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Shoe Carnival, Inc. (SCVL)

Q2 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon and welcome to the Shoe Carnival's Second Quarter Fiscal 2020 Earnings Conference Call. Today's conference is being recorded. It is also being broadcast via webcast. Any reproduction or rebroadcast of any portion of this call is expressly prohibited.

Management's remarks may contain forward-looking statements that involve a number of risk factors. These risk factors could cause the company's actual results to material differently from those projected in such statements.

Forward-looking statements should also be considered in conjunction with the discussion of risk factors included in the company's SEC filings and today's earnings press release. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of today's date. The company disclaims any obligation to update any of the risk factors or publicly announce any revisions to the forward-looking statements discussed on today's conference call or contained in today's press release to reflect future events or developments.

I would now like to turn the conference over to Mr. Cliff Sifford, Vice Chairman and CEO of Shoe Carnival, for opening statements. Mr. Sifford, you may begin.

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

Thank you, and welcome to Shoe Carnival's 2020 Second Quarter Earnings Conference Call. Joining me on the call today is Mark Worden, President and Chief Customer Officer; and Kerry Jackson, Senior Executive Vice President, Chief Financial and Administrative Officer.

On today's call, I will provide a high-level review of our fiscal second quarter 2020 results as well as an update on the ongoing COVID-19 pandemic and the impact that it's had on our business. Mark will then discuss our strategic

initiatives and how our long-term investments have already begun to pay off, followed by Kerry, who will discuss the quarter's financial results. We'll then open the call for your questions.

Our fiscal second quarter results clearly demonstrated the strength and commitment of our team, as well as the resiliency of our concept. When we last spoke, we were in the process of reopening our stores. And as we have said, the health and safety of our employees and customers was our number one priority. I'm very pleased to report and thanks to the dedication and strong execution of our team members, we have successfully reopened all of our stores, welcoming our loyal customers back to fulfill their family footwear needs in person. Our corporate office will also complete the final phase of our reopening plan after Labor Day.

Our results for the quarter were strong. In fact, second quarter revenues of more than \$300 million established a new quarterly record for Shoe Carnival. Our sales were undoubtedly supported by our decision to not furlough any employees during the shutdown as we were able to get our team members back to the store faster than nearly all our competitors.

Just as exciting is the enormous growth we continue to see with our e-commerce platform, which delivered another triple-digit gain in the quarter, even as customers were able to get back into stores. All in, our focus on our loyal customers coupled with our team's excellent operational execution drove same store sales growth of 12.6% overall.

Looking exclusively at the days our stores were open, same store sales growth would have been 22.5%. This increase comes despite the dramatic shifts in back-to-school days we experienced at the end of the quarter. For context, with a typical season, we see back-to-school shopping start in mid to late July. However, the pandemic has delayed start dates for nearly all the schools within the markets we operate. As we saw this materializing, we pivoted quickly and realigned our back-to-school marketing to correspond with the shift in the season.

Through week two of July, our quarter-to-date comps were up in the mid-20s. As we approach the end of July, we saw sales decline for the last two weeks of the quarter in the high-20s, as schools shifted their start dates, which continued through the first two weeks of August. It is worth noting, however, that even with these two important weeks of back-to-school's sales shifting out of the quarter, our teams still delivered the highest quarterly sales in the company's history.

Once we approach the revised back-to-school dates in late August, our comparable store sales began to increase, with sales for the last two weeks of August up mid-single digits. For reference, typically, by the end of August, 95% of our schools are back in session. This year, as of August 31, only 65% of our schools were back. To this end, we believe the majority of back-to-school volume will be realized through September. We will extend our back-to-school season through the end of October to ensure we are timely serving our customers' needs. Despite these dynamics, we expect comparable store sales for August and September combined to be flat. Mark will provide additional color on this in his prepared remarks.

Turning to our e-commerce business, several years ago, we made the decision to significantly invest in our technology platforms, including our e-commerce business and CRM capabilities. This decision is paying off. Throughout the second quarter, we have delivered explosive growth in our e-commerce business, marking another period of triple-digit increases. Moreover, for the fiscal second quarter, our e-commerce revenues were just over 20% of total company revenue, exceeding our three-year target level. In addition, our Shoe Perks loyalty program achieved a critical milestone, surpassing 25 million members, and our Gold membership grew double digits.

Looking at comparable store sales by department for the quarter, adult athletic, overall, were up 30%, driven by strong growth in both women's and men's product categories, each up approximately 30%. Sales in both men's and women's non-athletic category were driven by sandals and sport casual products. Not surprisingly, dress shoes were down double digit, consistent with the change to a more casual and active lifestyle as a result of closed offices and schools. Kids' comparable store sales were down low-single digits, with non-athletic up double digits, driven by robust activity in kids' sandals and infants, somewhat offset by kids' athletic down low-double digits, reflecting the shift of back-to-school sales into quarter three.

Our current inventory position is solid, yet lean, and we continue to work closely with our vendor partners to ensure we have the best product available for our customers. As discussed last quarter, during the shutdown, we canceled spring orders and shifted fall merchandise to later in the season. However, our strong sales trends have us moving that product back to a more normalized receipt time period.

We're also working closely with our key vendor partners to replenish the categories and classifications that are driving our sales. We are very comfortable with the amount of inventory flow that we have coming in for the fall and holiday period.

That being said, we do expect it in the year with the inventory down on a per store basis. While sales have far exceeded our initial expectation as COVID pandemic took hold in the first and second quarter, the uncertainty it has created has been substantial and continues to impact our business. Our strong relationship with our vendor partners has been critical as we plan for the future, as the vendor community has not taken any chances with inventory levels, meaning if it's not already bought, it is too late to buy it now.

