

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended May 1, 2021

or

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _____ to _____

Commission File Number: 0-21360

Shoe Carnival, Inc.

(Exact name of registrant as specified in its charter)

Indiana

*(State or other jurisdiction of
incorporation or organization)*

35-1736614

*(IRS Employer
Identification Number)*

**7500 East Columbia Street
Evansville, IN**

(Address of principal executive offices)

47715

(Zip code)

(812) 867-4034

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	SCVL	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

☐ Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Number of Shares of Common Stock, par value \$0.01 per share, outstanding at May 28, 2021 was 14,173,207.

SHOE CARNIVAL, INC.
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SHOE CARNIVAL, INC.
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SHOE CARNIVAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited

(In thousands, except share data)	May 1, 2021	January 30, 2021	May 2, 2020
Assets			
Current Assets:			
Cash and cash equivalents	\$ 174,643	\$ 106,532	\$ 13,084
Accounts receivable	7,477	7,096	6,316
Merchandise inventories	268,629	233,266	303,988
Other	11,896	8,411	14,186
Total Current Assets	462,645	355,305	337,574
Property and equipment – net	62,038	62,325	64,928
Deferred income taxes	4,965	5,635	7,249
Other noncurrent assets	12,870	13,843	9,454
Operating lease right-of-use assets	207,571	205,639	210,345
Total Assets	<u>\$ 750,089</u>	<u>\$ 642,747</u>	<u>\$ 629,550</u>
Liabilities and Shareholders' Equity			
Current Liabilities:			
Accounts payable	\$ 102,405	\$ 57,717	\$ 90,040
Accrued and other liabilities	55,011	24,390	12,517
Current portion of operating lease liabilities	42,895	48,794	49,078
Total Current Liabilities	200,311	130,901	151,635
Long-term portion of operating lease liabilities	185,205	182,622	184,896
Deferred compensation	11,614	16,008	12,646
Other	2,684	3,040	915
Total Liabilities	<u>399,814</u>	<u>332,571</u>	<u>350,092</u>
Shareholders' Equity:			
Common stock, \$0.01 par value, 50,000,000 shares authorized and 20,524,601 shares issued in each period, respectively	205	205	205
Additional paid-in capital	77,182	78,878	76,910
Retained earnings	447,875	406,655	378,352
Treasury stock, at cost, 6,351,394 shares, 6,419,736 shares and 6,436,087 shares, respectively	(174,987)	(175,562)	(176,009)
Total Shareholders' Equity	<u>350,275</u>	<u>310,176</u>	<u>279,458</u>
Total Liabilities and Shareholders' Equity	<u>\$ 750,089</u>	<u>\$ 642,747</u>	<u>\$ 629,550</u>

See notes to Condensed Consolidated Financial Statements.

SHOE CARNIVAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Unaudited

(In thousands, except per share data)	Thirteen Weeks Ended May 1, 2021	Thirteen Weeks Ended May 2, 2020
Net sales	\$ 328,457	\$ 147,495
Cost of sales (including buying, distribution and occupancy costs)	198,299	116,031
Gross profit	130,158	31,464
Selling, general and administrative expenses	72,555	54,725
Operating income/(loss)	57,603	(23,261)
Interest income	(4)	(89)
Interest expense	119	56
Income/(loss) before income taxes	57,488	(23,228)
Income tax expense/(benefit)	14,246	(7,038)
Net income/(loss)	\$ 43,242	\$ (16,190)
Net income/(loss) per share:		
Basic	\$ 3.06	\$ (1.16)
Diluted	\$ 3.02	\$ (1.16)
Weighted average shares:		
Basic	14,129	13,992
Diluted	14,324	13,992

See notes to Condensed Consolidated Financial Statements.

SHOE CARNIVAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Unaudited

(In thousands, except per share data)	Common Stock			Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
	Issued	Treasury	Amount				
Balance at January 30, 2021	20,525	(6,420)	\$ 205	\$ 78,878	\$ 406,655	\$ (175,562)	\$ 310,176
Dividends declared (\$0.140 per share)					(2,022)		(2,022)
Employee stock purchase plan purchases		2		31		33	64
Restricted stock awards		105		(2,878)		2,878	0
Shares surrendered by employees to pay taxes on restricted stock		(38)				(2,336)	(2,336)
Stock-based compensation expense				1,151			1,151
Net income					43,242		43,242
Balance at May 1, 2021	<u>20,525</u>	<u>(6,351)</u>	<u>\$ 205</u>	<u>\$ 77,182</u>	<u>\$ 447,875</u>	<u>\$ (174,987)</u>	<u>\$ 350,275</u>
Balance at February 1, 2020	20,525	(6,517)	\$ 205	\$ 79,914	\$ 395,761	\$ (178,517)	\$ 297,363
Dividends declared (\$0.085 per share)					(1,219)		(1,219)
Employee stock purchase plan purchases		4		(34)		97	63
Restricted stock awards		148		(4,111)		4,111	0
Shares surrendered by employees to pay taxes on restricted stock		(71)				(1,700)	(1,700)
Stock-based compensation expense				1,141			1,141
Net loss					(16,190)		(16,190)
Balance at May 2, 2020	<u>20,525</u>	<u>(6,436)</u>	<u>\$ 205</u>	<u>\$ 76,910</u>	<u>\$ 378,352</u>	<u>\$ (176,009)</u>	<u>\$ 279,458</u>

See notes to Condensed Consolidated Financial Statements.

SHOE CARNIVAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

(In thousands)	Thirteen Weeks Ended May 1, 2021	Thirteen Weeks Ended May 2, 2020
Cash Flows From Operating Activities		
Net income/(loss)	\$ 43,242	\$ (16,190)
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,315	3,831
Stock-based compensation	1,227	1,054
Loss on retirement and impairment of assets	757	2,089
Deferred income taxes	670	584
Non-cash operating lease expense	11,434	10,250
Other	1,187	(1,065)
Changes in operating assets and liabilities:		
Accounts receivable	(381)	(3,592)
Merchandise inventories	(35,363)	(44,493)
Operating leases	(16,682)	(8,881)
Accounts payable and accrued liabilities	61,519	23,508
Other	4,595	(9,958)
Net cash provided by (used in) operating activities	<u>76,520</u>	<u>(42,863)</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(4,083)	(3,189)
Other	0	194
Net cash used in investing activities	<u>(4,083)</u>	<u>(2,995)</u>
Cash Flows From Financing Activities		
Borrowings under line of credit	0	8,691
Payments on line of credit	0	(8,691)
Proceeds from issuance of stock	64	63
Dividends paid	(2,054)	(1,320)
Shares surrendered by employees to pay taxes on restricted stock	(2,336)	(1,700)
Net cash used in financing activities	<u>(4,326)</u>	<u>(2,957)</u>
Net increase (decrease) in cash and cash equivalents	68,111	(48,815)
Cash and cash equivalents at beginning of period	106,532	61,899
Cash and cash equivalents at end of period	<u>\$ 174,643</u>	<u>\$ 13,084</u>
Supplemental disclosures of cash flow information:		
Cash paid during period for interest	\$ 118	\$ 44
Cash paid during period for income taxes	\$ 68	\$ (97)
Capital expenditures incurred but not yet paid	\$ 1,323	\$ 1,358
Dividends declared but not yet paid	\$ 101	\$ 64

See notes to Condensed Consolidated Financial Statements.

SHOE CARNIVAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

Note 1 – Basis of Presentation

Shoe Carnival, Inc. is one of the nation's largest family footwear retailers, providing customers the convenience of shopping at any of our store locations or online. We offer customers a broad assortment of dress, casual and athletic footwear for men, women and children with an emphasis on national name brands. We differentiate our retail concept from our competitors by our distinctive, fun and promotional marketing efforts. We are an Indiana corporation that was initially formed in Delaware in 1993 and reincorporated in Indiana in 1996. References to "Shoe Carnival," "we," "us," "our" and the "Company" in this Quarterly Report on Form 10-Q refer to Shoe Carnival, Inc. and its subsidiaries.

In our opinion, the accompanying unaudited Condensed Consolidated Financial Statements and notes have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial information and contain all normal recurring adjustments necessary to fairly present our financial position and the results of our operations and our cash flows for the periods presented. Certain information and disclosures normally included in the notes to Condensed Consolidated Financial Statements have been condensed or omitted as permitted by the rules and regulations of the SEC although we believe that the disclosures are adequate to make the information presented not misleading. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. The unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

Note 2 - Net Income/(Loss) Per Share

The following tables set forth the computation of basic and diluted net income/(loss) per share as shown on the face of the accompanying Condensed Consolidated Statements of Income:

	Thirteen Weeks Ended					
	May 1, 2021			May 2, 2020		
	(In thousands, except per share data)					
	Net Income/(Loss)	Shares	Per Share Amount	Net Income/(Loss)	Shares	Per Share Amount
Basic Net Income/(Loss) per Share:						
Net income/(loss) available for basic common shares and basic net income/(loss) per share	\$ 43,242	14,129	\$ 3.06	\$ (16,190)	13,992	\$ (1.16)
Diluted Net Income/(Loss) per Share:						
Net income/(loss)	\$ 43,242			\$ (16,190)		
Conversion of share-based compensation arrangements	0	195		0	0	
Net income/(loss) available for diluted common shares and diluted net income/(loss) per share	\$ 43,242	14,324	\$ 3.02	\$ (16,190)	13,992	\$ (1.16)

The computation of basic net income/(loss) per share of common stock is based on the weighted average number of common shares outstanding during the period. The computation of diluted net income/(loss) per share is based on the weighted average number of shares outstanding plus the dilutive incremental shares that would be outstanding assuming the vesting of share-settled compensation arrangements involving restricted stock, restricted stock units and performance stock units. A small portion of these awards that were outstanding at the beginning of fiscal 2020 had a non-forfeitable right to dividends. The computation of diluted net income/(loss) per share excluded approximately 3,000 unvested share-settled awards for the first quarter of fiscal 2021 because the impact would be anti-dilutive. During the first quarter of fiscal 2020, approximately 198,000 unvested share-settled awards were excluded from the computation because the impact would have been anti-dilutive.

Note 3 – Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board issued guidance related to reference rate reform, which addresses contract modifications that may be necessary due to the expected discontinuance of LIBOR as a broadly used reference rate. The guidance was effective immediately but is only available for contract modifications made through December 31, 2022. Our credit facility currently allows for LIBOR-based borrowings and, as amended in 2020, contains provisions providing for a benchmark replacement in the event LIBOR is discontinued. We will adopt this guidance when LIBOR is discontinued and do not expect the adoption will have a material impact on our consolidated financial statements or related disclosures.

Note 4 – Risk and Uncertainties Associated with the COVID-19 Pandemic

Our operations have been significantly disrupted by the outbreak of a novel strain of coronavirus (“COVID-19”). On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The U.S. Government, as well as the vast majority of states and local municipalities, have taken unprecedented measures to control the spread of COVID-19 and to provide stimulus as a mitigating measure to deteriorating economic conditions and increasing unemployment.

The COVID-19 pandemic began significantly impacting our operations, sales and costs beginning in the first quarter of fiscal 2020. Impacts included the temporary closure of our physical stores effective March 19, 2020, reduced foot traffic and sales, deteriorating economic conditions for our customer base, and some disruption to our global supply chain. We began reopening physical stores in accordance with applicable public health guidelines in late April 2020. By the beginning of the second quarter of fiscal 2020, approximately 50% of our stores were reopened, and by early June 2020, substantially all of our stores had reopened. Our e-commerce platform has been fully operational during the pandemic with e-commerce orders generally fulfilled by our store locations.

Due to the pandemic, we did not have any stores closed as of May 1, 2021 or for extended periods during the first quarter of fiscal 2021. The COVID-19 pandemic will likely continue to impact our financial condition and results of operations for the foreseeable future.

