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Shoe Carnival, Inc. (SCVL)

Q3 2021 Earnings Call

CORPORATE PARTICIPANTS

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to Shoe Carnival's Third Quarter 2021 Earnings Conference Call. Today's conference is being recorded. It is also being broadcast via the webcast. Any reproduction or rebroadcast of this portion of the call is expressly prohibited.

Management's remarks may contain forward-looking statements that involve a number of risk factors. These risk factors could cause the company's actual results to differ materially from those projected in such statements. Forward-looking statements should also be considered in conjunction with the discussion of risk factors included in the company's SEC filings and today's earnings press release.

Investors are cautioned not to place undue reliance on those forward-looking statements which speak only as of today's date. The company disclaims any obligation to update any of the risk factors or to publicly announce any revisions to the forward-looking statement discussed on today's conference call or contained in today's press release to reflect future events or developments.

I will now turn the conference over to Mr. Mark Worden, President and CEO of Shoe Carnival for opening comments. Mr. Worden, you may now begin.

Mark J. Worden

President, Chief Executive Officer & Director, Shoe Carnival, Inc.

It's an honor and a pleasure to welcome you to Shoe Carnival's third quarter earnings conference call, my first as President and CEO of this great company. Those who know me from my prior role as President and Chief Customer Officer or previously as Chief Strategy Officer and Chief Marketing Officer know how passionate I am about our brand. I'm so excited to lead during this pivotal point in our company's trajectory.

As today, we report the best quarter of our best year in our entire 43-year history. And when I say best, I mean, best is measured by every relevant metric. We created more shareholder value during this quarter than in any prior full-year. EPS and operating income are both up over 3x versus any prior Q3 result. Our dividend is up 58%. We split the stock in the last quarter. And as I sit here today, sales are up over \$300 million year-to-date or over 41% growth.

I'm thrilled to be leading our talented, resilient, dedicated team into a new growth phase, defined and driven by traits that made us an industry leader over the past four decades. We consistently offer the best product, customer experience and value in-store and online.

If I had to pick a headline to tell the last quarter's story, it would be this, back to billion-dollar brand. The pandemic briefly took that distinction away from us, and now we've got it back. How did we do it? First, customers resoundingly returned to shopping in-person. Importantly, our accelerating growth is multi-channel. We're hitting all-time highs with bricks and clicks. Some volume is describable to pent-up demand as kids got back to school and team sports and others came in to pick up a new pair of dress shoes for that first in-person fall dance.

But we also delivered strong growth in other lifestyle categories, including athleisure. So it's also about having the right range of products available at the right time. A second core message you're hearing me hit hard up front, we are back in growth mode again. We're wrapping up a protracted period of net store closings and with the productivity moving in the right direction, we're moving back to our net store openings as we enter 2022. We're seeing families flocking to our bright, clean, fresh modern stores and liking what they find there.

Our customers are more excited than ever about getting out of their homes and into our stores. And with that in mind, we're accelerating investment in building the best-in-class loyalty and CRM platforms. We have reached an inflection point at our company. We've entered a new era of growth and expansion as we fulfill our long-term strategic ambition to become a multi-billion dollar retailer in the years ahead.

I'm joined on today's call by two seasoned industry leaders, Chief Merchandising Officer, Carl Scibetta; and Chief Financial and Administrative Officer, Kerry Jackson, whose combined 42 years of service at Shoe Carnival are a testament to the stability and continuity of our leadership team.

Before moving on, I'd like to stress the incredible contributions of the thousands of Shoe Carnival team members who collectively contributed to our success of the past year and the past quarter. It's no exaggeration to say that we could not have reported such remarkable results if not for the dedication, motivation and inspiration of the best merchants, marketers and operators in our industry, bar none.

On this call, I'll provide you with some perspective on the quarter and our strategic priorities. Carl will weigh in with his thoughts on some key industry trends and our longer term outlook. Kerry will share insights from his deeper dive into our Q3 financial performance in greater detail. Finally, we'll be opening this call up to questions.