While the current environment makes it difficult to provide clearer guidance, absent a second wave of shutdowns, we believe we are well positioned to capture market share throughout the remainder of the year. We made quick decisions to support our employees, maintain appropriate inventory levels, and enhance our vendor relationships during the shutdown period. This has allowed us to remain nimble and fulfill our customers' need for both back-to-school and into the fall and holiday period.

Our financial strength and flexibility, combined with our laser focus on maintaining an impeccable balance sheet, has proven to be invaluable during these unprecedented times.

We ended the quarter with approximately \$77 million in cash and cash equivalents, and no debt. We also increased our line of credit from \$50 million to \$100 million to ensure we have ample quiddity, if needed. Our disciplined approach as well as our strategic investments in our business have allowed us to make incredible progress on our long-term strategic initiatives, and will guide us through any unforeseen challenges ahead. Given the continued uncertainty as a result of the pandemic, we still believe it would not be prudent to provide guidance at this time.

With that overview, I'd like to turn the call over to Mark Worden to provide an update on our strategic initiatives. Mark?

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

Thank you, Cliff. I'd like to start by thanking our 5,000-plus team members for their truly outstanding performance and commitment to providing excellent customer service during 2020. While these last few months have been challenging on a variety of levels, our team has exceeded all internal expectations, driving our strategic initiatives forward and delivering winning Q2 results.

As Cliff mentioned, we achieved comparable store sales growth of 12.6% in the quarter, or approximately \$33 million, against the backdrop of the difficult external landscape. If we look at comparable store sales growth exclusively for the days our stores were open during the quarter, that number improves to 22.5%, a substantial increase and a testament to the team's hard work.

The last several quarters, we've discussed our four key strategic initiatives, CRM, brand and customer experience, e-commerce sales, and store development. The investments we have made are paying dividends not only in supporting growth but allowing our team to be smarter and more efficient as we serve our customers.

Our digital marketing and e-commerce efforts delivered results that far exceeded our expectations for the quarter. E-commerce sales grew 332%, achieving high-double-digit conversion rates and growth of over \$45 million in the quarter. E-commerce revenues exceeded 20% of total company revenue for the second quarter, which surpassed our three-year strategic target. For comparison, Shoe Carnival's e-commerce sales represented less than 6% of fiscal second quarter revenue in 2019.

Our long-term revenue growth driver and customer engagement strategy remains to rapidly build sales in this growing digital channel. Very encouragingly, e-commerce sales growth has proven to be sustainable even after all stores reopened, continuing to achieve triple-digit sales growth. I'm confident it will continue to be a meaningful platform of the Shoe Carnival business going forward.

Investments in our leading CRM capabilities also continue to pay off. We reached many key milestones during the second quarter, which contributed to our double-digit sales growth. We surpassed 25 million loyalty members for the first time. Gold membership grew double digits and remain highly accretive to both sales and profits. The average basket size of a Gold member was \$16 higher than a non-member. So, converting our customers into Gold members remains a winning strategy and a high priority for us.

Our targeted marketing efforts rapidly expanded sales from non-members in the quarter as well, with sales growth of over 30% in this category. Connecting with new customers and customers not currently Shoe Perks members and converting them into loyal, highly engaged members remains a key growth area for us.

Since the second quarter of fiscal 2019, we converted over 1.8 million non-members into basic members from these targeted connection efforts. We plan to continue expanding our Shoe Perks loyalty program well into the future.

Our store teams navigated the challenges presented by COVID-19 with excellence. We closed all 390 stores we operated during the first quarter to support the safety of our teams and communities we operate in.

By June 1, our team have safely and efficiently opened over 95% of the store fleet and the full chain by late June, while continuing to fill large numbers of e-commerce orders. Store traffic and conversion far outperformed internal expectations. For example, in May and June combined, we achieved a mid-single-digit store comp for the company, inclusive of all stores opened or closed due to COVID-19.

The uncertainty created by COVID-19 did delay the start of our back-to-school selling season out of Q2 and into Q3. From a store operations, inventory and marketing perspective, we were well prepared for this shift and have solid plans in place to support a lengthened selling period extending through Q3.

For example, we pivoted our marketing investment out of a traditional heavy TV and print plan in late July and early August into targeted digital marketing, social CRM and store experience elements. This decision enabled us to be nimble with our investments and react to school districts' back-to-school date announcements as they happened. Sales trends have shifted later this year in line with our planning for marketing investments. On average, school districts' announced return-to-school dates approximately two to three weeks later than 2019 and approximately 40% are returning virtually. As such, our historical sales pattern has shifted out and is lengthening.

As Cliff shared earlier, store sales declined double digits towards the end of July and early August, were flat around mid-August, and began to grow double digits by month-end. In our markets where schools have either fully or partially returned to in-person learning, we've seen double-digit same store sales comps during in the last weeks of August.

In markets where schools have opted for virtual-only learning, same store sales comps are declining low-double digits. At the same time, e-commerce has experienced an acceleration of triple-digit growth. As a result, we anticipate total comparable sales for the combined August-September period to be flat, with a continued momentum in e-commerce sales, offsetting negative results where schools have remained virtual.

While this back-to-school season is unlike anything we've experienced historically, it's far from over and we remain optimistic that Shoe Carnival will win market share and provide families with the shoes and accessories they need despite the date changes and uncertainty families face.

