

# SHOE CARNIVAL, INC.

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7500 EAST COLUMBIA STREET \* EVANSVILLE, INDIANA 47715 \* (812) 867-4034

July 19, 2021

Dear Shareholder:

On June 21, 2021, the Shoe Carnival, Inc. Board of Directors declared a 2-for-1 stock split to be paid as a stock dividend on July 19, 2021 to common shareholders of record on July 6, 2021. This means that for every one share of Shoe Carnival common stock you owned as of July 6, 2021, you now own two shares of Shoe Carnival common stock.

This stock split is intended to make Shoe Carnival's shares more accessible and provide us with the opportunity to increase our shareholder base and liquidity. This action reflects our belief in the long-term strategy of our Company and supports our ongoing commitment to enhancing shareholder value.

The additional shares you are receiving as a result of the stock split are being distributed through the Direct Registration System (DRS), which means you have full ownership of your additional shares without the responsibility of holding the actual certificates. Enclosed is a DRS Transaction Statement, which is your confirmation of the number of additional shares you own as a result of the split. Keep it with your existing Shoe Carnival stock certificate(s). **Please be advised that any stock certificates in your possession are valid and should not be destroyed.**

If a fractional share resulted from this stock split, a check representing cash-in-lieu of the fractional share will be mailed under separate cover from our transfer agent, Computershare Trust Company NA, as payment for that fractional share.

Please see the enclosed "Frequently Asked Questions & Answers about the Stock Split" for answers to the most commonly asked questions and for contact information if you have further questions. Thank you for your continued support of Shoe Carnival.

Sincerely,



Clifton E. Sifford  
Vice Chairman of the Board and Chief Executive Officer

## **Frequently Asked Questions & Answers about the Stock Split**

### **What is a stock split?**

In a two-for-one stock split, each shareholder receives one additional share for each one share that he or she holds as of a certain date, known as the “record date.” As a result, the number of issued shares doubles, and the price at which the stock trades is expected to be reduced by half.

### **Why did Shoe Carnival’s Board of Directors authorize a stock split?**

This stock split is intended to make Shoe Carnival’s shares more accessible and provide the Company with the opportunity to increase our shareholder base and liquidity. This action reflects our belief in the long-term strategy of our Company and supports our ongoing commitment to enhancing shareholder value.

### **What was the record date?**

The record date was July 6, 2021. If you were a shareholder as of the market close on the record date, you are entitled to receive the additional shares.

### **What is the payment date?**

The payment date for the additional shares is July 19, 2021. If shares are registered in your name as of the market close on the record date, you are receiving the enclosed shares as a result of the stock split.

### **What is the ex-split date?**

The ex-split date is Tuesday, July 20, 2021. When the market opens on July 20, 2021, one trading day after the payment date, shares of Shoe Carnival will begin trading on The Nasdaq Stock Market LLC at the new split-adjusted price.

### **What happens if I sold some of my shares before the record date?**

If you sold your shares before the record date, you were not entitled to receive the additional split shares.

### **What happens if I bought or sold some shares between the record date and the payment date?**

Trades that settle between the record date and the payment date will be considered “trades with distribution”, those that ultimately entitle the buyer to the split shares even though the buyer did not own the shares on the record date. These trades will have a “due bill” attached to them. A “due bill” is an IOU from the seller indicating that the buyer, not the seller who was holding the stock on the record date, is entitled to the split shares upon their issuance.

If you buy shares between July 7th and July 19th, you will be entitled to split shares based on your purchases, but you will not receive them on the payment date. You will receive the split shares when the due bills settle a few days following the payment date.

If you owned shares at the close of business on the record date and sold those shares between July 7th and July 19th, the trade will have a due bill attached to it and you will receive no split shares. The split shares on the sold stock will be held and used to settle the due bills.

**How have my additional shares of Shoe Carnival common stock been issued?**

No stock certificates have been issued. Instead, if you held certificates, the additional shares you have received as a result of the stock split have been distributed through the Direct Registration System (DRS). This means that you have full ownership of your additional shares without the responsibility of holding the actual certificates. The enclosed DRS Transaction Statement is your confirmation; it indicates the number of additional split shares you received based on your certificated share balance as of the record date. Keep it with your existing stock certificates and other important documents as a record of your ownership.

**How are fractional shares created by the split being handled?**

If a fractional share was created by the stock split, then it is being paid in cash. The fractional share was valued as of the closing price of Shoe Carnival common stock on the record date, Tuesday, July 6, 2021. You will receive a check for any fractional share position under separate cover from our transfer agent, Computershare Trust Company NA.

