Pretax Earnings	Net Earnings	EPS
Adjusted Results	$(21,837)	$(21,115)	$(0.57)
Special Charges:			
Covid-19 related expenses [1]	(5,429)	(4,709)	(0.13)
Fair value adjustment to Blowfish purchase obligation	(6,589)	(4,893)	(0.13)
GAAP Results	$(33,855)	$(30,717)	$(0.83)

(1) Represents costs associated with the economic impact of the COVID-19 pandemic, primarily consisting of severance and the cost of supplies and deep cleaning of our facilities.