As we navigate the current environment, we continue to progress against our long-term real estate and store profitability strategies. During the quarter, we opened two new stores within existing markets and finalized two additional store openings for the back half of 2020. We anticipate these four openings to be the total for the year, as we've taken a more conservative stance on capital investment since the pandemic began.

Additionally, we made the decision not to renew leases on 10 stores that generated low ROI, taking the year-to-date total store closures to 12. We continue to monitor each store's profitability and sales closely, but plans for one further store closure during 2020.

In closing, I'm inspired by the efforts of our team during 2020 and the continued success of our strategic initiatives. Tremendous opportunities lie ahead for Shoe Carnival as we continue building on our strong customer relationships and introducing new customers to the brand.

With that, let me now turn the call over to Kerry Jackson to provide more insight into our financial performance for the quarter.

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

Thank you, Mark. As Cliff mentioned, this quarter was much stronger than we anticipated, given the current market environment, and we are incredibly proud of our team and their hard work. We delivered record sales of \$300.8 million in the quarter, beating the prior sales record set in the third quarter of 2017 by 4.6%. Comparable store sales were up 12.6% and our e-commerce business sustained its triple-digit growth and represented more than 20% of fiscal quarter – second quarter sales.

Our brick-and-mortar store sales were negatively impacted by COVID-related closures early in the second quarter and, as Cliff mentioned earlier, the COVID-related delays for back-to-school shopping late in the quarter. Gross profit margin for the quarter was 27.5% compared to 30.6% in the second quarter of last year.

Merchandise margins decreased 370% – 370 basis points, while buying, distribution and occupancy expense decreased 60 basis points as a percentage of sales. The decrease in the merchandise margin was related to an increase of 250 basis points in shipping costs associated with e-commerce sales, with the remainder of the decrease due to a higher mix of adult athletic sales, which typically carry lower margins than non-athletics. The decrease in buying, distribution and occupancy expenses was primarily due to leveraging of expenses against the higher sales base.

SG&A expenses increased \$1.8 million in the second quarter of fiscal 2020 to \$68.2 million, primarily reflecting higher e-commerce related operating expenses. As a percentage of net sales, SG&A decreased to 22.7% compared to 24.8% in the second quarter of fiscal 2019, primarily due to leveraging of expenses against the higher sales base.

The effective income tax rate for the second quarter of fiscal 2020 was 29.6% compared to 24.5% for the same period last year. The rate increase was primarily due to the reversal in net operating loss carryback recorded in the first quarter due to improved financial performance.

Net income for the second quarter of fiscal 2020 was \$10.1 million compared to net income of \$11.8 million in the prior year quarter. Income per diluted share for this fiscal second quarter was \$0.71 compared to income per diluted share of \$0.80 in the prior year quarter.

Now turning to our cash position and information affecting cash flow, depreciation expense was \$4.0 million for the second quarter compared to \$4.1 million in the prior year quarter. Capital expenditures for fiscal 2020, including actual expenditures during the second quarter, are expected between \$15 million and \$16 million, with approximately \$8 million to \$10 million to be used for new stores' relocation or remodels.

We also expect to spend between \$3 million and \$4 million on upgrades to our distribution center in fiscal 2020, as we continue to focus on enhancing our supply chain. As Cliff mentioned, we continue to work closely with our vendor partners to strategically manage our inventory. As a result, we ended the quarter with inventory of \$298.9 million, which was down \$38.1 million compared to the prior year or down 8.7% on a per store basis.

As of August 1, 2020, we had no outstanding debt, and working capital of \$200 million. Cash and cash equivalents were \$76.9 million and our borrowing capacity was \$98.8 million at the end of the quarter. Free cash flow was \$65.1 million during the second quarter, resulting from record sales, lower inventories and higher accounts payable.

This concludes our financial review. Now, I'd like to open up the call for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We will take our first question from Mitch from Pivotal Research.

Mitch Kummetz

Analyst, Pivotal Research

Q

Yeah. Thanks. Congrats on the record quarter and thanks for taking my questions. I want to start just to make sure I understand all the moving parts around Q3 with back-to-school and kind of what your assumptions are there. So, I know that you said that August started slow and then it picked up, but could you give us a same store sales number for August as a whole?

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

A

Mitch, we're not – what we wanted to do was, get directionally what we saw during the quarter. We're not going to give a specific number. And the reason is it's not relevant right now because of the way back-to-school is going to be so much later than it was last year. For comparison, it's – it only makes sense in our opinion by combining August and September together, similar to what we do with Easter. Because so much for back-to-school sales are moving into September, we want to give you kind of a weak understanding that it started very slow. We picked up at the end of the – end of August, and we expect to come out of the combined August, September relatively flat.

Mitch Kummetz

Analyst, Pivotal Research

Q

So you spoke to the trajectory that you have in the last couple of weeks of August. Is that what you need in September to get to flat for the combined period?

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

A

Well, what we need is for schools to get back, which we believe all schools to be back by the end of September, or at least that's what we're hearing from the governors. As you know, Mitch, it's – we've always talked about the fact that our customer buys at need. And as long as there remote learning, the need for...

Mitch Kummetz

Analyst, Pivotal Research

Q

Yeah.

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

A

...the immediate need for new back-to-school shoes doesn't present itself.

Mitch Kummetz

Analyst, Pivotal Research

Q

Yeah.

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

A

We believe that and we've seen that happen now. I mean, as schools have gone back, our business has been outstanding in those markets, and I think that's going to continue to happen. And I don't use the word outstanding lightly. It really has happened that way as schools go back.