**Where will my DRS Transaction Statement and/or my Statement of Holdings be mailed?**

If you currently hold shares in your name, they will be mailed to the address on file at Computershare Trust Company NA, our stock transfer agent. To verify your address, shareholders of record can call Computershare Trust Company NA directly at 877-373-6374 and participants in the Company's Employee Stock Purchase Plan may call 800-620-5936 (within the USA, US territories and Canada) or 732-563-7304 (outside the USA, US territories and Canada).

**What do I do with my existing Shoe Carnival stock certificate(s)?**

Existing Shoe Carnival stock certificates are still valid. **Do not destroy them.** You may deposit your existing certificate(s) into a DRS account or in a brokerage account or you may continue to physically hold them and be responsible for their safekeeping. You can convert your shares held in certificate form into book-entry shares by mailing your certificates and a letter of instruction via registered or certified mail with return receipt requested, or some other form of traceable, insured mail to: Computershare Trust Company NA, P.O. Box 505000, Louisville, KY, 40233-5000. *For security purposes, please do not sign your certificates.* Once the certificate shares are converted to book-entry form, you will be sent a new DRS statement confirming your account balance.

**How do I request a Shoe Carnival, Inc. stock certificate?**

We believe a DRS account is the safest and most convenient way to hold your Shoe Carnival shares of common stock. If, however, you prefer to receive a certificate for your additional stock split shares, you may request it by calling Computershare Trust Company NA at 877-373-6374 or by accessing the web at [www.computershare.com/investor](http://www.computershare.com/investor), and following the instructions. Your certificate will be mailed to you at the address listed on the form. You can expect to receive your certificate within two weeks of your request.

**I own shares in the Shoe Carnival, Inc. Employee Stock Purchase Plan. How are they affected by the split?**

All outstanding shares of Shoe Carnival are affected by the split, including those in the Employee Stock Purchase Plan. At the close of business on Monday, July 19, 2021, your account will be credited with one additional share of common stock for every one share that you owned as of the record date of July 6, 2021. Any fractional shares that are created as a result of this split will be paid out in cash and you will receive a check under separate cover from Computershare Trust Company NA. If you have further questions about your Employee Stock Purchase Plan account, you may access your account by logging into [www.us.computershare.com/employee](http://www.us.computershare.com/employee) or contact Computershare Trust Company NA at 800-620-5936 (within the USA, US territories and Canada) or 732-563-7304 (outside the USA, US territories and Canada).

**What if I own shares in a brokerage account?**

If you own shares in a brokerage account, the shares from the stock split and any cash payment for fractional shares will be transmitted to your broker automatically with no action required on your part. Please contact your broker if you have any questions about the shares in your brokerage account.

**Why does the quarterly cash dividend as paid on July 19, 2021 apply only to pre-split shares?**

The cash dividend of \$0.14 per share was payable to holders of shares of our common stock that were issued and outstanding on the cash dividend record date (July 6, 2021), which was before the July 19th stock dividend payment date.

**Will future declared quarterly cash dividends apply to my new shares?**

In the future, the quarterly cash dividend will apply to both old (pre-split) and new (post-split) shares. The per share amount of the dividend, though, will be half of its current level, assuming our Board of Directors maintains the current level of dividends.

**Do the shares I receive from the Shoe Carnival stock split result in taxable income?**

The Company has been advised that, under current law, for United States federal income tax purposes, (1) the receipt of additional shares of common stock as a result of this stock split will not result in any taxable income, gain or loss to shareholders except as described below with respect to fractional shares, (2) immediately after the stock split, the tax basis of the shares of common stock held by a shareholder prior to the stock split will be divided equally between such original shares and the new shares issued with respect to the original shares, and (3) the new shares will be deemed to have been acquired at the same time as the original shares with respect to which the new shares were issued. The laws of jurisdictions other than the United States may impose income taxes on the receipt of additional shares. The foregoing tax information is furnished for your assistance, but it is suggested that you consult your personal tax advisor.

For example, if you owned 100 shares of Shoe Carnival common stock before the split with a tax basis of \$40 per share, after the split you have 200 shares of Shoe Carnival common stock with a tax basis of \$20 per share. Please consult with your tax advisor regarding any questions you might have about your personal tax situation.

**If I receive a check for cash-in-lieu of a fractional share does that result in taxable income?**

In general, the cash received in-lieu of a fractional share is treated as an amount realized as a result of the sale of that fractional share. Gain or loss can result to the extent the cash received differs from the fractional share's pre-split basis. For additional information, see the Form 8937 that will be published on our Investors Relations website at <https://investors.shoecarnival.com/stock-information/split-history> following the stock split. This tax information is furnished for your assistance, and we suggest that you consult your personal tax advisor to determine whether any exclusion to this general concept applies to your particular facts and circumstances and to aid in determining your basis in the fractional share.

**What if I have more questions?**

For more information about DRS, the stock split or your Shoe Carnival shareholder account, please call Computershare Trust Company NA at 877-373-6374.