Note 5 - Fair Value Measurements

The accounting guidance related to fair value measurements defines fair value and provides a consistent framework for measuring fair value under the authoritative literature. Valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect market assumptions. This guidance only applies when other guidance requires or permits the fair value measurement of assets and liabilities. The guidance does not expand the use of fair value measurements. A fair value hierarchy was established, which prioritizes the inputs used in measuring fair value into three broad levels:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Quoted prices in active or inactive markets for similar assets or liabilities that are either directly or indirectly observable; and
- Level 3 – Significant unobservable inputs that are not corroborated by market data. Generally, these fair value measures are model-based valuation techniques such as discounted cash flows, and are based on the best information available, including our own data. Fair values of our long-lived assets are estimated using an income-based approach and are classified within Level 3 of the valuation hierarchy.

Fair Value of Financial Instruments

The following table presents financial instruments that are measured at fair value on a recurring basis at May 1, 2021, January 30, 2021 and May 2, 2020.

(In thousands)	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
As of May 1, 2021				
Cash equivalents - money market mutual funds	\$ 175,612	\$ 0	\$ 0	\$ 175,612
As of January 30, 2021				
Cash equivalents - money market mutual funds	\$ 97,519	\$ 0	\$ 0	\$ 97,519
As of May 2, 2020				
Cash equivalents - money market mutual funds	\$ 3,128	\$ 0	\$ 0	\$ 3,128

The fair values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other current liabilities approximate their carrying values because of their short-term nature.

Long-Lived Asset Impairment Testing

We periodically evaluate our long-lived assets if events or circumstances indicate that the carrying value may not be recoverable. The carrying value of long-lived assets is considered impaired when the carrying value of the assets exceeds the expected future cash flows to be derived from their use. Assets are grouped, and the evaluation is performed, at the lowest level for which there are identifiable cash flows, which is generally at a store level. Store level asset groupings typically include property and equipment and operating lease right-of-use assets. If the estimated, undiscounted future cash flows for a store are determined to be less than the carrying value of the store's assets, an impairment loss is recorded for the difference between estimated fair value and carrying value. Assets subject to impairment are adjusted to estimated fair value and, if applicable, an impairment loss is recorded in selling, general

and administrative expenses. If the operating lease right-of-use asset is impaired, we would amortize the remaining right-of-use asset on a straight-line basis over the remaining lease term.

We estimate the fair value of our long-lived assets using store specific cash flow assumptions discounted by a rate commensurate with the risk involved with such assets while incorporating marketplace assumptions. Our estimates are derived from an income-based approach considering the cash flows expected over the remaining lease term for each location. These projections are primarily based on management's estimates of store-level sales, exercise of future lease renewal options and the store's contribution to cash flows and, by their nature, include judgments about how current initiatives will impact future performance. We estimate the fair value of operating lease right-of-use assets using the market value of rents applicable to the leased asset, discounted using the remaining lease term.

External factors, such as the local environment in which the store is located, including store traffic and competition, are evaluated in terms of their effect on sales trends. Changes in sales and operating income assumptions or unfavorable changes in external factors can significantly impact the estimated future cash flows. An increase or decrease in the projected cash flow can significantly impact the fair value of these assets, which may have an effect on the impairment recorded. If actual operating results or market conditions differ from those anticipated, the carrying value of certain of our assets may prove unrecoverable and we may incur additional impairment charges in the future.

During the thirteen weeks ended May 1, 2021 and May 2, 2020, we recorded impairment charges of \$724,000 and \$2.3 million associated with two stores and seven stores, respectively. These charges were included in selling, general and administrative expenses. No impairments of operating right-of-use assets have been recorded in either period.

Note 6 - Stock-Based Compensation

Stock-based compensation includes share-settled awards issued pursuant to our shareholder approved Shoe Carnival, Inc. 2017 Equity Incentive Plan in the form of restricted stock units, performance stock units, and restricted stock. Additionally, we recognize stock-based compensation expense for the discount on shares sold to employees through our employee stock purchase plan and for cash-settled stock appreciation rights. Stock-based compensation expense for the employee stock purchase plan was \$11,000 before the income tax benefit of \$3,000 for each of the thirteen weeks ended May 1, 2021 and May 2, 2020, respectively.

Share-Settled Equity Awards

The following table summarizes transactions for our restricted stock units and performance stock units:

	Number of Shares	Weighted- Average Grant Date Fair Value
Restricted stock units and performance stock units at January 30, 2021	256,508	\$ 22.13
Granted	107,986	56.42
Vested	(105,148)	29.70
Restricted stock units and performance stock units at May 1, 2021	<u>259,346</u>	<u>\$ 33.34</u>

The total fair value at grant date of restricted stock units and performance stock units that vested during the thirteen weeks ended May 1, 2021 and May 2, 2020 was \$3.1 million and \$4.4 million, respectively. The weighted-average grant date fair value of restricted stock units and performance stock units granted during the thirteen weeks ended May 1, 2021 and May 2, 2020 was \$56.42 and \$14.88, respectively.

There were no restricted stock awards granted during the thirteen weeks ended May 1, 2021 or May 2, 2020. There were no restricted stock awards that vested during the thirteen weeks ended May 1, 2021 and the total fair value at grant date of restricted stock awards that vested during the thirteen weeks ended May 2, 2020 was \$1.2 million.

The following table summarizes information regarding stock-based compensation expense recognized for all share-settled equity awards (restricted stock units, performance stock units and restricted stock awards):

(In thousands)	Thirteen Weeks Ended May 1, 2021	Thirteen Weeks Ended May 2, 2020
Stock-based compensation expense before the recognized income tax effect	\$ 1,140	\$ 1,130
Income tax effect at statutory rate	\$ (282)	\$ (342)
Additional income tax (benefit)/expense on vesting of awards	\$ (880)	\$ 45

As of May 1, 2021 approximately \$7.8 million of unrecognized compensation expense remained related to our share-settled equity awards. The cost is expected to be recognized over a weighted average period of approximately 1.6 years.

Cash-Settled Stock Appreciation Rights

Cash-settled stock appreciation rights ("SARs") are granted to certain non-executive employees. Each SAR entitles holders, upon exercise of their vested shares, to receive cash in an amount equal to the closing price of our stock on the date of exercise less the exercise price, with a maximum amount of gain defined. The SARs granted during the first quarter of fiscal 2021 will vest and become fully exercisable on March 31, 2022 and any unexercised SARs will expire on March 31, 2024. SARs granted during the first quarter of fiscal 2020 vested and became fully exercisable on March 31, 2021 and any unexercised SARs will expire on March 31, 2023. SARs granted during the first quarter of fiscal 2019 vested and became fully exercisable on March 31, 2020. The remaining unexercised SARs from the first quarter fiscal 2019 grant were exercised in the first quarter of fiscal 2021. The SARs issued have a defined maximum gain of \$10.00 over the exercise price of \$61.88 for awards granted in fiscal 2021 and over the exercise price of \$13.79 for awards granted in fiscal 2020.

The following table summarizes the SARs activity:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)
Outstanding at January 30, 2021	44,200	\$ 15.23	
Granted	46,900	61.88	
Exercised	(43,200)	15.26	
Outstanding at May 1, 2021	47,900	\$ 60.88	2.9

The fair value of these liability awards are remeasured, using a trinomial lattice model, at each reporting period until the date of settlement. Increases or decreases in stock-based compensation expense are recognized over the vesting period, or immediately for vested awards. The weighted-average fair value of outstanding SAR awards as of May 1, 2021 was \$2.70.

The fair value was estimated using a trinomial lattice model with the following assumptions:

	May 1, 2021	May 2, 2020
Risk free interest rate yield curve	0.01% - 0.86%	0.10% - 0.36%
Expected dividend yield	0.9%	1.5%
Expected volatility	63.19%	62.95%
Maximum life	1.92 - 2.92 Years	1.91 - 2.91 Years
Exercise multiple	0.94 - 1.29	1.29
Maximum payout	\$ 10.00	\$ 10.00
Employee exit rate	2.2% - 9.0%	2.2% - 9.0%

The risk free interest rate was based on the U.S. Treasury yield curve in effect at the end of the reporting period. The expected dividend yield was based on our historical quarterly cash dividends, with the assumption that quarterly dividends would continue at that rate. Expected volatility was based on the historical volatility of our common stock. The exercise multiple and employee exit rate were calculated based on historical data.

The following table summarizes information regarding stock-based compensation expense recognized for SARs:

(In thousands)	Thirteen Weeks Ended May 1, 2021	Thirteen Weeks Ended May 2, 2020
Stock-based compensation expense/(benefit) before the recognized income tax effect	\$ 76	\$ (87)
Income tax effect at statutory rate	\$ (19)	\$ 26

As of May 1, 2021, approximately \$109,000 in unrecognized compensation expense remained related to non-vested SARs. This expense is expected to be recognized over a period of approximately 0.9 years.

Note 7 – Revenue

Disaggregation of Revenue by Product Category

Revenue is disaggregated by product category below. Net sales and percentage of net sales for the thirteen weeks ended May 1, 2021 and May 2, 2020 were as follows:

(In thousands)	Thirteen Weeks Ended May 1, 2021		Thirteen Weeks Ended May 2, 2020	
<i>Non-Athletics:</i>				
Women's	\$ 75,531	23%	\$ 28,921	20%
Men's	44,282	13	18,715	13
Children's	23,293	7	7,009	5
Total	143,106	43	54,645	38
<i>Athletics:</i>				
Women's	58,595	18	32,912	22
Men's	65,724	20	31,460	21
Children's	42,578	13	20,664	14
Total	166,897	51	85,036	57
<i>Accessories and Other</i>				
	18,454	6	7,814	5
Total	\$ 328,457	100%	\$ 147,495	100%

Accounting Policy and Performance Obligations

We operate as a multi-channel, family footwear retailer and provide the convenience of shopping at our physical stores or shopping online through our e-commerce platform. As part of our multi-channel strategy, we offer Shoes 2U, a program that enables us to ship product to a customer's home or selected store if the product is not in stock at a particular store. We also offer "buy online, pick up in store" services for our customers. "Buy online, pick up in store" provides the convenience of local pickup for our customers.

For our physical stores, we satisfy our performance obligation and control is transferred at the point of sale when the customer takes possession of the products. This also includes the "buy online, pick up in store" scenario described above and includes sales made via our Shoes 2U program when customers choose to pick up their goods at a physical store. For sales made through our e-commerce platform in which the customer chooses home delivery, we transfer control and recognize revenue when the product is shipped. This also includes sales made via our Shoes 2U program when the customer chooses home delivery.

We offer our customers sales incentives including coupons, discounts, and free merchandise. Sales are recorded net of such incentives and returns and allowances. If an incentive involves free merchandise, that merchandise is recorded as a zero sale and the cost is included in cost of sales. Gift card revenue is recognized at the time of redemption. When a customer makes a purchase as part of our rewards program, we allocate the transaction price between the goods purchased and the loyalty reward points and recognize the loyalty revenue based on estimated customer redemptions.

Transaction Price and Payment Terms

The transaction price is the amount of consideration we expect to receive from our customers and is reduced by any stated promotional discounts at the time of purchase. The transaction price may be variable due to terms that permit customers to exchange

or return products for a refund. The implicit contract with the customer reflected in the transaction receipt states the final terms of the sale, including the description, quantity, and price of each product purchased. The customer agrees to a stated price in the contract that does not vary over the term of the contract and may include revenue to offset shipping costs. Taxes imposed by governmental authorities such as sales taxes are excluded from net sales.

Our physical stores accept various forms of payment from customers at the point of sale. These include cash, checks, credit/debit cards and gift cards. Our e-commerce platform accepts credit/debit cards, PayPal, Apple Pay, Klarna and gift cards as forms of payment. Payments made for products are generally collected when control passes to the customer, either at the point of sale or at the time the customer order is shipped. For Shoes 2U transactions, customers may order the product at the point of sale. For these transactions, customers pay in advance and unearned revenue is recorded as a contract liability. We recognize the related revenue when control has been transferred to the customer (i.e., when the product is picked up by the customer or shipped to the customer). Unearned revenue related to our Shoes 2U program was not material to our Condensed Consolidated Financial Statements at May 1, 2021, January 30, 2021 and May 2, 2020.