Mitch Kummetz

Analyst, Pivotal Research

Q

Got it. So that's my next question. Again, I just want to make sure I understand the moving parts here. So, Cliff, I think you just said that by the end of September, you expect all the schools to be back. But do you expect – I just want to – again as a sort of a point of clarification, I assume you don't expect all the schools to be in-person by the end of September, right? Your flat August, September combined assumes all schools are back and kids are back in school, but not necessarily that they're all in-person, is that the way I should be thinking about that assumption for that sort of flat?

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

A

Hey, Mitch. It's Mark. We are assuming that the trend continues very similar to now, where about 60% of the schools are in some type of combination, either back fully or back part with some virtual, and approximately 40% are in a virtual scenario. We anticipate that schools that haven't gone back yet, there's still a large tranche of those particularly in the Northeast and North. As they go back, we'll keep similar rates. And if they do something of that nature, that leads to the flat combined back-to-school season that Cliff and I were talking about.

Mitch Kummetz

Analyst, Pivotal Research

Q

Got it. Okay. And then when I think about August, September being flat, obviously, that's being negatively impacted by the schools that are virtual. Is there anything else that you guys are seeing to kind of compare that flat for those two months versus that 20%-plus that you were doing before? I mean, are you seeing any fall-off because of stimulus going away with the enhanced unemployment or any sort of fall-off in pent-up demand, or any other things out in the market?

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

A

I think the biggest thing we're seeing is the impact of the virtual-only schools. That's the key impact to our back-to-school. And we're incredibly encouraged that despite that approximately 40% being virtual-only right now, our e-commerce business has seen an accelerated trajectory during the last few weeks as kids start to shop. And the triple-digit continues to accelerate as the months progressed. So, we feel like we're well positioned to deliver that flat despite schools staying virtual. And with some progression of that of more shifting to a combo or others, as Cliff said, once they go back, we're seeing outstanding...

Mitch Kummetz

Analyst, Pivotal Research

Q

Got it.

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

A

...comp store sales results. So, if it gets better than that, there is some potential to be flat.

Mitch Kummetz

Analyst, Pivotal Research

Q

Yeah, yeah. Just a couple other things. Cliff, as you think about the back half of the year, I mean obviously in the quarter your adult athletic business was extremely strong, how are you thinking about those trends potentially continuing into back half of the year, especially as we kind of move into a boot season? I mean are you – I think you made the comment if it's not bought you're not going to get it. So, I'm just kind of curious how you plan that. And then when you think about boots, I feel like on the non-athletic side, there was a lot of slippers and comfort things that were working for spring/summer as that kind also how you're thinking about boots for holidays, sort of more shearling versus fashion boots?

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

A

Yeah. Probably not going to get down to the type of boots we believe we'll be selling, even though I don't believe that a retailer can go out today and buy boots that they haven't already bought them. So, I stick by that statement.

I will tell you this that our not furloughing our people allowed our people to adjust and move orders on a continuous basis based on the way that business was progressing and the fact that we knew we were going to be reopening our stores. We believe that we're going to be better positioned from a boot standpoint than most, I'm not going to say any, but most of our competitors who did furlough their employees. So, I feel pretty good about the boot season coming up, because I believe we'll capture market share in boots.

So, like I said, I don't want to get into what I think is going to be casual or fur lined or any of that just in case a miracle happens and boots do become available, I don't want – anyway, I don't want – what our strategy is to be out there.

Mitch Kummetz

Analyst, Pivotal Research

Q

Got it. And then lastly, could you speak a little bit to the kind of bankruptcy, store closures? I know Hibbett – I don't cover Hibbett but they reported on last Friday and they've talked about starting to see some benefits there. I don't know if there's anything you can quantify or maybe sort of speak to sort of the overlap that you have with some of your stores and some of the stores that you're seeing closed?

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

A

No, we – I can't quantify the fact that a particular store or region is better due to the fact that we've lost competition, with the exception of one market in the northeast. So, I will – I'm not sure how – I just don't believe there's been enough time between the bankruptcies and the store closures for us to give you that kind of information, especially with the shifting of back-to-school.

Mitch Kummetz

Analyst, Pivotal Research

Q

Okay. All right. Thanks, guys.

Operator: Thank you. We will take our next question from Sam Poser of Susquehanna.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Q

Good afternoon. Thanks for taking my questions, guys. So, let's start at the top here. When you're thinking about the back half of the year, given the inventory and the way you're flowing goods, do you expect – you haven't talked about Q3 in total, but I mean do you expect Q3 to be better than Q4 or vice versa?

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

A

Better in what respect, Sam?

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Q

Year-over-year sales.

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

A

Well, Q3 is traditionally a higher sales period than Q4 and we expect that pattern to continue because...

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Q

Percent increase. Percent increase year-over-year.

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

A

We're not going to get into – trying to – we're not putting out guidance right now and it's very difficult to read. We want to get to the back-to-school season. We need to see how many of these schools go back, and as Cliff was talking about. And while we generally feel good about the second half from a standpoint of we're well positioned for back-to-school sales and we're well positioned for boots, it's very hard to actually quantify. And that's why we have chosen not to give guidance at this point.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Q

Okay. And if we look at – you talked about the first two weeks of August remaining difficult and then it picked up. Can you talk about the month of, let's say, July 15 to August 15, that portion of back-to-school, it didn't – what are you needing to make up sort of within that part of back-to-school? And it sounds like based on being flat in August, September, you're not necessarily believing you're going to capture sort of that miss in July into the third quarter? Is that a fair way to think about it?

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

A

Hi, Sam, it's Mark. Yeah, that's a fair way to think about it broadly. As Cliff said and I alluded to, it was – that period you're referring to, we saw double-digit declines until it really pivoted towards the mid part of August to flattish comp store sales, as the schools started to return, and by the latter part of August, we're seeing very strong double-digit comp store growth in the school districts where kids went back a combo.