I'd like to thank all of you on this call for joining us today and for your interest in Shoe Carnival. And to our millions of customers, thank you for the trust you place in us and your ongoing loyalty to our brand.

I'll start out with a few high level proof points to back up my earlier statement, which is that this was by every measure our best quarter of our best year in our 43-year history. We took home our highest quarterly earnings ever, achieved the highest sales of any quarter, more than tripled operating income versus any prior Q3. Store traffic is up over 40% year-to-date with strong growth across every region we operate from Chicago down to

Texas. Our profit margins are highest ever with all of our comparable stores generating positive cash flow year-to-date and going into 2022, all stores across the fleet are forecast to have positive cash flow on a comp basis.

Importantly, from the point of view of our customers, we're executing rapidly on our store modernization plan to update two-thirds of our fleet in three to five years. Based on overwhelmingly positive customer response to our modernized stores, today, I'm announcing an acceleration of our strategic plans and are now proceeding to modernize 90% of the fleet by 2025.

Now let me respond to two obvious follow-up questions. First, how did we do it? And second, can we keep it up? We did it by executing flawlessly on and investing aggressively in our best-in-class brand building, loyalty and customer relationship management platforms. Since the onset of the pandemic, we've engaged with many millions of new customers and expanded our active buyers count to new heights. At the end of Q3, we surpassed 28 million Shoe Perks loyalty members, growing nearly 3 million loyal customers versus the prior year.

I think one of the best ways to highlight the success of Q3 is by the increase in our gross profit margin, up 840 basis points for Q3 to 40.4% compared to 32.0% in the prior year. One of the most important ways we got there was by delivering on our stated intention to eliminate BOGO 1/2 off promotions for the year. That buy one get one half price promotional tactic has been exposed as an approach that committed us and many of our competitors to selling our best shoes at the lowest price point. We are no longer reliant on that profit dilutive promotional approach.

Turning now to our e-commerce results, ours is emphatically an omni-channel story. We're all about getting our digital clicks to complement our bricks business. Over the past year and past quarter, we transformed our e-commerce business from a sales and profit perspective. Today, we're at about \$150 million in sales for the first three quarters, which is roughly twice all of our e-commerce revenues for all of 2019.

I refer 2019 because while year-to-date revenues are down from 2020, the comparison isn't very useful because our stores were closed for a significant part of the first half of that year. This past quarter was, as you'll be hearing from us in different context, the most normalized since the onset of the pandemic in the first quarter of 2020.

Margins in our e-commerce business are up significantly and Q3 sales returned to low double-digit growth compared to last year. We expect that growth trend to continue and forecast low double-digit e-commerce growth continuing annually for many years ahead.

Now, let me provide you with an update on our progress, executing on our strategic plans, investments and innovations. We've been putting every one of those best-in-class programs and initiatives through their paces with just one goal in mind. We want our customers to once again feel the joy and fulfillment of real-time, in-person shopping through an in-store experience that it's unique in our category. And just as importantly, we want our customers to have a comparably compelling experience when engaging our brands online.

The best news coming out of the quarter is that we are continuing to pull in customers by the millions into our stores who had not recently or ever seen or experienced the excitement of the modern Shoe Carnival. We see the future of retail as being about having a real-world experience, walking our clean, bright stores, seeing the compelling visuals that are constantly updated, and discovering new brands through our steady stream of exciting pop-ups.

Let me share with you some of the best outcomes of the past year and the past quarter, which can't be conveyed by the numbers alone. Since the pandemic shines a spotlight on persistent inequities in our society and

communities, at Shoe Carnival, we have resoundingly taken that challenge [ph] as inspire (00:10:43) all of us on our team to do even more. We're proud of the commitment to community engagement represented by our recent new Business Partner of the Year award from St. Jude Children's Hospital. Through the round-up at the register program, we facilitated our customers' donations of over \$1.1 million to our charitable partners year-to-date. And we have had promising partnerships with, among a wide range of organizations, the Boys & Girls Clubs. All these philanthropic initiatives taken together are the positive outcome of a long-term strategy to significantly increase our involvement in and positively impact local communities and families across our geographic footprint.