Returns and Refunds

We have established an allowance based upon historical experience in order to estimate return and refund transactions. This allowance is recorded as a reduction in sales with a corresponding refund liability recorded in accrued and other liabilities. The estimated cost of merchandise inventory is recorded as a reduction to cost of sales and an increase in merchandise inventories. Approximately \$740,000 of refund liabilities and \$495,000 of right of return assets associated with estimated product returns were recorded in accrued and other liabilities as of May 1, 2021 and January 30, 2021. Approximately \$718,000 of refund liabilities and \$500,000 of right of return assets associated with estimated product returns were recorded in accrued and other liabilities at May 2, 2020.

Contract Liabilities

When a gift card is issued, the issuance is recorded as an increase to contract liabilities at the time of issuance and a decrease to contract liabilities when a customer redeems a gift card. Estimated breakage is determined based on historical breakage percentages and recognized as revenue based on expected gift card usage. We do not record breakage revenue when escheat liability to relevant jurisdictions exists. At May 1, 2021, January 30, 2021 and May 2, 2020, approximately \$1.4 million, \$1.7 million and \$1.3 million of contract liabilities associated with unredeemed gift cards were recorded in accrued and other liabilities, respectively. We expect the revenue associated with these liabilities to be recognized in proportion to the pattern of customer redemptions within two years. Breakage revenue associated with our gift cards of \$42,000 and \$19,000 was recognized in net sales during the thirteen weeks ended May 1, 2021 and May 2, 2020, respectively.

Our Shoe Perks rewards program allows customers to accrue points and provides customers with the opportunity to earn rewards. Points under Shoe Perks are earned primarily by making purchases through any of our multi-channel points of sale. Once a certain threshold of accumulated points is reached, the customer earns a reward certificate, which is redeemable through any of our sales channels.

When a Shoe Perks customer makes a purchase, we allocate the transaction price between the goods purchased and the loyalty reward points earned based on the relative standalone selling price. The portion allocated to the points program is recorded as a contract liability for rewards that are expected to be redeemed. We then recognize revenue based on an estimate of when customers redeem rewards, which incorporates an estimate of points expected to expire using historical rates. During the thirteen weeks ended May 1, 2021 and May 2, 2020, approximately \$1.3 million and \$957,000, respectively, of loyalty rewards were recognized in net sales. At May 1, 2021, January 30, 2021 and May 2, 2020, approximately \$1.1 million, \$755,000 and \$406,000 of contract liabilities associated with loyalty rewards were recorded in our Condensed Consolidated Balance Sheets, respectively. We expect the revenue associated with these liabilities to be recognized in proportion to the pattern of customer redemptions in less than one year.

Note 8 – Leases

We lease all of our physical stores and our single distribution center, which has a current lease term expiring in 2034. We also enter into leases of equipment, copiers and billboards. All of our leases are operating leases. Leases with terms of twelve months or less are immaterial and are expensed as incurred, and we did not have any leases with related parties as of May 1, 2021.

Lease costs, including related common area maintenance (“CAM”), property taxes, and insurance, reported in our Condensed Consolidated Statements of Income were as follows for the thirteen weeks ended May 1, 2021 and May 2, 2020:

(In thousands)	Thirteen Weeks Ended May 1, 2021	Thirteen Weeks Ended May 2, 2020
Operating lease cost	\$ 13,263	\$ 13,226
Variable lease cost	648	187
CAM, property taxes and insurance	4,768	4,989
Total	<u>\$ 18,679</u>	<u>\$ 18,402</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Factors That May Affect Future Results

This Quarterly Report on Form 10-Q contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve a number of risks and uncertainties. A number of factors could cause our actual results, performance, achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These factors include, but are not limited to: the duration and spread of the COVID-19 pandemic, mitigating efforts deployed, including the effects of government stimulus on consumer spending, and the pandemic's overall impact on the operations of our stores, economic conditions, financial market volatility, and our supply chain and distribution processes; general economic conditions in the areas of the continental United States and Puerto Rico where our stores are located; the effects and duration of economic downturns and unemployment rates; changes in the overall retail environment and more specifically in the apparel and footwear retail sectors; our ability to generate increased sales at our stores; our ability to successfully navigate the increasing use of online retailers for fashion purchases and the impact on traffic and transactions in our physical stores; the success of the open-air shopping centers where our stores are located and its impact on our ability to attract customers to our stores; our ability to attract customers to our e-commerce platform and to successfully grow our multi-channel sales; the potential impact of national and international security concerns on the retail environment; changes in our relationships with key suppliers; our ability to control costs and meet our labor needs in a rising wage and/or inflationary environment; changes in the political and economic environments in, the status of trade relations with, and the impact of changes in trade policies and tariffs impacting, China and other countries which are the major manufacturers of footwear; the impact of competition and pricing; our ability to successfully manage and execute our marketing initiatives and maintain positive brand perception and recognition; our ability to successfully manage our current real estate portfolio and leasing obligations; changes in weather, including patterns impacted by climate change; changes in consumer buying trends and our ability to identify and respond to emerging fashion trends; the impact of disruptions in our distribution or information technology operations; the effectiveness of our inventory management; the impact of natural disasters, other public health crises, political crises, civil unrest, and other catastrophic events on our stores and our suppliers, as well as on consumer confidence and purchasing in general; risks associated with the seasonality of the retail industry; the impact of unauthorized disclosure or misuse of personal and confidential information about our customers, vendors and employees, including as a result of a cybersecurity breach; our ability to manage our third-party vendor relationships; our ability to successfully execute our business strategy, including the availability of desirable store locations at acceptable lease terms, our ability to implement and adapt to new technology and systems, our ability to open new stores in a timely and profitable manner, including our entry into major new markets, and the availability of sufficient funds to implement our business plans; higher than anticipated costs associated with the closing of underperforming stores; the inability of manufacturers to deliver products in a timely manner; an increase in the cost, or a disruption in the flow, of imported goods; the impact of regulatory changes in the United States, including minimum wage laws and regulations, and the countries where our manufacturers are located; the resolution of litigation or regulatory proceedings in which we are or may become involved; continued volatility and disruption in the capital and credit markets; future stock repurchases under our stock repurchase program and future dividend payments. For a more detailed discussion of risk factors impacting us, see the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

General

Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to provide information to assist the reader in better understanding and evaluating our financial condition and results of operations. We encourage you to read this in conjunction with our Condensed Consolidated Financial Statements and the notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended January 30, 2021 as filed with the SEC.

Overview of Our Business

Shoe Carnival, Inc. is one of the nation's largest family footwear retailers, providing customers the convenience of shopping at any of our store locations, our mobile app or online at www.shoecarnival.com. Our stores combine competitive pricing with a promotional, high-energy in-store environment that encourages customer participation and injects fun and excitement into every shopping experience. We believe our distinctive shopping experience gives us various competitive advantages, including increased multiple unit sales; the building of a loyal, repeat customer base; the creation of word-of-mouth advertising; and enhanced sell-through of in-season goods. A similar customer experience is reflected in our e-commerce platform through special promotions and limited time sales.

Our objective is to be the multi-channel retailer-of-choice for on-trend branded and private label footwear for the entire family. Our product assortment includes dress and casual shoes, sandals, boots and a wide assortment of athletic shoes. Our average store carries shoes in four general categories – women's, men's, children's and athletics, as well as a broad range of accessories. Footwear is organized by category and brand, creating strong brand statements within the aisles. These brand statements are underscored by branded signage on endcaps and in-line signage throughout the store. Our signage may highlight a vendor's product offerings or sales promotions, or may highlight seasonal or lifestyle statements by grouping similar footwear from multiple vendors. Over 100 of our physical stores have strongly branded Nike shops that highlight Nike products within the stores, and we expect to add more Nike

shops to our physical stores through 2023. Our e-commerce platform offers customers a large assortment of products in all categories of footwear with an increased depth of sizes and colors that may not be available in all stores.

Critical Accounting Policies

We use judgment in reporting our financial results. This judgment involves estimates based in part on our historical experience and incorporates the impact of the current general economic climate and company-specific circumstances. However, because future events and economic conditions are inherently uncertain, our actual results could differ materially from these estimates. Our accounting policies that require more significant judgments include those with respect to merchandise inventories, valuation of long-lived assets, leases, and income taxes. The accounting policies that require more significant judgment are discussed in our Annual Report on Form 10-K for the fiscal year ended January 30, 2021, and there have been no material changes to those critical accounting policies.

Information regarding the COVID-19 Coronavirus Pandemic (“COVID-19”)

We continue to closely monitor and manage the impact of the COVID-19 pandemic, and the safety and well-being of our customers, employees and business partners remains a top priority. The COVID-19 pandemic has significantly impacted, and is expected to continue to impact, our operations, supply chains, and overall economic conditions and consumer spending for the foreseeable future.

In response to the COVID-19 pandemic, all of our physical stores were temporarily closed effective March 19, 2020. Our e-commerce platform continued to operate, and our e-commerce sales increased significantly in fiscal 2020 as customers shifted purchases to our online channel. We began reopening our physical stores in accordance with applicable public health guidelines in late April 2020. Thus substantially all of our physical stores were closed for approximately 50% of the first fiscal quarter of 2020. By the beginning of the second quarter of fiscal 2020, approximately 50% of our stores were reopened, and by early June 2020, substantially all of our stores had reopened. Due to the pandemic, we did not have any stores closed as of May 1, 2021 or for extended periods during the first quarter of fiscal 2021.

Results of Operations Summary Information

Quarter Ended	Number of Stores			End of Period	Store Square Footage		Comparable Store Sales ⁽¹⁾
	Beginning Of Period	Opened	Closed		Net Change	End of Period	
May 1, 2021	383	0	6	377	(46,000)	4,100,000	125.8%
May 2, 2020	392	0	2	390	(22,000)	4,198,000	(42.3)%

- (1) Comparable store sales is a key performance indicator for us. Comparable store sales include stores that have been open for 13 full months after such stores’ grand opening prior to the beginning of the period, including those stores that have been relocated or remodeled. Therefore, stores recently opened or closed are not included in comparable store sales. We include e-commerce sales in our comparable store sales as a result of our multi-channel retailer strategy. Due to our multi-channel retailer strategy, we view e-commerce sales as an extension of our physical stores.

The following table sets forth our results of operations expressed as a percentage of net sales for the periods indicated:

	Thirteen Weeks Ended May 1, 2021	Thirteen Weeks Ended May 2, 2020
Net sales	100.0%	100.0%
Cost of sales (including buying, distribution and occupancy costs)	60.4	78.7
Gross profit	39.6	21.3
Selling, general and administrative expenses	22.1	37.1
Operating income/(loss)	17.5	(15.8)
Interest income	0.0	0.0
Income tax expense/(benefit)	4.3	(4.8)
Net income/(loss)	13.2%	(11.0)%

Executive Summary for the First Fiscal Quarter Ended May 1, 2021

Given the significant impact of the COVID-19 pandemic on our fiscal 2020 first quarter results, we have included certain comparisons between the first quarter of fiscal 2021 and the first quarter of fiscal 2019 to provide further context regarding our fiscal 2021 results of operations.

* * *

The first quarter of fiscal 2021 was a record-breaking quarter with the highest quarterly net sales, gross profit, operating income and diluted net income per share in our history. For the first quarter of fiscal 2021, diluted net income per share of \$3.02 exceeded our highest annual diluted net income per share of \$2.92, which we reported for the full fiscal year 2019.

The beginning of the first quarter of fiscal 2021 was negatively impacted by a combination of cold, wet weather and a delay in tax refunds. As the quarter progressed, we started to experience an increase in sales primarily due to more seasonable weather, the positive impact of consumer tax refunds and government stimulus payments, and the arrival of new spring inventory. We believe sales were further bolstered by the successful rollout of COVID-19 vaccinations and the decrease in the number of positive COVID-19 cases in our trade areas, which we believe gave our customers confidence to shop our physical stores. Comparable store sales for our physical stores increased 161.1% for the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020 and 22.7% compared to the first quarter of fiscal 2019. Comparable store sales for our e-commerce platform increased 11.8% compared to the first quarter of fiscal 2020 and 191.3% compared to the first quarter of fiscal 2019.