And in aggregate, with e-commerce, with the virtual, and with those that went back, we saw double-digit comp gain by the end of August. So, we think we're very well positioned to deliver flat overall comp growth for the corporation in a combined two-month period and we're optimistic.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

And that's sort of implying like a low-double-digit growth than in September to sort of get there, given the weakness in the first half of August.

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

Sam, we're just not going to quantify what percent increase or decrease we thought August or September, but just give the combined period, because of the shifts, or it's just like Easter, is the way we're looking at it. The way it's moved around on us, it isn't relevant in our opinion other than to give the combined period.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Okay. I will leave the dead horse alone.

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

Thank you.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

So, let's go to Nike. Nike recently has decided to pull goods out of a number of retailers with whom you overlap. What we've heard is Dillard's, Belk, and I guess, Boscov's, and I assume Modell's is who you were referring to up in the Northeast, Cliff. How do you foresee that helping you? It's not going to – it's not this quarter, but I mean when you think about that and given that that's underway, are you seeing that you're going to get access to different types of product or different quantities, given this activity that appears to be going on?

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

I think all of those decisions are still in flux. I will tell you that any time, and you know this too very well, Sam, any time you have a competitor that loses a brand as strong as that particular brand, I think it's good news for any of the retailers that still maintain the brand. So, in that regard, I can't tell you that I'm unhappy that they pulled products back. I'm very happy.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Two more questions. One, how many stores do you have the Nike shop in right now?

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

Right now, it's a bit over 100 of the fleet. So, we're approaching that 25% to 35% during this year ahead.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Okay. And then, lastly, within – given the strength of athletic and sandals and so on, I mean, is the real story here sort of comfort – athletic comfort versus, you mentioned dress. But, I mean, are people like when – do you see any change as you – we move through the year in – sort of in the end-to-use type of product which seems to be comfort changing? Is that going to – and to follow up on Mitch's question, does that evolve into furry boots versus dressier non-cozy comfort boots?

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

Well, I can tell you that...

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Does that keep – and does that keep athletic going? And did you have a good slipper business in Q2 as well?

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

I think the best way to answer that question is that I believe the trends we're seeing since the COVID hit and with the offices and schools closed, that trend is going to – not the schools being closed, but the trend of casual lifestyle will continue, and we are absolutely prepared for that to be the case. And that's – that would include casual non-athletic product as well as athletic product and casual boots. There's just no reason at this point of that occupancy as we move through the rest of this year progress product to pick up.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

All right. I'm going to just sneak in – well, go ahead. Thank you very much. I'll [indiscernible] (00:38:12) back in.

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

All right. Thank you.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

[indiscernible] (00:38:14).

Operator: Thank you. We will take our next question from Greg Pendy of Sidoti.

Gregory Pendy

Analyst, Sidoti & Co. LLC

Hey, guys. Thanks for taking my questions. Can you just remind me, I think last year you said that fourth quarter e-commerce revenues were 8%, but I don't believe you guys gave third quarter. So, just kind of trying to get a sense of what we'll be anniversarying in terms of e-commerce sales?

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

A

In the – for the third quarter, it was approximately 6% of revenues. In the fourth quarter, it's a little stronger, closer to 8%.

Gregory Pendy

Analyst, Sidoti & Co. LLC

Q

Okay. And when you say, just that I'm clear, when you say 8% of revenues, are you talking of total revenues or 8% incremental to the 8% of what you did on the store base?

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

A

On total.

Gregory Pendy

Analyst, Sidoti & Co. LLC

Q

On total. Okay, perfect. And then just, I guess, on that note and staying within the e-commerce world, just trying to get a sense. I mean the world seems to have changed and your economics have changed a bit here. So, when we're thinking and I know it's too far out. But just thinking, I guess long-term trajectory, 2021, how are you thinking about new stores, I guess, longer-term, given e-commerce has sort of jump-started? I think, historically, you thought maybe a 12% of your sales would get their teams to have surpassed that. So, how do you think about going forward putting your efforts, maybe more towards e-commerce versus store growth and how should we be thinking about that over a long-term period?

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

A

Going into the pandemic, we had a three-year target to grow our e-commerce business to that high-teens, 20% of the corporation. And as we just shared, we exceeded 20% during this period of time and far accelerated our capabilities, as customers truly have made a choice, not just in our category and many others, but the e-commerce business can satisfy their needs. So, we're really thrilled with what we're seeing and we think we're very well positioned.

If you look towards the tail end of the quarter, as our stores started to reopen, we saw our e-commerce business stabilize with triple-digit growth. And it stabilized in that mid-teens percent of the total corporation's revenues at that point in time. And while we're not clear if that is where it stabilizes with so much uncertainty, we're using that as a guiding principle for Q3, Q4, and thinking that the business will stabilize from a revenue and a cost perspective in the mid-teens percent of our revenue.

When you put that in context then at stores, we're still incredibly committed to our long-term strategy to grow our store base, and we're laser-focused where our brand is strong, where we get great ROIs in our existing DNAs for our market leaders, in our key 35 states that we already have brand building and loyal customers.

