



CALERES

Third Quarter 2020 Earnings

11.19.2020





Safe harbor statement

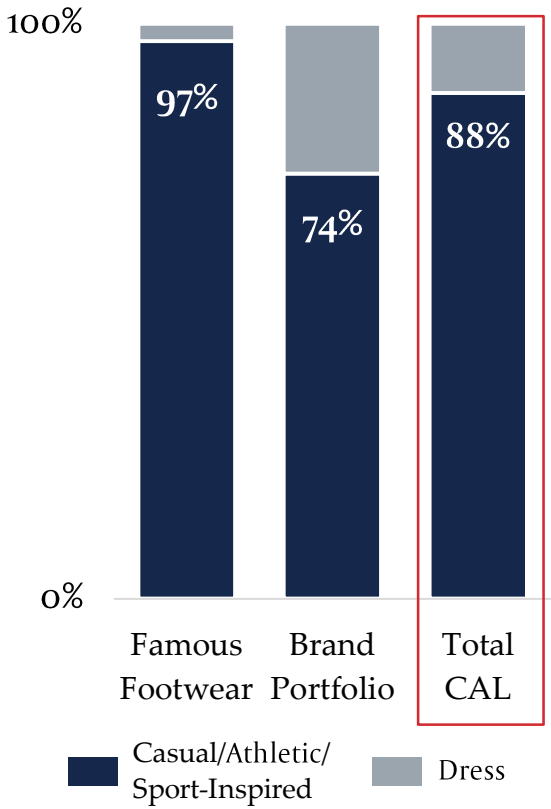
Under the private securities litigation reform act of 1995

- 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 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

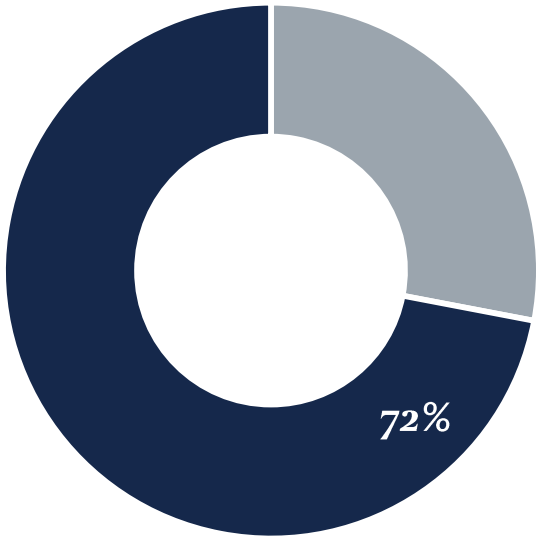
TTM, as a percentage of total net sales



Casual, athletic and sport-inspired styles represented 88 of total CAL sales over the last 12 months

Direct-to-Consumer Penetration

TTM, as a percentage of total sales

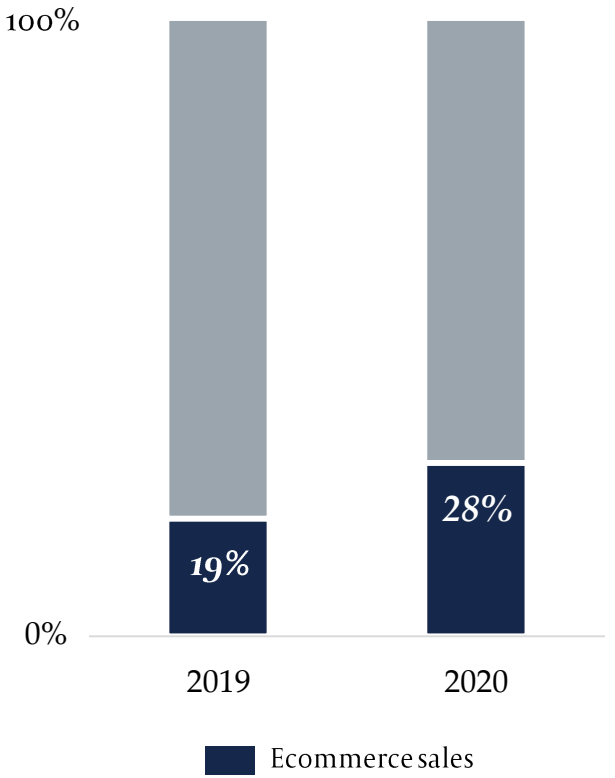


72% of total sales are direct-to-consumer

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

Caleres Third Quarter 2020 highlights



~$647
million in sales

~$34
million in cash generated from operating activities

$50
million of debt repaid

~25%
growth in owned ecommerce*

~25%
growth in digital penetration

$38
million decline in expenses

~21%
decline in inventory

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

Sequential improvements in third quarter 2020

Net Sales	$501M *Q2*	$647M *Q3*	**+30%** *improvement*
Gross Profit	$183M *Q2*	$257M *Q3*	**+40%** *improvement*
Adjusted EPS	($0.57) *Q2*	$0.48 *Q3*	**+$1.05** *improvement*