All of our product categories had comparable store sales increases ranging from double digits to low triple-digits compared to the first quarter of fiscal 2020. Additionally, certain categories showed significant comparable store sales increases compared to the first quarter of fiscal 2019, including: adult athletics, women's non-athletics and in particular women's non-athletic sport and seasonal categories, men's non-athletics and children's athletics and non-athletic shoes. Demand for additional product categories such as women's dress shoes began to show improvement in the first quarter of fiscal 2021, as social and work-related activity continued to increase; however, comparable store sales in women's dress shoes decreased in the first quarter of fiscal 2021 compared to the first quarter of 2019.

Highlights for the first quarter of fiscal 2021 and a brief discussion of some key initiatives are as follows:

- Net sales for the first quarter of fiscal 2021 were an all-time quarterly record of \$328.5 million. Comparable store sales increased 125.8% compared to the first quarter of fiscal 2020 and increased 31.6% compared to the first quarter of fiscal 2019 when operations were not impacted by the pandemic.
- Net income for the first quarter of fiscal 2021 was \$43.2 million, or \$3.02 per diluted share, compared to a net loss of \$16.2 million, or a loss of \$1.16 per diluted share, in the first quarter of fiscal 2020. Earnings in the first quarter of fiscal 2021 exceeded any previous quarterly or full-year record.
- We achieved record quarterly gross profit of \$130.2 million during the first quarter of fiscal 2021. Gross profit margin as a percent of sales increased 18.3 percentage points to a record 39.6% compared to the first quarter of fiscal 2020 and increased 10.0 percentage points compared to the first quarter of fiscal 2019, driven by a strong merchandise selection and reduced chain-wide promotional pricing.
- We had no borrowings during the first fiscal quarter of 2021 and ended the quarter with \$174.6 million of cash and cash equivalents.
- In the first quarter of fiscal 2021, we continued to increase membership in our Shoe Perks customer loyalty program, which grew over 10 percent compared to the prior year first quarter. This brought total membership in the program to over 27 million customers as of May 1, 2021. We believe our Shoe Perks program affords us opportunities to communicate, build relationships and engage with our most loyal shoppers, which we believe will result in long-term customer commitment to our brand.
- During the next twelve months, we expect to have completed the first 100 stores within our plan to modernize two-thirds of our store portfolio over the next three to five years.

Results of Operations for the First Quarter Ended May 1, 2021

Net Sales

Net sales were a record \$328.5 million during the first quarter of fiscal 2021 and increased substantially compared to the first quarter of the prior year. Total comparable stores sales increased 125.8% with physical stores sales increasing 161.1% and e-commerce sales increasing 11.8 % compared to the prior year. E-commerce sales represented approximately 12% of merchandise sales in the first quarter of fiscal 2021. Total comparable store sales increased 31.6% compared to the first quarter of fiscal 2019. Net sales were positively impacted by continued demand for our strong product offerings, seasonal weather, increased COVID-19 vaccination rates

and the positive impact of consumer-based government stimulus. Additionally, substantially all of our stores were closed for approximately half of the first quarter of fiscal 2020 due to the pandemic. Net sales in the first quarter of fiscal 2021 were favorably impacted by increased conversion and average transaction price with traffic returning to fiscal 2019 levels. The increase in average transaction price was primarily driven by reduced promotional activity as more fully discussed below.

Gross Profit

Gross profit was a record \$130.2 million during the first quarter, an increase of \$98.7 million compared to the prior year. Gross profit margin in the first fiscal quarter increased to 39.6% compared to 21.3% in the first quarter of fiscal 2020 and 29.6% in the first quarter of fiscal 2019. The increase in gross profit was primarily due to our broad assortment of inventory and our ability to effectively replenish product, despite supply chain disruptions. As a result of our strong inventory position and related customer response, we were able to eliminate low margin, chain-wide promotional events, including Buy One, Get One Half Off (“BOGO”) promotions, for the entire quarter. Our customers responded positively to our promotional strategy by remaining focused on certain categories and brands and continued to shop our stores and e-commerce platform for their needs. The decision to be less promotional led to higher merchandise margins, which increased 10.0 percentage points compared to the first quarter of fiscal 2020 and 8.1 percentage points compared to the first quarter of fiscal 2019. Based on our customer’s response to date, we anticipate eliminating chain-wide BOGO promotions for the remainder of fiscal 2021.

As a percentage of sales, our buying, distribution and occupancy costs decreased 8.3 percentage points compared to the first quarter of fiscal 2020 and 1.9 percentage points compared to the first quarter of fiscal 2019 primarily due to the increase in sales. Investments in our distribution center placed into service after the first quarter of fiscal 2020 resulted in higher costs in fiscal 2021, which offset some of the leveraging effect of the higher sales.

Selling, General and Administrative Expenses (“SG&A”)

SG&A increased \$17.8 million in the first quarter of fiscal 2021 to \$72.6 million compared to \$54.7 million in the first quarter of fiscal 2020. As a percentage of net sales, SG&A leveraged to 22.1% compared to 37.1% in the first quarter of fiscal 2020 and 23.4% in the first quarter of fiscal 2019. This decrease in SG&A as a percentage of sales compared to the last two years reflects the leveraging effect of higher sales.

The increase in SG&A primarily correlated with our record performance, in terms of increased performance-based incentive compensation, general wages and variable costs that change with sales, such as credit card fees. SG&A also increased due to market return volatility on our deferred compensation plan. With respect to performance-based incentive compensation, our record performance in the first quarter of fiscal 2021 exceeded annual performance targets; therefore, virtually all annual performance-based compensation expected for the full year was expensed this quarter resulting in 40% of the period-over-period increase.

Income Taxes

The effective income tax rate for the first quarter of fiscal 2021 was 24.8% compared to 30.3% for the same period in fiscal 2020. Our provision for income taxes is based on the current estimate of our annual effective tax rate and is adjusted as necessary for quarterly events. The higher tax rate in the prior year was primarily impacted by our first quarter implementation of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act and the deleveraging effect of lower pre-tax profitability on permanent differences. For the full 2021 fiscal year, we expect our tax rate to be comparable to the 25.8% effective tax rate recognized in fiscal 2020.

Liquidity and Capital Resources

Our primary sources of liquidity are \$174.6 million of cash and cash equivalents on hand at the end of the first fiscal quarter of 2021, cash generated from operations and availability under our \$100 million credit facility. While the continued economic uncertainty and future effects on customer behavior caused by the COVID-19 pandemic makes our operating cash flow less predictable, we believe our resources will be sufficient to fund our cash needs, as they arise, for at least the next 12 months. Our primary uses of cash are for working capital, which are principally inventory purchases, investments in our stores, such as new stores, remodels and relocations, distribution center initiatives, lease payments associated with our real estate leases, potential dividend payments, potential share repurchases under our share repurchase program, and the financing of capital projects, including investments in new systems.

Cash Flow - Operating Activities

Net cash generated from operating activities was \$76.5 million in the first quarter of fiscal 2021 compared to net cash used in operating activities of \$42.9 million during the first quarter of fiscal 2020. The increase in operating cash flow was primarily driven by higher cash receipts on increased sales, partially offset by increased inventory purchases for the quarter ended May 1, 2021 compared to the quarter ended May 2, 2020.

Working capital increased on a year-over-year basis, totaling \$262.3 million at May 1, 2021 and \$185.9 million at May 2, 2020. The increase was primarily attributable to increased cash positions. Our current ratio was 2.3 as of May 1, 2021 compared to 2.2 as of May 2, 2020.

Cash Flow – Investing Activities

Our cash outflows for investing activities are primarily for capital expenditures. During the first quarter of fiscal 2021, we expended \$4.1 million for the purchase of property and equipment, primarily related to our store portfolio modernization plan. During the first quarter of fiscal 2020, we expended \$3.2 million for the purchase of property and equipment, primarily related to investments in technology and normal asset replacement activities.

Cash Flow – Financing Activities

Our cash outflows for financing activities are typically for cash dividend payments, share repurchases or payments on our credit facility. Shares of our common stock can be either acquired as part of a publicly announced repurchase program or withheld by us in connection with employee payroll tax withholding upon the vesting of equity awards. Our cash inflows from financing activities generally reflect stock issuances to employees under our Employee Stock Purchase Plan and borrowings under our credit facility.

During the first quarter of fiscal 2021, net cash used in financing activities was \$4.3 million compared to \$3.0 million during the first quarter of fiscal 2020. The increase in net cash used in financing activities was primarily due to increased dividend payments and more shares withheld upon the vesting of equity awards. During the first quarter of fiscal 2021, we did not borrow or repay funds under our credit facility and did not repurchase any shares associated with our Board of Directors' authorized share repurchase program. Letters of credit outstanding were \$750,000 at May 1, 2021, and our borrowing capacity was \$99.2 million.

Our credit facility requires us to maintain compliance with various financial covenants. See Note 7 – “Debt” to our Notes to Consolidated Financial Statements contained in PART II, ITEM 8 of our Annual Report on Form 10-K for the fiscal year ended January 30, 2021 for a further discussion of our credit facility and its covenants. We were in compliance with these covenants as of May 1, 2021.

Capital Expenditures

Capital expenditures for fiscal 2021, including actual expenditures for the fiscal quarter ended May 1, 2021, are expected to be between \$30 million and \$35 million, with approximately \$24 million to \$26 million to be used for a new store, relocations and remodels and approximately \$2 million to \$4 million for upgrades to our distribution center and e-commerce platform. The remaining capital expenditures are expected to be incurred for various other store improvements, continued investments in technology and normal asset replacement activities. The resources allocated to these projects are subject to near-term changes depending on the impacts associated with the COVID-19 pandemic and ongoing supply chain disruptions. Furthermore, the actual amount of cash required for capital expenditures for store operations depends in part on the number of stores opened, the number of stores relocated, the amount of lease incentives, if any, received from landlords and the number of stores remodeled. The number of new store openings and relocations will be dependent upon, among other things, the availability of desirable locations, the negotiation of acceptable lease terms and general economic and business conditions affecting consumer spending.

Store Portfolio

We continually analyze our store portfolio and the potential for new stores based on our view of internal and external opportunities and challenges in the marketplace. Increasing market penetration by opening new stores has historically been a key component of our long-term growth strategy, and we continue to focus on generating positive long-term financial performance from our store portfolio. We expect to pursue opportunities for store growth across large and mid-size markets as we leverage customer data from our customer relationship management program and more attractive real estate options become available. In fiscal 2021, we expect to open one new store within our existing geographic footprint. We anticipate store growth will return after fiscal 2021.

When we identify a store that produces or may potentially produce, low or negative contribution, we either renegotiate lease terms, relocate or close the store. In instances when underperformance indicates the carrying value of a store's assets may not be recoverable, we impair the store. Although store closings could reduce our overall net sales volume, we believe this strategy will realize long-term improvement in operating income and diluted net income per share. Depending upon the results of lease negotiations with certain landlords of underperforming stores, we may increase or decrease the number of store closures in future periods. We closed six stores in the quarter and expect to close two additional stores by the end of the current fiscal year.

Our future store strategies may continue to be impacted by the current economic uncertainty associated with the COVID-19 pandemic.

Dividends

On March 18, 2021, the Board of Directors increased the quarterly cash dividend from \$0.09 to \$0.14 per share, an increase of 56%. The quarterly cash dividend of \$0.14 per share was paid on April 19, 2021 to shareholders of record as of the close of business on April 5, 2021. In fiscal 2020, the first quarter dividend was \$0.085 per share. During the first quarters of fiscal 2021 and 2020, we returned \$2.1 million and \$1.3 million, respectively, to our shareholders through our quarterly cash dividends.

The declaration and payment of any future dividends are at the discretion of the Board of Directors and will depend on our results of operations, financial condition, business conditions and other factors deemed relevant by our Board of Directors. Our credit agreement permits the payment of cash dividends as long as no default or event of default exists under the credit agreement both immediately before and immediately after giving effect to the cash dividends, and the aggregate amount of cash dividends for a fiscal year does not exceed \$10 million. See Note 7 – “Debt” to our Notes to Consolidated Financial Statements contained in PART II, ITEM 8 of our Annual Report on Form 10-K for the fiscal year ended January 30, 2021 for a further discussion of our credit facility and its covenants.