So, we remain committed to building our store footprint in those existing markets. But right now, we're taking a very conservative approach to capital. We're taking a conservative approach until we get to the other side of visibility to the pandemic, and we're not putting out guidance, nor are we aggressively going after new store growth at this time for 2021. But we're incredibly encouraged by what we are seeing with the customers shift to us, our market share gains in e-commerce, that three years or so acceleration of e-commerce capabilities and

revenues, as well as our stores, as we talked about earlier, when open delivered comp store growth soar in Q2. And when we exclude those as we talked about in Q2, delivering 22.5% growth for the quarter, during that period of time when there's great challenges our customers and employees were faced with. So, I couldn't be more proud of what they achieved during the quarter.

Gregory Pendency

Analyst, Sidoti & Co. LLC

That's helpful. Thanks a lot.

Q

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

Thank you.

A

Operator: Thank you. We will take our next question from Chris Svezia of Wedbush.

Christopher Svezia

Analyst, Wedbush Securities, Inc.

Good afternoon, everyone. Thanks for taking my questions.

Q

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

Hey, Chris.

A

Christopher Svezia

Analyst, Wedbush Securities, Inc.

Yeah. A couple of things, I guess, I'm still going to beat the horse a little bit. I still think it has a pulse. So, I guess, first, just can you remind me last year, this August, September, October, just what the comp cadence looked like? And again, a strong backflow, I think things slowed by October, if memory serves me correctly, so the compare on October is easier or just remind me on that, Kerry?

Q

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

Last year, it was low-single digits, August and September, and mid-singles in October.

A

Christopher Svezia

Analyst, Wedbush Securities, Inc.

Okay. So that's stronger, okay. And just clarification, so I understand this. So, in August, it turned negative 20s in the first two weeks of the month, flattened out in total midway through and then by the tail end two weeks or so, total company, so e-com, everything altogether, up mid-singles? Did I catch all of that correctly, because you threw out both e-com – you throw out areas that were open, plus schools that have gone back. I'm just trying to put all together just so I understand here.

Q

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

A

Hey, Chris. It's Mike. Yeah, so talking about total company revenues, open, closed, or whatever [ph] form is still in e-commerce I'll state now (00:44:28), the first two weeks were double-digit decline. We didn't state exactly how much, but there was double-digit decline in the first two weeks of August. By mid-week, total company comp was flat – sorry, by mid-month August, total company was flat. And by the last weeks of August and what we're seeing now, we were pulling into total company double-digit comp growth. And that is by week. And so, not total.

Christopher Svezia

Analyst, Wedbush Securities, Inc.

Right. So, that's okay. So, it's double-digit towards – that you got towards the tail end of the total company...

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

Yes.

Christopher Svezia

Analyst, Wedbush Securities, Inc.

Okay.

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

Exactly. Driven by the strength of schools that went back in any fashion live, and accelerated triple-digit growth in e-commerce, offsetting the headwinds we are facing for school districts that have decided to go virtual-only. But again, we're incredibly encouraged at the strength of our concept in stores as well as an incredibly strong e-commerce platform is enough to offset those things that are out of our control or school districts are deciding not to go back at.

Christopher Svezia

Analyst, Wedbush Securities, Inc.

And Mark, you referenced acceleration in e-commerce, just want to be clear. So, if you're kind of it's still in that triple-digit as you came through the tail end of the quarter, you made some comments it accelerate – did it accelerate from that, call it July, August trend, if you came through the tail end of August, is that fair?

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

Yeah. We saw that e-commerce business soar in that end of July, early August, also when similar to what Cliff was saying, it was not high-to-mid triple digits [ph] like we were pacing (00:46:09). We saw a slowdown a little closer to high-double digits, low-triple digits during that period where kids were not going back to school. So, it's excellent, but it wasn't ranging in the mid-triple digits then. And as we progressed just like the school districts' stores opened, started to accelerate in the middle of August to a solid triple-digit and continuing to accelerate to very strong triple-digit by the end of the month.

Christopher Svezia

Analyst, Wedbush Securities, Inc.

Okay. Okay, got it. And final thing on all of this stuff, just so I'm clear. You anticipate just to get to the flat for both of months, August and September, is basically 60% of schools go back either partial hybrid or full and 40% go virtual in all your markets, that gets you to flat just to confirm.

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

A

Those are the rough numbers we've seen so far at this point for the school districts. And as long as it doesn't get any worse than that, that's built into our assumptions. And we have the school announcements for the districts ahead. So, we believe it could get better if the situation on the ground, where some that are virtual decide to go back in some form of combination. But you had it right, Chris.

Christopher Svezia

Analyst, Wedbush Securities, Inc.

Q

Okay. Kerry, let's talk margins for a moment. Just how do you – what changes Q3, broadly speaking, broad strokes? Based on the mix of business, do we still anticipate gross margin pressure because of shipping costs related to e-com? How much does the kids' business may be coming back, traditional back-to-school, maybe slowdown as a result. How do I think about gross margin as a color one way or the other relative to what you saw in Q2?

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

A

So, as a general statement for the gross profit margin, we saw the most difficult compare in Q2 with the shipping costs, because as Mark said, we had over 20% penetration of our e-commerce business for the total quarter, and now we don't expect that to be as high penetration in Q3 and Q4. And also in Q3 and Q4, particularly, last year, we had accelerated our e-commerce business then. So, the delta between the overall penetration gets smaller as the year goes on. So, the shipping [indiscernible] (00:48:45) to the shipping charges on a year-over-year basis is not as big in Q3 and is even less than Q4.

So, we'd expect to still see some pressure against our overall gross profit margin in Q3, but we think that with a leaner inventory, we can make up the negative effect of the shipping charges in Q4 and see possibly some growth in our overall margin – gross profit margin in Q4.

Christopher Svezia

Analyst, Wedbush Securities, Inc.