- Generated $34 million of cash from operations – the highest level in over ten years
- Reduced borrowings under credit facility by $50 million versus second quarter 2020 levels
- Managed inventory aggressively resulting in a 21 percent reduction versus last year
- Ended 3Q with $124.3 million of cash on hand



Famous Footwear 3Q20

Net sales of $391.7 million, down 12 percent vs.3Q19, up ~17% sequentially

- Comparable store sales were down 9.1%
- Ecommerce sales up 48% year-over-year
- Ecommerce penetration rising to 17%

Extended back to school drove sales improvement in September

Kids penetration rising to 19% in the period

Inventory down 10% year-over-year

Top 10 brands representing ~70% of sales

Brands consumer know and love continue to win the day



Brand Portfolio 3Q20

Sales of $267.6 million, down ~26 percent year-over-year, and up 45% sequentially

Sequential improvement led by retail partners flowing orders and a acceleration of demand from the fourth quarter

Strategic management of inventory– exiting the quarter down 23 percent year-over-year

Wellness + Comfort* brand sales representing 55% of the brand portfolio

Ecommerce penetration increased to 37% of sales

Four Caleres brands listed in NPD's top 10 new items launched for October – with Sam Edelman's Garrett ranked number one

*Wellness and Comfort brands include: Vionic, Naturalizer, Dr. Scholl's, Lifestride, Ryka, Bzees and Blowfish



Naturalizer Brand Realignment

Shed legacy stores and evolve the brand to be more profitable and align with the Naturalizer consumer of the future

Close 133 Naturalizer stores in U.S. and Canada

Right-size back-office infrastructure and shift talent to amplify digital presence and reallocate capital

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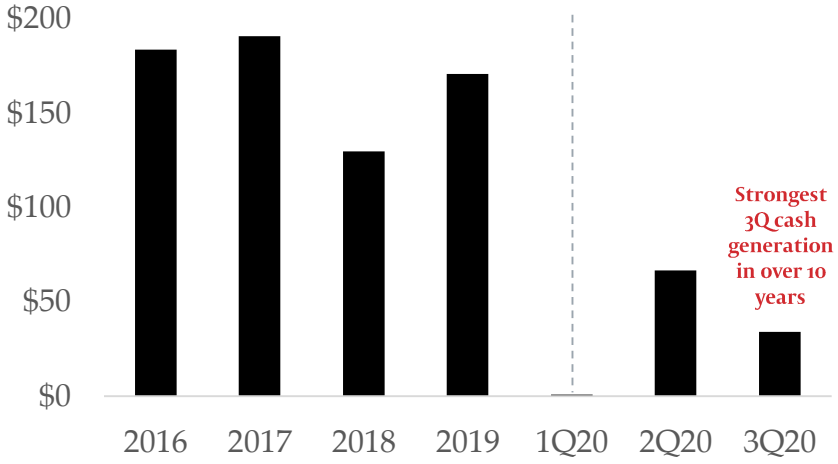
4Q20 pre-tax charges between $20 million and $25 million

Annual pre-tax benefit of between $10 million and $12 million – or a two-year payback

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



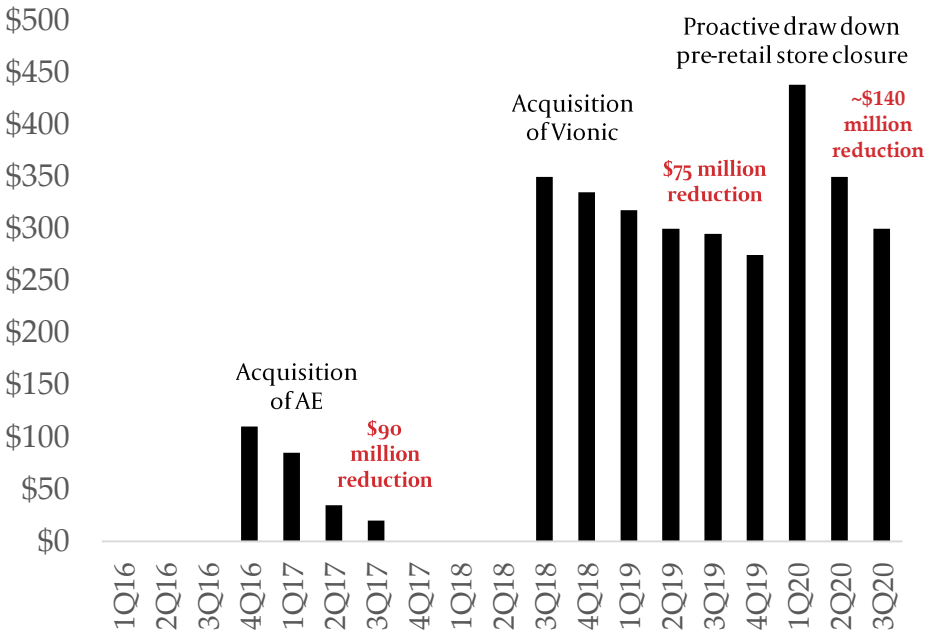
vs.