Share Repurchase Program

On December 15, 2020, our Board of Directors authorized a share repurchase program for up to \$50.0 million of outstanding common stock, effective January 1, 2021 (the “2021 Share Repurchase Program”). The purchases may be made in the open market or through privately negotiated transactions from time-to-time through December 31, 2021 and in accordance with applicable laws, rules and regulations. The 2021 Share Repurchase Program may be amended, suspended or discontinued at any time and does not commit us to repurchase shares of our common stock. We have funded, and intend to continue to fund, the share repurchase program from cash on hand, and any shares acquired will be available for stock-based compensation awards and other corporate purposes. The actual number and value of the shares to be purchased will depend on the performance of our stock price and other market conditions.

Due to uncertainty related to the COVID-19 pandemic, no share repurchases have been made to date in fiscal 2021 and no repurchases were made throughout fiscal 2020. We will continue to evaluate the repurchase of shares under the 2021 Share Repurchase Program.

Our credit facility stipulates that distributions in the form of redemptions of Equity Interests (as defined in the credit agreement) can be made solely with cash on hand so long as before and immediately after such distributions there are no revolving loans outstanding under the credit agreement. See Note 7 – “Debt” to our Notes to Consolidated Financial Statements contained in PART II, ITEM 8 of our Annual Report on Form 10-K for the fiscal year ended January 30, 2021 for a further discussion of our credit facility and its covenants.

Seasonality

We have three distinct peak selling periods: Easter, back-to-school and Christmas. Our operating results depend significantly upon the sales generated during these periods. To prepare for our peak shopping seasons, we must order and keep in stock significantly more merchandise than we would carry during other periods of the year. Any unanticipated decrease in demand for our products during these peak shopping seasons in future periods could require us to sell excess inventory at a substantial markdown, which could reduce our net sales and gross profit and negatively affect our profitability.

With respect to our back-to-school shopping season, we believe most schools may resume in-person learning on a part-time or full-time basis. However, as of early June 2021, very few schools in the trade areas we serve have announced start dates for the upcoming fall semester. It currently remains uncertain whether the traditional late July and early August school openings will resume as normal, commence at a later date, or open at all. The timing of these traditional school openings typically benefit our second quarter sales and earnings results.

Recent Accounting Pronouncements

See Note 3 — “Recently Issued Accounting Pronouncements” in the accompanying notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a description of recent accounting pronouncements that may have an impact on our condensed consolidated financial statements when adopted.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk in that the interest payable under our credit facility is based on variable interest rates and therefore is affected by changes in market rates. We do not use interest rate derivative instruments to manage exposure to changes in market interest rates. We had no borrowings under our credit facility during the first quarter of fiscal 2021.

ITEM 4. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of May 1, 2021, that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no significant changes in our internal control over financial reporting that occurred during the quarter ended May 1, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1A. RISK FACTORS

Except as set forth below, there have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

The risk factor entitled “Adverse impacts on consumer spending may significantly harm our business” has been updated to read as follows:

Adverse impacts on consumer spending may significantly harm our business. The success of our business depends to a significant extent upon the level of consumer spending. A number of factors may affect the level of consumer spending on merchandise that we offer, including, among other things:

- general economic and industry conditions;
- unemployment trends and salaries and wage rates;
- energy costs, which affect gasoline and home heating prices;
- the level of consumer debt;
- consumer credit availability;
- real estate values and foreclosure rates;
- consumer confidence in future economic conditions;
- interest rates;
- inflation;
- health care costs;
- the timing and level of government stimulus payments;
- tax rates, policies and timing and amounts of tax refunds;
- natural disasters, changing weather patterns and catastrophic events; and
- war, terrorism, civil unrest, other hostilities and security concerns.

The merchandise we sell generally consists of discretionary items. Adverse economic conditions and unemployment rates, and any related decrease in consumer confidence and spending may result in reduced consumer demand for discretionary items. The federal stimulus payments made directly to consumers as a result of the COVID-19 pandemic likely had a positive impact on our net sales, including in the first quarter of fiscal 2021. The amount of any future stimulus payments and duration of the impact of such payments is uncertain. Reduced consumer demand could result in reduced traffic in our physical stores and to our e-commerce platform; a limit to the prices we can charge for our merchandise; inventory markdowns; increased selling and promotional expenses; and the need to close underperforming stores, which could result in higher than anticipated closing costs. Any of these impacts could have a material adverse effect on our business, results of operations and financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number Of Shares Purchased as Part of Publicly Announced Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under Programs (2)
January 31, 2021 to February 27, 2021	0	\$ 0	0	\$ 50,000,000
February 28, 2021 to April 3, 2021	38,005	\$ 61.46	0	\$ 50,000,000
April 4, 2021 to May 1, 2021	0	\$ 0	0	\$ 50,000,000
	<u>38,005</u>		<u>0</u>	

(1) Total number of shares purchased were shares withheld by us in connection with employee payroll tax withholding upon the vesting of share-settled equity awards.

(2) On December 15, 2020, our Board of Directors authorized a new share repurchase program for up to \$50.0 million of our outstanding common stock, effective January 1, 2021 and expiring on December 31, 2021.

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Description	Incorporated by Reference To			Filed Herewith
		Form	Exhibit	Filing Date	
3-A	Amended and Restated Articles of Incorporation of Registrant	8-K	3-A	06/14/2013	
3-B	By-laws of Registrant, as amended to date	8-K	3-B	06/14/2013	
10.1	Employment and Noncompetition Agreement dated as of April 4, 2021 between Registrant and Marc A. Chilton				X
10.2	Severance and Release Agreement, dated March 18, 2021, between Registrant and Timothy Baker	8-K	10.1	3/22/2021	
10.3	Form of 2021 Performance Stock Unit Award Agreement under the Registrant's 2017 Equity Incentive Plan (Executive Officers)	8-K	10.2	3/22/2021	
10.4	First Amendment to Amended and Restated Employment and Noncompetition Agreement, dated as of April 7, 2021, between Registrant and Clifton E. Sifford	8-K	10.1	4/9/2021	
10.5	First Amendment to Amended and Restated Employment and Noncompetition Agreement, dated as of April 5, 2021, between Registrant and W. Kerry Jackson	8-K	10.2	4/9/2021	
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101	The following materials from Shoe Carnival, Inc.'s Quarterly Report on Form 10-Q for the quarter ended May 1, 2021, formatted in Inline XBRL (Inline Extensible Business Reporting Language): (1) Condensed Consolidated Balance Sheets, (2) Condensed Consolidated Statements of Income, (3) Condensed Consolidated Statements of Shareholders' Equity, (4) Condensed Consolidated Statements of Cash Flows, and (5) Notes to Condensed Consolidated Financial Statements.				X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				X

**SHOE CARNIVAL, INC.
SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed, on its behalf by the undersigned thereunto duly authorized.

Date: June 4, 2021

SHOE CARNIVAL, INC.
(Registrant)

By: /s/ W. Kerry Jackson
W. Kerry Jackson
Senior Executive Vice President,
Chief Financial and Administrative Officer and Treasurer
(Duly Authorized Officer and Principal Financial Officer)

SHOE CARNIVAL, INC.
EMPLOYMENT AND NONCOMPETITION AGREEMENT

This EMPLOYMENT AND NONCOMPETITION AGREEMENT (the “**Agreement**”) is made and entered into as of April 4, 2021 (“**Effective Date**”), by and between **SHOE CARNIVAL, INC.**, an Indiana corporation with its principal offices located at 7500 East Columbia Street, Evansville, Indiana (the “**Company**”), and **MARC CHILTON** (“**You**” or the “**Employee**”).

RECITALS

WHEREAS, the Company is one of the largest retailers of family footwear in the United States; and

WHEREAS, the Company and the Employee are parties to that Amended and Restated Employment and Noncompetition Agreement executed on April 13, 2012 (the “**2012 Employment Agreement**”); and

WHEREAS, the Company desires to continue to employ You upon the terms and conditions set forth herein; and

WHEREAS, You desire to be so employed by the Company, to be eligible for opportunities of advancement, potential compensation increases and the potential payments provided for herein; and

WHEREAS, the Company and You desire to enter into this Agreement to set forth the terms and conditions of the continued employment relationship between the Company and You; and

WHEREAS, in connection with its business, the Company has expended a substantial amount of time, money, and effort to develop and maintain its confidential, proprietary and trade secret information, and that this information, if misused or disclosed, could be very harmful to the Company’s business and its competitive position in the marketplace;

NOW THEREFORE, in consideration of the mutual covenants, promises and obligations set forth herein, the parties agree as follows:

AGREEMENT

1. **Term.** The Company hereby agrees to employ You, and You hereby agree to be employed by the Company, in accordance with the terms and conditions of this Agreement, for a period of two (2) years commencing on the Effective Date and ending on April 3, 2023 (the “**Initial Term**”), subject to earlier termination as expressly provided in this Agreement. This Agreement shall automatically renew for successive one-year periods (“**Renewal Periods**”), unless either party provides written notice of its intention to not renew at least thirty (30) days

prior to the end of the then current term. For purposes of this Agreement, the Initial Term together with any Renewal Period(s) shall be referred to as the “**Term**”.

2. **Position and Duties.**

2.1 **Position.** You shall serve as the **Executive Vice President, Chief Retail Operations Officer** of the Company or in such other or additional positions as the Company’s President, Chief Executive Officer and/or Board of Directors may determine from time to time. In such position, You shall (a) report to the Company’s President or such other person as the Company may designate from time to time, and (b) have such duties, authority and responsibility as shall be determined from time to time by the Company’s President, Chief Executive Officer and/or Board of Directors.

2.2 **Duties.** You agree to perform such duties incident to Your position, as well as any other duties for the Company as may be directed by any senior officer of the Company, and to assume such other or additional title, duties, and/or responsibilities as the Board of Directors may determine. During the Term, You shall devote substantially all of Your business time and attention to the performance of Your duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Board of Directors. Notwithstanding the foregoing, You will be permitted to act or serve as a volunteer, director, trustee, committee member or principal of any civic or charitable organization, provided such service does not interfere with Your work for the Company. You shall not engage in any activity that is competitive with the Company’s business or make any preparations to engage in any competitive activity. You shall be supportive of the Company’s business and its best interests and shall not, directly or indirectly, take any action which could reasonably be expected to have an adverse effect upon the business or best interests of the Company. You agree that You will at all times honestly and fairly conduct Your duties, and will at all times maintain the highest of professional standards in representing the interests of the Company. You will comply with Company policies, decisions, and instructions, which may be changed by the Company from time to time.

3. **Compensation.**

3.1 **Base Salary.** The Company shall pay You an annual base salary of **Four Hundred Thirty Thousand Dollars (\$430,000)**, payable in accordance with the Company’s usual payroll practices, and subject to all taxes, withholdings and deductions as required by law and as You may authorize. The Company will review Your Base Salary on a periodic basis, approximately annually, during the Term to determine, in the Company’s sole discretion, whether to adjust Your Base Salary upward or downward, and if so, the amount of such adjustment and the time at which such adjustment should take effect. The term “**Base Salary**” as used in this Agreement shall refer to Your annual base salary as in effect from time to time, including any adjustments.

3.2 **Incentive Bonus.** You are entitled to participate in the Company's 2016 Executive Incentive Compensation Plan, as amended, in accordance with the terms contained therein, and in any successor plan adopted by the Company from time to time. However, You agree that the failure of the Company to award any such bonus and/or other incentive compensation shall not give rise to any claim against the Company. The Company, in its sole discretion, may adjust, modify or discontinue any bonus plan or program applicable to You from time to time during the Term.

3.3 **Employee Benefits.** You shall be eligible to participate in any employee benefit plans, practices and programs maintained by the Company ("**Employee Benefit Plans**"), commensurate with Your position with the Company and subject to the eligibility requirements and other terms and conditions of such plans and programs. The Company, in its sole discretion, may change, amend or discontinue any of its Employee Benefit Plans at any time during Your employment with the Company, and nothing contained herein shall obligate the Company to institute, maintain or refrain from changing, amending or discontinuing any Employee Benefit Plan.