Q

Okay. So just to pull that together, you probably expect still some down Q3 gross margins, though not nearly as much as Q2. And that's a function of just largely the e-commerce mix. Q4 even becomes less of a factor, and therefore, you would expect some level possible gross margin improvement potentially in Q4?

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

A

If we have a normal selling period, I should have caveated that. I mean, we're talking there's so much that's not [ph] normal (00:49:54) right now. But if we had a more normalized selling period in Q4, I was trying to draw a comparison that the [indiscernible] (00:50:01) of the shipping charges would not preclude us from having a positive gross profit margin.

Christopher Svezia

Analyst, Wedbush Securities, Inc.

Q

Got it. Okay. That's helpful. And just on the inventory, how do I – how do we think about that as we move forward? And I guess, more specifically, are you getting what you want to get, or are you potentially missing sales because you're just not – you just don't have a product fast enough?

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

No. I think – Chris, I think the merchants, Carl and the merchant team have done a great job of getting in front of the vendor community. We have had virtual meetings with every vendor that is important to our business and we are getting them – we are getting incredible help from the vendors in getting us back in stock on the items that are selling. And it really truly has been a concentrated list. It's not as broad as you would expect. The customers have really honed in on certain brands, certain categories, and our guys are pushing hard to get back in stock and stay in stock in those brands and categories.

Christopher Svezia

Analyst, Wedbush Securities, Inc.

Mind fill us in on what those are? Just kidding, joking.

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

We don't talk about brands.

Christopher Svezia

Analyst, Wedbush Securities, Inc.

Okay. Last thing for me, how do I think about cash? Where you end roughly the year? I think you've always tried to end with \$50 million on the books or thereabouts, [ph] \$50 million, \$60 million on the books that you would (00:51:48) – maybe you want a little bit more and I don't know, how do you think about potentially going back to buying back stock or how does that sit on the grand scheme of things? Yeah, [ph] the cash flow (00:52:02).

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

So, we think we're at an interim high right now on our Q2 ending cash balance. And the reason is, is that our inventories, because we were turning them so quickly and bringing the receipts in, we had a higher accounts payable balance than we traditionally would have. Now that will be paid down in Q3 and we should get back to a more normal.

So, we'll still – we won't be at the end of Q3 at this – we'll be below where we're at today, but by year-end once we clean – go through the cycle of reducing our inventories through holiday, we should be back into a cash balance that's not [ph] similar (00:52:48) into the second quarter.

Christopher Svezia

Analyst, Wedbush Securities, Inc.

Okay. And share repurchase?

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

Our belief right now is, we're more inclined to heal our balance sheet and be cautious in this time when there's so much volatility. So, we're not yet saying that we're interested in buying shares back right now this year.

Christopher Svezia

Analyst, Wedbush Securities, Inc.

Fair enough. All right. Thank you then. All the best. Appreciate it.

Q

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

Thank you.

A

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

Thank you.

A

Operator: Thank you. And we do have a follow-up question from Mitch Kummetz of Pivotal Research.

Mitch Kummetz

Analyst, Pivotal Research

Thanks. I still have like a handful and I promise to stay away from that dead horse. So just to follow up on Chris's margin questions, Kerry, I think you kind of addressed merch margin pretty well. But I'm curious on the BDO, because if you guys are running sort of flat comp August, September, could you remind us sort of what the leverage point is on BDO and do you expect some deleverage to occur in the third quarter?

Q

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

it's hard to know. What we've given you is August, September, October, and as we said so many times before, it depends on the weather. If it cools down, then we can sell our boots that makes for a good October. So it's hard to say, but I would say you're looking at a flattish to maybe slightly down or deleveraged BD&O in Q3.

A

Mitch Kummetz

Analyst, Pivotal Research

Okay. Yeah. And how about SG&A dollars? SG&A dollars, I think, you said were up \$1.8 million year-over-year in Q2. It sounds like there was some marketing that pushed out at Q2 into Q3. Is there any way you can give us a sense around SG&A and maybe from a dollar standpoint? I assume you expect it to be up year-over-year, but maybe that's not the case.

Q

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

Well, we do expect it to be up for two reasons. One is going to be a shift in the advertising dollars into Q3. But the other piece of it is going to be and it's the larger piece, is that because of the increase in e-commerce sales, we're going to, just like we saw one of the largest increases we had for Q2, was the increased operating expenses for e-com. We expect to see the same type of thing in Q4 or in Q3. And those two items will cause us to have increased dollars on a year-over-year basis.

A

Mitch Kummetz

Analyst, Pivotal Research

Q

Okay. And then, Cliff, a couple on the product. On adult non-athletic, you gave some color around that, but I don't – I didn't hear you give an actual comp for that business. If you didn't, could you tell us what it was or if you did and I missed it, could you remind me?

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

Adult – well, excuse me, give me 2 seconds.

Mitch Kummetz

Analyst, Pivotal Research

Adult non-athletic?

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

Non-athletic?

Mitch Kummetz

Analyst, Pivotal Research

Sure. I heard you talk about sandals and dress, but I don't recall you giving a comp number on it.

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

Well, overall, I'll tell you that the non-athletic business was – our sales were down for the quarter. And two seconds – down slightly, and in women's non-athletic, and actually because of the work category, they were up mid-singles in men's.

Mitch Kummetz

Analyst, Pivotal Research

Okay. And then on the adult athletic business, which was obviously strong in the quarter, is there any way you can kind of drill down on the strength there, whether it was sort of running versus basketball versus sneakers, and where do you guys sort of put the Nike Court Vision? I know that Foot Locker says that Air Force 1s are basketball, I don't think rest of the world sort of use it that way. So I'm kind of curious sort of what – if there's anything in particular that really contributed to the strength of your athletic business.