Peer Average FCF Yield



Historical Credit Facility Borrowings

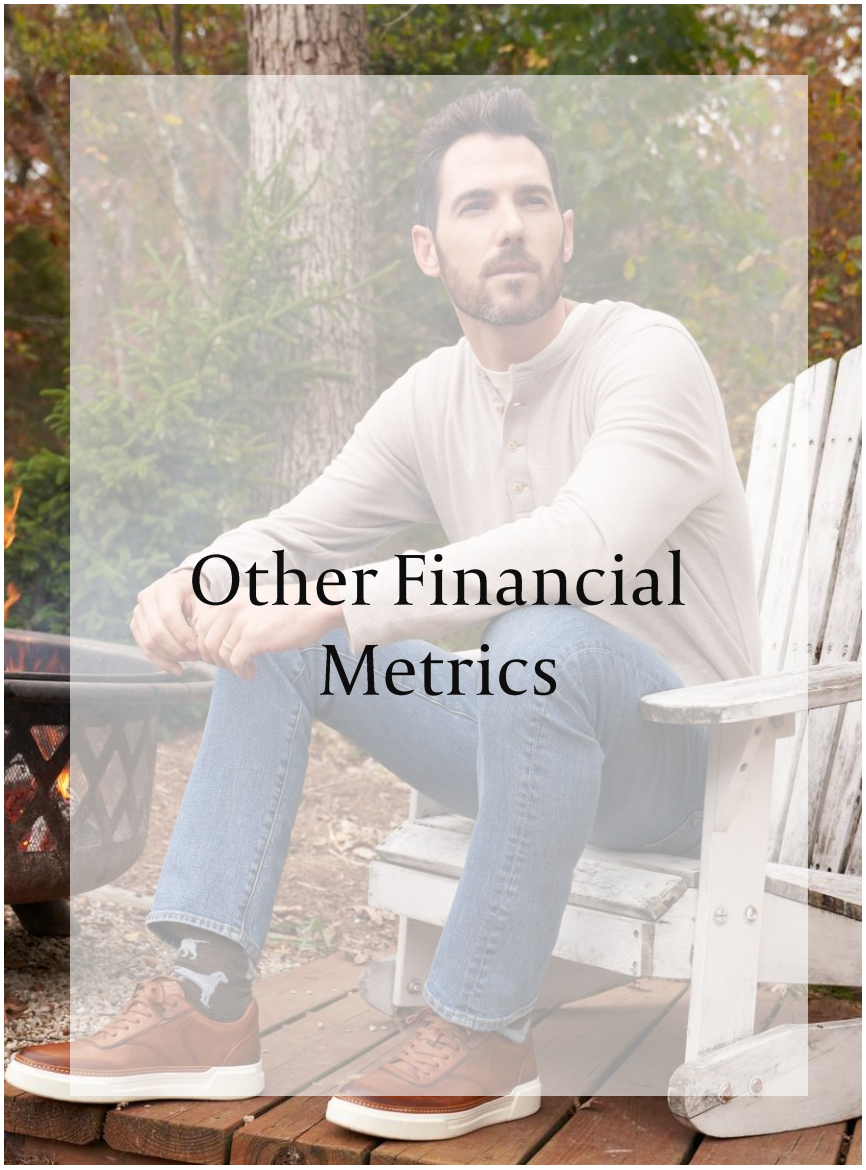
in millions of dollars



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

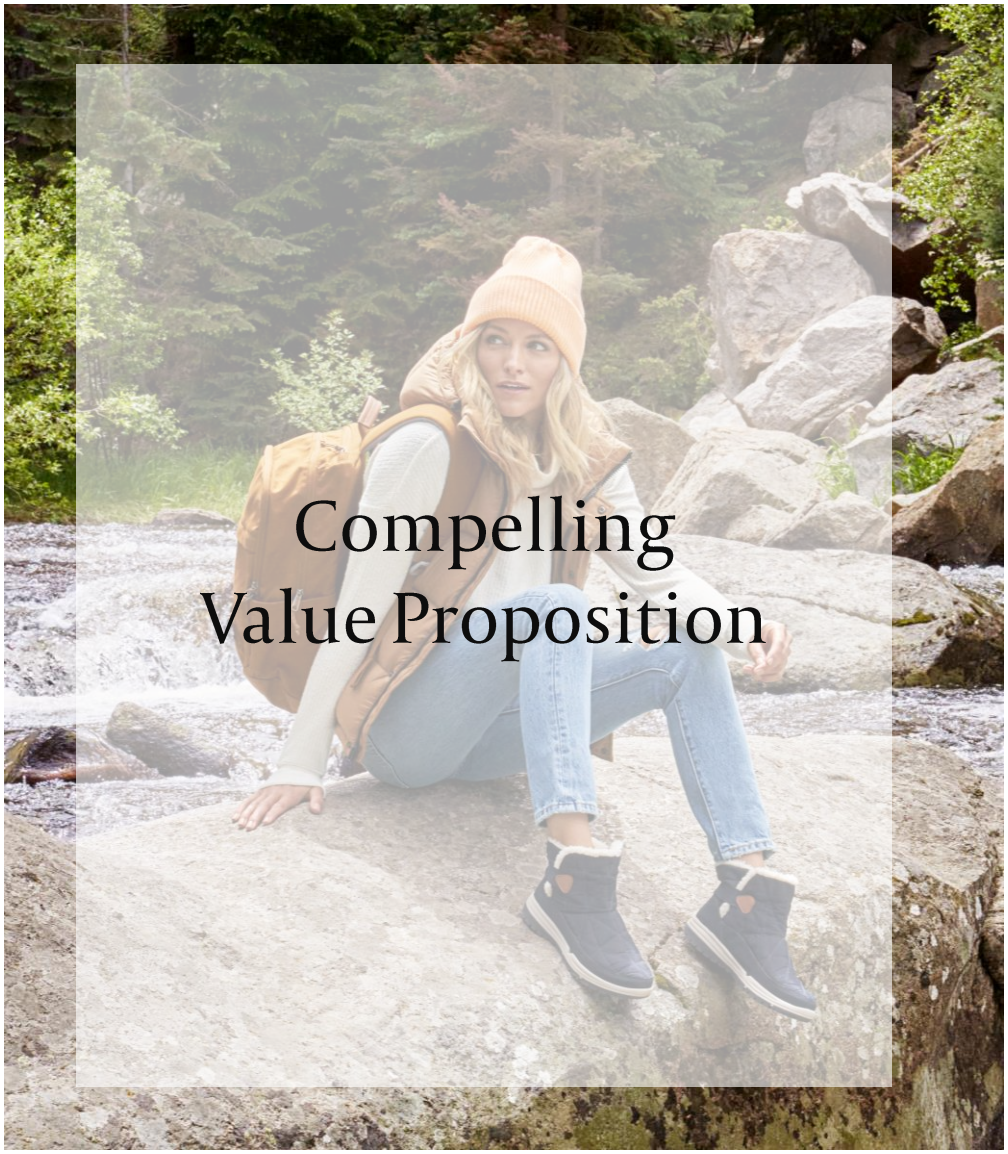
FCF Yield is on a trailing 12 month basis and peer average includes: CROX, DBI, DECK,FL,GCO,NKE,SCVL,SHOO, SKX and WWW



Other Financial Metrics

US$M except per share	3Q'20	3Q'19	YOY Chg
Gross profit	$257.0	$319.8	(19.6%)
Margin	39.7%	40.4%	(67 bps)
SG&A	$236.9	$275.3	(14.0%)
Percent of sales	36.6%	34.7%	184 bps
Op earnings	$20.1	$43.5	(53.8%)
Margin	3.1%	5.5%	(239 bps)
Adj. op earnings	$20.1	$44.4	(54.8%)
Margin	3.1%	5.6%	(251 bps)
Net earnings	$14.4	$28.0	(48.5%)
Per share, diluted	$0.38	$0.69	(44.9%)
Adj. net earnings	$18.2	$31.6	(42.3%)
Per share, diluted	$0.48	$0.78	(38.5%)
Diluted shares	36.7	39.3	(6.6%)

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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 casual, athletic and sport-inspired – 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

Strong cash generation allows CAL to reduce debt levels and drive our long term strategy while returning value to shareholders through dividends and share repurchases





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Appendix

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Reconciliation of Non-GAAP net earnings

Third Quarter 2020

	Pretax Earnings	Net Earnings	EPS
Adjusted Results	$19,775	$18,222	$0.48
Special Charges:			
Fair value adjustment to Blowfish purchase obligation	(5,124)	(3,805)	(0.10)
GAAP Results	$14,651	$14,417	$0.38