We've made significant progress in other areas, including advancing the diversity of our board with the welcome addition of Diane Randolph, the former CIO of Ulta Beauty. This brings the gender diversity up to our near-term target of 40% of independent directors, a significant improvement over 16% in 2018. Importantly, Diane will be a tremendous resource as we continue on our journey to lead the retail footwear industry on technology, innovation and customer experience.

Before turning the call over to Carl and Kerry, I'd like to take a few moments to share two of my long-term ambitions for Shoe Carnival at the close of my first quarter as CEO. First, I aim to grow the Shoe Carnival Corporation into a multi-billion dollar retailer within the years ahead. Second, I see the Shoe Carnival Corporation as the preferred family footwear destination among value customers across America. I'm confident that with our long-term strategic plans and outstanding team, the future is very bright for Shoe Carnival. Thank you all, again.

Now, I'll turn it over to Carl Scibetta, Chief Merchandising Officer for an update on our product performance and inventory position.

Carl N. Scibetta

Chief Merchandising Officer & Senior Executive Vice President, Shoe Carnival, Inc.

Thanks very much, Mark. As Mark says, we are delighted to report the strongest ever quarter, I will now provide an update on four key factors driving our outstanding performance. First, we are leading the way with loyalty and brand building. Through our ongoing investment in CRM, we are able to understand our customer better than ever before and continue to execute on our focused promotional strategy by using data intelligence to drive customer's in-store and online with more personalized recommendations. This strategy has served us well since implementing it just over a year ago driving record sales and gross margins.

CRM is a vital part of our innovative marketing plan and has allowed us to facilitate personalized communication for our customers. Further, it provides us with valuable customer insights. These investments have been a catalyst for outstanding results and market share gains over the past several quarters with today the strongest evidence yet that our strategy is working.

Second, our unparalleled vendor relationships. Supply chain challenges continue to impact our industry and many others. We are the partner of choice for vendors navigating supply chain relativity and are the first port of call when product comes in. Why? Well, some of our competitors were dialing back purchases and keeping inventories low because they were worried they get stuck with a surplus of goods, we did the opposite.

We planned for growth in 2021 from a merchandising perspective. We planned for the best back to school season ever and we got it. We were prepared and positioned to meet pent-up demand and we did it. We got the right product at the right time due to strong vendor community relationships.

Our vendors knew we had our heart in the business and they [ph] allotted (00:14:43) to us accordingly. Because we have the right products at the right time when our competitors didn't, we crushed back to school with comps up

over 30% to the prior period. August was incredibly strong month and we sustained those highest ever volumes through October. Our story is about working with vendors to overcome supply challenges.

In this environment, vendors are picking and choosing more carefully than ever, and we are proud to be at the top of their list. We have firmly embedded relationships with our vendor partners both existing and new vendors continue to think of us first.

Third, we are winning merchandise categories and assortments. As Mark mentioned, our customers returned to our stores [indiscernible] and drove (00:15:26) and we have what they want. Comp sales versus Q3 2020 were up 30.1% and up 31.4% versus 2019. As Mark mentioned, this past quarter was the most normalized since the onset of the pandemic in 2020.

As a benchmark, merchandise margins in our e-commerce business are up over 500 basis points compared to the comparable prior year period. I'd like to highlight our best-in-class merchandise team as the unsung heroes of the quarter, not only anticipating trends but navigating supply shots to deliver the right assortment for back to school and whole family.

Drilling down the back to school performance, we said at Q2 we planned for an active back to school season and we got it because we have the right products at the right time. That resulted in our converting the most customers in the past quarter than ever before.