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

Well, the running category was very strong for the time period, but our customers uses the running category to walk in and there's a lot of walking being done during that quarter as people were not working. And you called out one of the hottest items in the marketplace and that's as close as I'm going to get to talking about it individual.

Mitch Kummetz

Analyst, Pivotal Research

Fair enough. And then, I guess, my last question is for Mark. So, we got a lot of schools that are virtual. If we see some of those transition to in-person at some point, whether that's October or November, does that give you kind of a – I don't know, a second bite of the apple or something? And if you – and let's say like a school were to be

virtual all first semester but then go back in-person in second semester, do you end up with some sort of weird abbreviated back-to-school season like later on or does that just get absorbed by sort of typical holiday selling?

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

A

It's an interesting question. We do know factually kids' feet are going to grow and we absolutely are confident that we're in great position to satisfy those needs. So, let's take those 40% from store, schools that are going virtually. If they do so during October or November, we do think there is potential to be capturing more of them in our stores during that moment of time. There's some great joy, the experience at Shoe Carnival, we do believe there is a second wave of Shoe Carnival back-to-school shopping if they do pivot later.

Mitch Kummetz

Analyst, Pivotal Research

Q

Got it. Okay. All right. Thanks, guys. Good luck.

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

A

Thank you.

Operator: Thank you. And we will take our last question from Sam Poser of Susquehanna.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Q

Hi. Kerry, what – thank you, what – to what degree did the SG&A direction you provided, to what degree does the store closures, the 10, the stores that you closed help to offset some of those costs like when you think about the – what's additive from the expenses from e-com, I mean how much do you save from having those stores shut, having 10 less stores [indiscernible] (00:59:15), it seemed to have gotten pulled up.

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

A

There's a lot of volatility in the SG&A number right now and – some positive, some negative. Like for example, you can imagine due to pandemic, our travel costs are down dramatically on a year-over-year, but our supplies for PT&E are up. So, it – what I think you can rely on the guidance that if you teased out only the two issues that I talked about, that would account for the increase in the SG&A and all the rest of it seems to kind of net against each other to be immaterial.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Q

And when you think about that net increase, are we looking at a net increase like it was in Q2? I mean, just on sort of – or I mean, is that relative to – it's a – I mean, you don't want to guide, but I mean what sales is that relative to?

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

A

I'm not sure I understand, Sam.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Like if you do \$1 million, you do \$5 million, your SG&A, it's going to be different, depending on how much revenue you do. So, what's that increase based on?

Q

W. Kerry Jackson

Senior Executive Vice President, Chief Financial & Administrative Officer & Treasurer, Shoe Carnival, Inc.

It still – it's based on the expectation of e-commerce still. So, when we said the operating expenses for e-commerce would – Mark has said, we're in the mid-teens, we expect Q3 and Q4 to be a percent of the total sales. And that – and then the other piece was the advertising piece of it that we're shifting, primarily it's a shift, I think close to that and in his speech we pivoted our – when we saw the back-to-school starting later and moved our advertising into Q3 to support when the schools went back, which is later than they were the year before.

A

Sam Poser

Analyst, Susquehanna Financial Group LLLP

And your e-commerce business, I mean you said it's sort of ramping, is it ramp? I mean, when you say it's – is it running like it was running in Q2 or is it just ramping up into the triple digits now or are we talking about Q3 looking like Q2 there?

Q

Mark Jonathan Worden

President & Chief Customer Officer, Shoe Carnival, Inc.

Yes, Sam, it's – it continued to deliver triple digits, but the nuance as I said earlier, the pacing. And after all stores opened, we settled in from above 20% to the mid-teens and that gave us a triple-digit growth. We think now that all stores continue to remain open, we do anticipate that mid-teens is the place we'll start to grow from again as a more stable base, and we will start to grow. We're seeing tremendous traffic and conversion and feedback from people shopping our e-commerce site.

A

Sam Poser

Analyst, Susquehanna Financial Group LLLP

And then lastly and I promise, what – when you think about 2021, when you think about having your stores open and having sort of – and hopefully a vaccine, I mean theoretically your e-com business from a dollar perspective sort of would say somewhere some stickiness within the realm of where it is now. And then, you would get the incrementality of all your stores open in sort of a more normal flow of the year. Is that sort of a fair way to think about it?

Q

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

We expect the...

A

Sam Poser

Analyst, Susquehanna Financial Group LLLP

And I guess a lot of incrementality on your stores next year.

Q

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

A

Yeah. We expect – the best way to answer that question, Sam, is we think that e-com will settle in at about the same percentage of our total business as it is today, it is between that 15% and 20% of our total business. And that's what I meant when I said that we're three years ahead of plan. And that's where we've – that's where we've said we were headed. And now that the customer has discovered our site, they like it, and they like the service we're providing, we believe that it's going to settle in right at that percentage.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

All right. Thank you so much and continue success.

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

All right. Thank you, Sam.

Operator: Thank you. And this concludes today's question-and-answer session.

Clifton E. Sifford

Vice Chairman & Chief Executive Officer, Shoe Carnival, Inc.

I want to take an opportunity to thank everyone for joining us today and I continue to help – I continue to be proud of Shoe Carnival team and what we've been able to accomplish under these unusual and unpredictable circumstances. And our ongoing commitment to financial strength and flexibility will ensure a continued success of our business. And please stay safe and we look forward to talking to you again in November.

Operator: Thank you, ladies and gentlemen, this concludes today's presentation. You may now disconnect.

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