4. **Termination of Employment and Compensation Upon Termination.**

4.1 **Expiration of the Agreement.** Your employment with the Company may terminate by way of the expiration of the Term as a result of either party exercising the right not to renew. In the event of termination of Your employment by expiration of the Term, the Company's obligation to pay and provide You compensation and benefits under this Agreement shall immediately terminate, except: (a) You shall be entitled to receive that portion of Your Base Salary which shall have been earned through the termination date; and (b) the Company shall pay or provide You such other payments and benefits, if any, which had vested hereunder before the termination date.

4.2 **For Cause.** The Company may terminate Your employment at any time effective immediately for "**Cause**." As used in this Agreement, the term "**Cause**" means the occurrence of any one or more of the following events: (a) Your failure to perform Your duties (other than any such failure resulting from incapacity due to physical or mental illness); (b) Your embezzlement, misappropriation or fraud, whether or not related to Your employment with Company; (c) Your conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony or other crime involving moral turpitude; (d) Your engaging in dishonesty, illegal conduct or gross misconduct which is in each case injurious to the Company or its affiliates; (e) Your failure or refusal to comply with any lawful and reasonable instructions of the Company's Chief Executive Officer, President, or other executive officer to whom You report; (f) Your material breach of any of Your obligations under this Agreement; (g) Your material breach of the Company's policies; (h) Your use of alcohol or drugs which interferes with the performance of Your duties for the Company or which compromises the integrity or reputation of the Company; or (i) Your engaging in any conduct tending to bring the Company into public disgrace or disrepute.

In the event of termination of Your employment by the Company for Cause, the Company's obligation to pay and provide You compensation and benefits under this Agreement shall immediately terminate, except: (x) You shall be entitled to receive that portion of Your Base Salary which shall have been earned through the termination date; and (y) the Company shall pay or provide You such other payments and benefits, if any, which had vested hereunder before the termination date.

4.3 **Unilateral – The Company without Cause.** The Company may terminate Your employment at any time without Cause.

In the event the Company terminates Your employment without Cause, the Company's obligation to pay and provide You compensation and benefits under this Agreement shall immediately terminate, except: (a) You shall be entitled to receive that portion of Your Base Salary which shall have been earned through the termination date; (b) the Company shall pay or provide You such other payments and benefits, if any, which had vested hereunder before the termination date; (c) the Company shall pay to You, within thirty (30) calendar days following the date of termination, a lump sum amount equal to fifty-five percent (55%) of the product of (i) multiplied by (ii), where “(i)” is Your Base Salary for the fiscal year in which the termination occurs, and where “(ii)” is a fraction, the numerator of which is the number of days elapsed in such fiscal year through the date of termination and the denominator of which is 365; (d) the Company shall pay to You, within thirty (30) calendar days following the termination date, a lump sum payment in an amount equal to one hundred fifty percent (150%) of Your Base Salary for the fiscal year in which the termination occurs; and (e) the Company shall pay You, within thirty (30) calendar days following the termination date, a lump sum payment in an amount equal to eighteen (18) times the monthly “**COBRA Premium Rate**” (which is the monthly amount charged, as of the termination date, for continuation coverage under the Company's group medical and dental plans pursuant to the Consolidated Omnibus Reconciliation Act of 1985 (“**COBRA**”) for the coverage options and coverage levels applicable to You and Your covered dependents immediately prior to the termination date). Payment of the severance compensation set forth in subparts (c), (d) and (e) of this Section 4.3 is subject to the terms and conditions of Section 4.10 and Section 9.2 of this Agreement.

4.4 **Unilateral – The Employee.** You may terminate Your employment at any time with the Company by providing the Company with thirty (30) days' advance written notice of such termination. At the sole option of the Company, such termination may be considered effective on the date such notice is given or at any other date the Company may designate during the 30-day notice period.

In the event that You unilaterally terminate Your employment, the Company's obligation to pay and provide You compensation and benefits under this Agreement shall immediately terminate, except: (a) You shall be entitled to receive that portion of Your Base Salary which shall have been earned through the termination date; and (b) the

Company shall pay or provide You such other payments and benefits, if any, which had vested hereunder before the termination date.

4.5 **For Good Reason – The Employee.** At any time during the Term, You may terminate Your employment for Good Reason if all of the following conditions are satisfied: (a) You give the Company a written notice of termination, which describes in reasonable detail the condition claimed to constitute Good Reason, within thirty (30) calendar days of the initial existence of the condition claimed to constitute Good Reason; (b) the Company does not remedy the condition within thirty (30) calendar days of the Company's receipt of Your written notice of termination (the "**Good Reason Cure Period**"); and (c) You give the Company a second written notice of termination within thirty (30) calendar days following the expiration of the Good Reason Cure Period. If You do not provide the notice of termination for Good Reason as described in subpart (a) of the preceding sentence within 30 days of the first occurrence of the applicable grounds, then You will be deemed to have waived Your right to terminate for Good Reason with respect to such grounds. For purposes of this Agreement, "**Good Reason**" means the occurrence, without Your written consent, of a material reduction by the Company in Your Base Salary.

In the event You terminate Your employment for Good Reason, the Company's obligation to pay and provide You compensation and benefits under this Agreement shall immediately terminate, except: (a) You shall be entitled to receive that portion of Your Base Salary which shall have been earned through the termination date; (b) the Company shall pay or provide You such other payments and benefits, if any, which had vested hereunder before the termination date; (c) the Company shall pay to You, within thirty (30) calendar days following the date of termination, a lump sum amount equal to fifty-five percent (55%) of the product of (i) multiplied by (ii), where "**(i)**" is Your Base Salary for the fiscal year in which the termination occurs, and "**(ii)**" is a fraction, the numerator of which is the number of days elapsed in such fiscal year through the date of termination and the denominator of which is 365; (d) the Company shall pay to You, within thirty (30) calendar days following the termination date, a lump sum payment in an amount equal to one hundred fifty percent (150%) of Your Base Salary for the fiscal year in which the termination occurs; and (e) the Company shall pay You, within thirty (30) calendar days following the termination date, a lump sum payment in an amount equal to eighteen (18) times the monthly COBRA Premium Rate. Payment of the severance compensation set forth in subparts (c), (d) and (e) of this Section 4.5 is subject to the terms and conditions of Section 4.10 and Section 9.2 of this Agreement.

4.6 **Disability or Death.** If You suffer a "**Disability**," the Company shall have the right to terminate Your employment by delivering to You a written notice of the Company's intent to terminate for Disability, specifying in such notice a termination date not less than ten (10) calendar days after the giving of the notice (the "**Disability Notice Period**"). Your employment shall terminate at the close of business on the last day of the Disability Notice Period. For purpose of this Agreement, the term "Disability" shall

mean either (a) when You are deemed disabled in accordance with the long-term disability insurance policy or plan of the Company in effect at the time of the illness or injury causing the Disability, or (b) the inability of You, because of injury, illness, disease or bodily or mental infirmity, to perform the essential functions of Your job (with reasonable accommodation) for more than one hundred twenty (120) consecutive days. The existence of a Disability shall be determined by the Company. If You should die during the Term, this Agreement shall terminate as of the date of Your death.

In the event Your employment is terminated as a result of Your death or Disability, the Company's obligation to pay and provide You compensation and benefits under this Agreement shall immediately terminate except: (a) You shall be entitled to receive that portion of Your Base Salary which shall have been earned through the termination date; and (b) the Company shall pay or provide You such other payments and benefits, if any, which had vested hereunder before the termination date.

4.7 **Timely Qualifying Termination Following a Change In Control.**

4.7.1 For purposes of this Agreement, a "**Timely Qualifying Termination**" shall mean either (a) a termination by the Company without Cause that occurs within two (2) years immediately following a Change In Control or (b) a termination by You for Good Reason that occurs within two (2) years immediately following a Change In Control.

4.7.2 For purposes of this Agreement, "**Change In Control**" of the Company shall mean and shall be deemed to have occurred as of the first day on which any one of the following conditions has been satisfied:

(A) The acquisition, within a 12-month period ending on the date of the most recent acquisition, by any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), (a "**Person**") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act as in effect from time to time) of thirty percent (30%) or more of either (i) the then outstanding shares of common stock of the Company or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors; provided, however, that the following acquisitions shall not constitute an acquisition of control: (a) any acquisition directly from the Company (excluding an acquisition by virtue of the exercise of a conversion privilege), (b) any acquisition by the Company, (c) any acquisition by any employee benefit plan or related trust sponsored or maintained by the Company or any corporation controlled by the Company, (d) any acquisition by any corporation pursuant to a reorganization, merger or consolidation, if, following such reorganization, merger or consolidation, the conditions described in clauses (i), (ii) and (iii) of subsection (C) of this Section are satisfied, (e) any acquisition by any Person who, immediately before the commencement of the 12-

month period, already held beneficial ownership of thirty percent (30%) or more of the outstanding voting securities of the Company (“**Affiliated Person**”) or (f) upon the death of any shareholder who, on the date of this Agreement, is the beneficial owner of 10% or more of the outstanding voting securities of the Company, any acquisition triggered by the death of such shareholder by operation of law, by any testamentary bequest or by the terms of any trust or other contractual arrangement established by such shareholder; or

(B) Individuals who, as of the Effective Date, constitute the Board of Directors of the Company (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board of Directors of the Company (the “**Board**”); provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(C) Approval by the shareholders of the Company of a reorganization, merger or consolidation, in each case, unless, following such reorganization, merger or consolidation, (i) more than fifty percent (50%) of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Company common stock and outstanding Company voting securities immediately prior to such reorganization, merger or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation, of the outstanding Company stock and outstanding Company voting securities, as the case may be, (ii) no Person (excluding the Company, any employee benefit plan or related trust of the Company or such corporation resulting from such reorganization, merger or consolidation and any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, thirty percent (30%) or more of the outstanding Company common stock or outstanding voting securities, as the case may be) beneficially owns, directly or indirectly, thirty percent (30%) or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the

election of directors and (iii) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

(D) Approval by the shareholders of the Company of (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation with respect to which following such sale or other disposition (a) more than fifty percent (50%) of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Company common stock and outstanding Company voting securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the outstanding Company common stock and outstanding Company voting securities, as the case may be, (b) no Person (excluding the Company and any employee benefit plan or related trust of the Company or such corporation, any Affiliated Person and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, thirty percent (30%) or more of the outstanding Company common stock or outstanding Company voting securities, as the case may be) beneficially owns, directly or indirectly, thirty percent (30%) or more of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (c) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Company.

Notwithstanding any other provision of this Section to the contrary, an occurrence shall not constitute a Change In Control if it does not constitute a change in the ownership or effective control of, or in the ownership of a substantial portion of the assets of, the Company, within the meaning of Section 409A(a)(2)(A)(v) of the Internal Revenue Code of 1986, as amended (the “**Code**”) and its interpretive regulations.

4.7.3 In the event of a Timely Qualifying Termination, then, in lieu of all other benefits under this Agreement, the Company’s obligation to pay and provide You compensation and benefits under this Agreement shall immediately terminate, except: (a) You shall be entitled to receive that portion of Your Base Salary which shall have been earned through the termination date; (b) the Company shall

pay or provide You such other payments and benefits, if any, which had vested hereunder before the termination date; (c) the Company shall pay to You, in a lump sum not later than thirty (30) calendar days after the termination date, an amount equal to two times one hundred fifty-five percent (155%) of Your Base Salary for the fiscal year in which the termination occurs; (d) the Company shall pay You, in a lump sum not later than thirty (30) calendar days after the termination date, an amount equal to eighteen (18) times the COBRA Premium Rate; and (e) the Company shall provide You with reasonable and appropriate out-placement services, as determined and coordinated by the Company, by paying a fee, not to exceed Two Thousand Five Hundred Dollars (\$2,500.00), to an outplacement services provider selected by the Company, provided that such services shall not extend past the end of the second taxable year following the taxable year in which the Timely Qualifying Termination occurs. Payment and provision of the severance compensation and benefits set forth in subparts (c), (d) and (e) of this Section 4.7.3 are subject to the terms and conditions of Section 4.10 and Section 9.2 of this Agreement.