We feel Q3 was the most normalized quarter we have seen since the pandemic began, and e-commerce now has normalized with double-digit growth. E-commerce continues to play a significant role with consumers balancing wanting to get back on the main street with continuing to work from home as they juggle their work life balance.

Overall, e-commerce traffic continued to grow in the third quarter remains a key driver for new customer acquisition and an important part of the omni-channel approach. Ours is truly an omni-channel story as we provide a highly complementary bricks and clicks offering that provides customers with the breadth of assortment and quality of service they've come to expect from us. Let me touch on that a little more.

Fourth is our differentiated store environment and customer service. Mark alluded to this earlier, but we see a modern Shoe Carnival as well-positioned to succeed in the post-COVID era. We want our customers to feel joy and fulfillment of in-person shopping in our stores. Our stores have an open, modern, clean look and they feel safe. These environments are motivating more customers to step through the door and browse. Our larger in-store footprint facilitates both the pleasant browsing experience and provides the opportunity for socially distanced environment to ensure health and safety. Our digital displays and brand shops connect customers to trends and promotions they seek with real-time updates. Above all, our people are friendly, knowledgeable and always put the customer first. In fact, our customer focus is a core value and a key difference maker in the category.

As we turn to results, category comparable store sales were all up double digits with overall merchandise margins for the quarter up 670 basis points versus 2020 and 830 basis points versus 2019. Kids comparable store sales versus 2020 were up in the mid-40s. Both athletics and non-athletics sales were up over 40% versus last year. Men's non-athletic comparable store sales were up in the high-20s. Sales were driven by men's canvas, sandals and all boot categories. Women's non-athletic comparable store sales were up in the mid-30s.

As we reported during our second quarter call, men's, women's and children's dress footwear has made a huge comeback with women's dress leading the way with the third quarter comparable sales gain up over 100% versus

2020. Sales in women's sport and sandals were also strong and the boots season is starting off well. Adult athletic comparable store sales were up over 20% versus 2020. Both men's and women's areas performed well with basketball, skate and running all turning in strong results.

As we laid out at the start of the call, supply chain challenges continue to impact our industry and many others. As we mentioned, there's no way to minimize the supply chain challenges. But what differentiates us from the competition is that these challenges presented us with a competitive opportunity, which we successfully captured. Although delays continued through the quarter, our team of seasoned merchants continued their aggressive approach to sales and inventory as they have shown throughout the entire year.

Through their hard work and excellent vendor partnerships, the team was able to deliver the products needed to fuel these outstanding results. We feel we are well-positioned with inventory to succeed in the fourth quarter and are confident we will head into fiscal 2022 with a strong inventory position to deliver continued success. We expect fiscal 2022 beginning inventory to be up in the high teens versus 2021 and middle single digits versus 2020. This increase will be mostly driven by increases in our athletic and men's inventories.

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

W. Kerry Jackson

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

Thank you, Carl. It's fun for me as the CFO to talk to results this good. So here we go.

We achieved a third consecutive quarter of record-breaking net sales of \$356.3 million for the fiscal 2021 third quarter, an increase of \$81.7 million or 29.8% compared to the third quarter of fiscal 2020. Comparable store sales increased 30.1% for the third quarter of 2021 compared to the prior year. Our brick and mortar comparable store sales were up 32.8% and e-commerce was up 12.5% in the third quarter of 2021 compared to the third quarter of 2020. Third quarter 2021 gross profit margin was 40.4%, a new record-high for Shoe Carnival and up more than 840 basis points compared to the third quarter of 2020, driven primarily by continued strength in our merchandise margins in the quarter.

Buying, distribution and occupancy expenses decreased to 170 basis points as a percentage of sales when we compare it to the third quarter of 2020 despite higher supply chain expense. These results clearly underscore the successful execution of our merchandise strategy highlighted by Mark and Carl earlier in the call.