4.8 **Compensation Upon Termination in General.** In the event of termination of Your employment as set forth herein, and subject to any lawful right of offset the Company may have against any such benefits, compensation, or severance amounts owed to You, whether the result of promissory notes, loans, or other financial arrangements the Company may have entered into with You or on Your behalf, and which are or would become due and payable on or after the termination date, to include the principal and interest pursuant to such arrangements (which right of offset cannot be inconsistent with the standards for nonqualified deferred compensation plans under Code Section 409A, to the extent applicable), the parties agree that the terms herein shall be the exclusive termination pay arrangements.

4.9 **Payroll Withholdings.** The Company may withhold from any compensation or benefits payable under this Agreement all federal, state, city, or other taxes or deductions as may be required pursuant to any law or governmental regulation or ruling.

4.10 **Release Agreement.** Any payment or provision of the severance compensation or benefits described herein is subject to Your execution of (and, if a right of revocation applies to such release, not revoking) a release of claims in favor of the Company, its affiliates and their respective officers and directors in a form provided by the Company.

4.11 **Delay of Separation Payments to You.** Notwithstanding any other provisions of this Agreement, if any amount payable to You under this Agreement on account of Your separation from service with the Company constitutes deferred compensation within the meaning of Code Section 409A, and You are a specified employee, within the meaning of Code Section 409A(a)(2)(B)(i), on the date of Your separation from service, payment of the amount shall be delayed until the first business day that is at least six (6) months after the date on which Your separation from service occurred.

5. **Confidential Information**. You understand and acknowledge that during the Term, You will have access to and learn about Confidential Information, as defined below.

5.1 **Definition**. For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all of the Company's trade secrets, confidential and proprietary information and all other information belonging to, maintained by or concerning the Company that is not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to: the Company's business processes, practices, policies, plans, publications, documents, research, operations, services, strategies, techniques, agreements, contracts, know-how, trade secrets, computer programs, computer software, work-in-process, databases, manuals, records, systems, supplier information, vendor information, financial information, accounting information, employee information, legal information, marketing information, advertising information, pricing information, credit information, design information, payroll information, employee lists, supplier lists, vendor lists, developments, reports, internal controls, security procedures, graphics, drawings, sketches, market studies, sales information, revenue, costs, formulae, notes, communications, algorithms, product plans, designs, styles, models, ideas, audiovisual programs, customer information, customer lists, manufacturing information, and factory information, of the Company or any existing customer, supplier, investor or other associated third party, or of any other person or entity that has entrusted information to the Company in confidence.

You understand that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used.

You understand and agree that Confidential Information includes information developed by You in the course of Your employment by the Company as if the Company furnished the same Confidential Information to You in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to You; provided that, such information was not made available by, or is not known by the public as a result of, any direct or indirect fault of You or person(s) acting on Your behalf.

5.2 **Company Creation and Use of Confidential Information**. You understand and acknowledge that the Company has invested, and continues to invest, substantial time, money and specialized knowledge into developing its resources, creating a customer base, generating customer and potential customer lists, training its employees, and improving its offerings in the field of the retail sale of footwear and footwear related items. You understand and acknowledge that as a result of these efforts, the Company has created, and continues to use and create Confidential Information. This Confidential

Information provides the Company with a competitive advantage over others in the marketplace.

5.3 **Disclosure and Use Restrictions.** You agree and covenant: (a) to treat all Confidential Information as strictly confidential; (b) not to directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever (including other employees of the Company) not having a need to know and authority to know and use the Confidential Information in connection with the business of the Company and, in any event, not to anyone outside of the direct employ of the Company except as required in the performance of Your authorized employment duties to the Company or with the prior consent of the Chief Executive Officer acting on behalf of the Company in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent); and (c) not to access or use any Confidential Information, and not to copy any documents, records, files, media or other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control of the Company, except (x) as required in the performance of Your authorized employment duties to the Company (and then, such disclosure shall be made only within the limits and in the ordinary course of such duties), (y) with the prior consent of the Chief Executive Officer acting on behalf of the Company in each instance (and then, such disclosure shall be made only within the limits and to the extent of such consent), or (z) in connection with Your reporting possible violations of law or regulations to any governmental agency or making other disclosures protected under any applicable whistleblower laws. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid subpoena or order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order. You shall, unless prohibited by applicable law, promptly provide written notice of any such subpoena or order to the Chief Executive Officer.

5.4 **Survival of Non-Disclosure Obligations.** You understand and acknowledge that Your obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon You first having access to such Confidential Information (whether before or after You begin employment by the Company) and shall continue during and after Your employment by the Company until such time as such Confidential Information has become public knowledge other than as a result of Your breach of this Agreement or breach by those acting in concert with You or on Your behalf.

5.5 **Defend Trade Secrets Act Notice.** Notwithstanding anything to the contrary in this Section 5, any other provision of this Agreement or any policy of the Company, You

may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (a) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney if such disclosure is made solely for the purpose of reporting or investigating a suspected violation of law or for pursuing an anti-retaliation lawsuit; or (b) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and You do not disclose the trade secret except pursuant to a court order. In the event a disclosure is made, and You file a lawsuit against the Company alleging that the Company retaliated against You because of Your disclosure, You may disclose the relevant trade secret or Confidential Information to Your attorney and may use the same in the court proceeding only if (x) You ensure that any court filing that includes the trade secret or Confidential Information at issue is made under seal; and (y) You do not otherwise disclose the trade secret or Confidential Information except as required by court order.

6. **Restrictive Covenants.**

6.1 **Acknowledgement.** You acknowledge that Your position with the Company is special, unique and intellectual in character and Your position in the Company places You in a position of confidence and trust with employees, vendors and customers of the Company. You further acknowledge and agree that You have received adequate consideration for these restraints in the form of Your Base Salary and other valuable consideration contained herein. The restrictions and obligations contained in this Section 6 shall survive the Term of this Agreement. Notwithstanding the above, if the Company elects not to renew this Agreement and subsequently terminates Your employment without offering to pay You severance payments equivalent to 100% of Your Base Salary in effect at the time of termination—which offer of such severance compensation shall be subject to the terms and conditions of Section 4.10 and Section 9.2 of this Agreement, You will not be subject to the restrictions and obligations of this Section.

6.2 **Non-compete.** You agree that during Your employment with the Company and for a period of one (1) year immediately after the termination of Your employment with the Company, You shall not:

6.2.1 within the Restricted Geographic Area engage in (including, without limitation, being employed by, working for, or rendering services to) any Competing Business in any Prohibited Capacity; provided, however, if the Competing Business has multiple divisions, lines or segments, some of which are not competitive with the business of the Company, nothing herein shall prohibit You from being employed by, working for or assisting only that division, line or segment of such Competing Business that is not competitive with the business of the Company provided that Your work for such non-competitive division, line or segment of the Competing Business does not involve any products that are competitive with the products offered by the Company;

6.2.2 (a) solicit, recruit, hire, employ, engage the services of, or attempt to hire, employ, or engage the services of, any Restricted Employee; (b) assist any Competing Business in the recruitment, hiring or engagement of any Restricted Employee; (c) urge, induce or seek to induce any Restricted Employee to terminate his/her employment with the Company; or (d) advise, suggest to or recommend to any Competing Business that it employ, engage the services of, or seek to employ, or engage the services of, any Restricted Employee;

6.2.3 solicit, urge, induce or seek to induce any of the Company's independent contractors, subcontractors, vendors, suppliers, customers or consultants to terminate their relationship with, or representation of, the Company or to cancel, withdraw, reduce, limit or in any manner modify any such person's or entity's business with, or representation of, the Company for whatever purpose or reason;

6.2.4 make or publish any statement or comment that disparages or in any way injures the reputation and/or goodwill of the Company or any of its directors, officers or employees; provided, however, that nothing in this Section is intended to prohibit You from (a) making any disclosures as may be required or compelled by law or legal process or (b) making any disclosures or providing any information to a governmental agency or entity, including without limitation in connection with a complaint by You against the Company or the investigation of any complaint against the Company; and/or

6.2.5 take any action intended to harm the Company or its reputation, which the Company reasonably concludes could lead to unwanted or unfavorable publicity to the Company.

6.2.6 The restrictive time periods set forth in this Section shall not expire during any period in which You are in violation of any of the restrictive covenants set forth in this Section, and all restrictions shall automatically be extended by the period You were in violation of any such restrictions.

6.2.7 The restrictive covenants contained in this Section prohibit You from engaging in certain activities directly or indirectly, whether on Your own behalf or on behalf of any other person or entity.

6.2.8 The covenants and restrictions in this Section are separate and divisible, and to the extent any covenant, provision or portion of this Section is determined to be unenforceable or invalid for any reason, such unenforceability or invalidity shall not affect the enforceability or validity of the remainder of the Agreement. Should any particular covenant, restriction, provision or portion of this Section be held unreasonable or unenforceable for any reason, including, without limitation, the time period, geographical area, and/or scope of activity covered by any restrictive covenant, provision or clause, such covenant, provision or clause shall automatically be deemed reformed such that the contested covenant, provision or

portion will have the closest effect permitted by applicable law to the original form and shall be given effect and enforced as so reformed to the extent reasonable and enforceable under applicable law.

6.3 **Definitions:**

6.3.1 **“Competing Business”** means any of the following entities (which You acknowledge are direct competitors of the Company) and each of their respective subsidiaries and successors: (a) Payless; (b) Caleres, Inc.; (c) Designer Shoe Warehouse; (d) Rack Room; (e) Kohls Corporation; (f) Shoe Department; (g) Shoe City; (h) Shoe Pavilion, Inc.; (i) JD Sports Fashion plc; (j) Finish Line, Inc.; (k) Dick’s Sporting Goods, Inc.; (l) Academy Sports + Outdoors; (m) Belk; and (n) Off Broadway Shoe Warehouse; and/or (o) any entity that sells footwear at retail to consumers within twenty-five (25) miles of any Company store at price points that are competitive with the Company, provided such entity’s footwear sales constitute at least fifteen percent (15%) of such entity’s annual sales revenues.

6.3.2 **“Prohibited Capacity”** means: (a) the same or similar capacity or function to that in which You worked for the Company at any time during the thirty-six (36) months immediately preceding the termination of Your employment with the Company; (b) any executive or officer capacity or function; (c) any managerial capacity or function; (d) any business consulting capacity or function; (e) any merchandizer or buyer capacity or function; (f) any ownership capacity, except You may own an investment of less than 5% of any class of equity or debt security of a publicly-held company; (g) any capacity or function in which You likely would inevitably use or disclose the Company’s trade secrets or Confidential Information; or (h) any other capacity or function in which Your knowledge of the Confidential Information would facilitate or assist Your work for the Competing Business.

6.3.3 **“Restricted Employee”** means any individual employed with the Company during Your employment with the Company provided the following two conditions are satisfied with respect to such individual: (i) as of the time of the activity in question, such individual is then, or within the immediately preceding six (6) month period was, employed by the Company; and (ii) such individual received, helped create or had access to any of the Company’s trade secrets and/or Confidential Information during his or her employment with the Company.

6.3.4 **“Restricted Geographic Area”** means: (a) the United States of America, including, but not limited to, each State in which the Company operates a retail store; (b) Puerto Rico; and (c) any other state, country, province or territory in which the Company operates a retail store as of the date of termination of Your employment.

6.4 **Acknowledgment of Restrictions.** You acknowledge and agree that You understand the restrictions in this Section, and that they are reasonable and enforceable, in view of, among other things, Your position within the Company, the highly competitive nature of the Company's business, and the confidential nature of the information You have been provided. You further agree that the Company would not have adequate protection if You were permitted to work for its competitors in violation of the terms of this Agreement since the Company would be unable to verify whether its Confidential Information was being disclosed and/or misused, and whether You were involved in diverting the Company's customers and/or its customer goodwill.

6.5 **Required Disclosures Concerning New Employment.** You agree that, during the one (1) year period immediately following the termination of Your employment with the Company for any reason, You (a) will within ten (10) days of acceptance of new employment, notify the Company in writing of Your employment, engagement or other affiliation with any other business or entity; and (b) will provide a copy of Sections 5 and 6 of this Agreement to any prospective employer before accepting employment or other work engagement with any such employer.

7. **Proprietary Rights.** All work performed by You and all inventions, discoveries, developments, work product, processes, improvements, creations, deliverables and all written, graphic or recorded material and works of authorship fixed in any tangible medium of expression made, created or prepared by You, alone or jointly with others, during Your employment with the Company and relating to the Company's business (collectively, the "**Works**") shall be the Company's exclusive property, shall be deemed a work made for hire, and all rights, title and interest in the Works shall vest in the Company. To the extent that the title or rights to any such Works may not, by operation of law, vest in the Company, You hereby irrevocably assign and transfer to the Company all rights, title and interest to such Works. All Works shall belong exclusively to the Company, and the Company shall have the right to obtain and hold in its own name, any patents, copyrights, registrations or such other intellectual property protections as may be appropriate to the subject matter. You will sign documents of assignment, declarations and other documents and take all other actions reasonably required by the Company, at the Company's expense, to perfect and enforce any of its proprietary rights and to vest all right, title and interest to the Works in the Company. This Section does not apply to an invention for which no equipment, supplies, facility, or Confidential Information of the Company was used and which was developed entirely on Your own time, unless (a) the invention relates (1) directly to the business of the Company, or (2) to the Company's actual or anticipated research or development, or (b) the invention results from any work performed by You for the Company.

8. **Remedies.** In the event of a breach or threatened breach by You of any of the above provisions, the Company shall be entitled to an injunction restraining You from such breach, in addition to all other remedies which the Company shall be entitled to in law or equity. The Company also shall be entitled to recover from You all litigation costs and attorneys' fees incurred by the Company in any action or proceeding relating to this Agreement in which the Company prevails, including, but not limited to, any action or proceeding in which the Company

seeks enforcement of this Agreement or seeks relief from Your violation of this Agreement. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies available for such breach, threatened breach, or any breach of this Agreement.

9. **Post-Termination Obligations.**

9.1 **Survival.** You acknowledge and agree that Your post-termination obligations under this Agreement, including without limitation Your confidentiality, non-competition and return-of-property obligations set forth in Sections 5, 6 and 12.2 of this Agreement, shall survive the termination of Your employment with the Company, regardless of whether such termination is voluntary or involuntary, or is with or without Cause. You further acknowledge and agree that: (a) Your confidentiality, non-competition and return-of-property obligations set forth in Sections 5, 6 and 12.2 of this Agreement shall be construed as independent covenants and that no breach of any contractual or legal duty by the Company shall be held sufficient to excuse or terminate Your obligations under Sections 5, 6 and 12.2 of this Agreement or preclude the Company from obtaining injunctive relief for Your violation or threatened violation of such covenants; and (b) the existence of any claim or cause of action by You against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the Company's enforcement of Your confidentiality, non-competition and return-of-property obligations set forth in Sections 5, 6 and 12.2 of this Agreement.

9.2 **Compliance With Post-Employment Restrictions.** In the event that You breach any of the covenants or provisions set forth in Sections 5, 6 and 12.2 of this Agreement (a) You will have forfeited Your right to receive, and the Company shall have the right immediately and permanently to discontinue payment and provision of, any of the severance compensation and benefits payable under this Agreement and (b) You shall be obligated to pay to the Company an amount equal to the amount of the severance compensation received by You pursuant to this Agreement, minus Five Hundred Dollars (\$500.00), with such amount being due and payable immediately upon the Company making written demand on You for such payment. You and the Company acknowledge and agree that such forfeiture and claw back is in addition to, and not in lieu of, any and all other legal and/or equitable remedies that may be available to the Company in connection with Your breach of any of the covenants or provisions of this Agreement.

10. **Notices.** All notices related to this Agreement shall be in writing and shall be deemed to have been delivered on the date personally delivered or the date mailed, postage prepaid, by certified mail, return receipt requested, or telegraphed and confirmed, or faxed and confirmed, to the following respective addresses:

To You: Marc Chilton
Removed

Removed

To Company: Chief Executive Officer
Shoe Carnival, Inc.
7500 East Columbia Street
Evansville, IN 47715

Either party may designate a different address by providing written notice to the other party.

11. **Assignment.** The Company shall have the right to assign this Agreement. This Agreement shall inure to the benefit of, may be enforced by, and shall be binding on, any and all successors and assigns of the Company, including, without limitation, by asset assignment, stock sale, merger, consolidation or other corporate reorganization, and shall be binding on You, Your executors, administrators, personal representatives and other successors in interest. This Agreement is personal to You, and therefore You shall not have the right to assign this Agreement nor any of Your rights, powers, duties or obligations hereunder.

12. **Security.**

12.1 **Security and Access.** You agree and covenant (a) to comply with all Company security policies and procedures in force from time to time including but not limited to those related information technology resources and facility access resources such as the employee identification card; (b) not to access or use any information technology resources and facility access resources except as authorized by the Company; and (c) not to access or use information technology resources and facility access resources in any manner after the termination of Your employment, whether termination is voluntary or involuntary. You agree to notify the Company promptly in the event that You learn of any violation of the foregoing by others, or of any other misappropriation or unauthorized access, use, reproduction or reverse engineering of, or tampering with information technology resources and facility access resources or other Company property or materials.

12.2 **Exit Obligations.** Upon (a) voluntary or involuntary termination of Your employment or (b) at the Company's request at any time during Your employment, You shall (i) provide or return to the Company any and all Company property and all Company documents and materials belonging to the Company and stored in any fashion, including but not limited to those that constitute or contain any Confidential Information or Works, that are in Your possession or control, whether they were provided to You by the Company or any of its business associates or created by You in connection with Your employment by the Company; and (ii) delete or destroy all copies of any such documents and materials not returned to the Company that remain in Your possession or control, including those stored on any non-Company devices, networks, storage locations and media in Your possession or control.

13. **Code Section 409A Standards.** It is the intent of the parties that payments and benefits under this Agreement subject to Code Section 409A ("409A") comply with 409A, and therefore, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in

compliance with 409A. Notwithstanding anything in this Agreement to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under 409A, You shall not be considered to have terminated employment with the Company for purposes of this Agreement until You would be considered to have incurred a “separation from service” from the Company within the meaning of 409A. Any payments described in this Agreement that are due within the “short-term deferral period” (as defined in 409A) shall not be treated as deferred compensation unless applicable law requires otherwise. Each amount to be paid or benefit to be provided to You pursuant to this Agreement that constitutes deferred compensation subject to 409A shall be construed as a separate identified payment for purposes of 409A.

14. **Parachute Payment Restrictions.** If any payment or benefit to be paid or provided to You under this Agreement, taken together with any payments or benefits otherwise paid or provided to You by the Company or any corporation that is a member of an “**affiliated group**” (as defined in Section 1504 of the Code without regard to Section 1504(b) of the Code) of which the Company is a member (the “**other arrangements**”), would collectively constitute a “**parachute payment**” (as defined in Section 280G(b)(2) of the Code), and if the net after-tax amount of such parachute payment to You is less than what the net after-tax amount to You would be if the aggregate payments and benefits otherwise constituting the parachute payment were limited to three times Your “**base amount**” (as defined in Section 280G(b)(3) of the Code) less \$1.00, then the aggregate payments and benefits otherwise constituting the parachute payment shall be reduced to an amount that shall equal three times Your base amount, less \$1.00. Should such a reduction in payments and benefits be required, You shall be entitled, subject to the following sentence, to designate those payments and benefits under this Agreement or the other arrangements that will be reduced or eliminated so as to achieve the specified reduction in aggregate payments and benefits to You and avoid characterization of such aggregate payments and benefits as a parachute payment. The Company will provide You with all information You reasonably request to permit You to make such designation. To the extent that Your ability to make such a designation would cause any of the payments and benefits to become subject to any additional tax under 409A, or if You fail to make such a designation within ten (10) business days of receiving the requested information from the Company, then the Company shall achieve the necessary reduction in such payments and benefits by first reducing or eliminating the portion of the payments and benefits that are payable in cash and then by reducing or eliminating the non-cash portion of the payments and benefits, in each case in reverse order beginning with payments and benefits which are to be paid or provided the furthest in time from the date of the Company’s determination. For purposes of this Section, a net after-tax amount shall be determined by taking into account all applicable income, excise and employment taxes, whether imposed at the federal, state or local level, including the excise tax imposed under Section 4999 of the Code.

15. **Entire Agreement.** This Agreement contains all of the understandings and representations between the parties pertaining to the subject matter hereof, and supersedes all prior and contemporaneous negotiations, discussions, commitments and understandings between the parties relating hereto, whether oral or written. This Agreement supersedes and replaces the 2012 Employment Agreement.

16. **Modification and Waiver**. This Agreement may be amended or modified only in a writing signed by the parties. No waiver by either party of any breach by the other party shall be deemed a waiver of any other provision or condition, nor shall the failure of or delay by either party in exercising any right, power or privilege hereunder operate as a waiver or preclude any exercise thereof.

17. **Governing Law and Forum Selection**. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Indiana, without giving effect to any choice-of-law or conflict-of-law principle that would cause the application of the substantive law of any jurisdiction other than Indiana. Any legal action (whether based on contract, tort or other legal theory) arising out of or relating to this Agreement, Your employment with the Company or the termination of Your employment shall be commenced and maintained exclusively before any state or federal court having appropriate subject matter jurisdiction located in Evansville, Indiana, and You and the Company each consents and submits to the personal jurisdiction and venue of such courts located in Evansville, Indiana, and waives any right to challenge or otherwise object to personal jurisdiction or venue (including, without limitation, any objection based on inconvenient forum grounds) in any action commenced or maintained in such courts located in Evansville, Indiana.

18. **Severability**. If any term or provision of this Agreement is found to be invalid or unenforceable, the remaining provisions will remain effective and such term or provision shall be replaced with another term consistent with the purpose and intent of this Agreement.

19. **Counterparts**. This Agreement may be executed in separate counterparts, all of which taken together shall constitute one and the same agreement. Signatures transmitted by facsimile or other electronic means are acceptable the same as originals.

20. **Representations of the Employee**. You represent and warrant that Your acceptance of employment with the Company and the performance of Your duties hereunder will not violate any non-solicitation, non-competition, or other covenant or agreement of a prior employer and it will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement or understanding to which You are a party or are otherwise bound.

21. -

Acknowledgment and Full Understanding. YOU ACKNOWLEDGE AND AGREE THAT YOU HAVE FULLY READ, UNDERSTAND AND VOLUNTARILY ENTER INTO THIS AGREEMENT. YOU ACKNOWLEDGE AND AGREE THAT YOU HAVE HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF YOUR CHOICE BEFORE SIGNING THIS AGREEMENT.

[Remainder of page intentionally left blank; signature page follows.]

IN WITNESS WHEREOF, the parties have executed this Employment and Noncompetition Agreement as of the above written Effective Date.

SHOE CARNIVAL, INC.

EMPLOYEE

By: /s/ Sean Georges

/s/ Marc Chilton
MARC CHILTON

Its: Senior Vice President- Governmental Affairs,
General Counsel and Corporate Secretary

Date: April 6, 2021

Date: April 6, 2021

SHOE CARNIVAL, INC.
CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Clifton E. Sifford, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shoe Carnival, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 4, 2021

By: /s/ Clifton E. Sifford
Clifton E. Sifford
Vice Chairman and
Chief Executive Officer

SHOE CARNIVAL, INC.
CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, W. Kerry Jackson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shoe Carnival, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 4, 2021

By: /s/ W. Kerry Jackson
W. Kerry Jackson
Senior Executive Vice President,
Chief Financial and Administrative Officer and Treasurer

**CERTIFICATION PURSUANT TO 18 U.S.C.
SECTION 1350,
AS ADOPTED PURSUANT TO SECTION
906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Shoe Carnival, Inc. (the “Company”) on Form 10-Q for the period ending May 1, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Clifton E. Sifford, Vice Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 4, 2021

By: /s/ Clifton E. Sifford
Clifton E. Sifford
Vice Chairman and
Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C.
SECTION 1350,
AS ADOPTED PURSUANT TO SECTION
906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Shoe Carnival, Inc. (the “Company”) on Form 10-Q for the period ending May 1, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, W. Kerry Jackson, Senior Executive Vice President, Chief Financial and Administrative Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 4, 2021

By: /s/ W. Kerry Jackson
W. Kerry Jackson
Senior Executive Vice President,
Chief Financial and Administrative Officer and Treasurer