SG&A expenses increased by \$14.0 million in the third quarter of fiscal 2021 to \$81.6 million. As a percentage of net sales, these expenses decreased to 22.9% compared to 24.7% in the third quarter of fiscal 2020. The increase in SG&A was driven primarily by increased advertising spend, as well as by higher employee compensation expense as a result of our continued record performance. However, the 180 basis point decrease in SG&A as a percentage of sales was a reflection of the outstanding sales growth we achieved during the quarter.

Operating income was \$62.4 million or 17.5% of third quarter 2021 sales, which is another record for the company. In the third quarter last year, operating income was \$20.2 million or 7.3% of sales. The effective income tax rate for the third quarter of fiscal 2021 was 24.8% compared to 26.8% in Q3 last year. Net income for the third quarter of 2021 was an all-time quarterly record of \$46.8 million compared to net income of \$14.7 million during the same period last year. Earnings per diluted share for the third quarter 2021 increased by \$1.13 to a record \$1.64 per diluted share.

We ended the quarter with inventory of \$282.0 million which is up \$7.8 million compared to the prior year or 4.5% on a per store basis. As was mentioned earlier, we feel that we're well-positioned with inventory to succeed in the fourth quarter and are confident heading into fiscal 2022 with a strong inventory position to deliver continued success. Our balance sheet remains strong and we have ample liquidity invested in the opening of new stores and modernization of existing ones.

As of October 30, 2021, we had no outstanding debt and total cash, cash equivalents and marketable securities of \$191.2 million. As a reminder, during the second quarter, our board of directors authorized a two-for-one stock split of the shares of our company's common stock. Upon completion of the stock split, our outstanding shares increased from approximately 14.1 million shares to approximately 28.2 million shares.

As we invest for future growth, we are following through on our commitment to shareholder return. During this quarter, we repurchased 91,594 shares of common stock at a total cost of \$3.2 million. In the first nine months of fiscal 2021, we made a total purchase of 208,662 shares and we have \$42.9 million available for future repurchases under our share repurchase program. We will continue to evaluate the repurchase of shares under the repurchase program during the remainder of fiscal 2021.

Turning to our outlook, given our fourth quarter results to-date and our expected continued strength for the remainder of the quarter, we are raising our full-year 2021 guidance again. And now expected diluted earnings per share in the range of \$5 to \$5.10 and net sales in the range of \$1.285 billion to \$1.290 billion from a previously expected diluted net income per share in the range of \$4.35 to \$4.50, and net sales in the range of \$1.21 billion to \$1.23 billion.

Implicit in the upper range of our annual guidance is an expectation of record fourth quarter results with net sales of \$273 million and diluted income per share of \$0.41. Our previous highest fourth quarter was last year, with net sales of \$254 million and diluted net income per share of \$0.26.

In closing, these were the best results in our over 40-year history. With fast-growing sales, improving profitability and robust cash flow, we are better positioned financially than ever to execute our store expansion and modernization plan and to generate long-term stakeholder value. This concludes our financial review.

Now I'd like to open up the call for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Sam Poser with Williams Trading. Your line is open.

Sam Poser

Analyst, Williams Trading LLC

Good morning, guys. Thank you for taking my questions. I've got a handful here. Carl, you cut off at the end of your discussion there when you were talking about 2022. I just wondered if you could just repeat what you've said there because it totally went dark at least on my phone for a bit there.

Carl N. Scibetta

Chief Merchandising Officer & Senior Executive Vice President, Shoe Carnival, Inc.

Sure, Sam. What I said was that, we expect 2022 beginning inventories. We are up high teens versus 2021 in mid-singles versus 2020. And that the increase is mostly driven by increases in our athletic and men's inventories.

Sam Poser

Analyst, Williams Trading LLC

Thanks. Thank you. You talked about net store openings in 2022. Can you give us some idea of what you're thinking there since you've opened that can up a little bit about how we should think about that?

Mark J. Worden

President, Chief Executive Officer & Director, Shoe Carnival, Inc.

Good morning, Sam. We're thrilled that as we enter 2022, all comp stores in the fleet will be cash flow positive. Our store productivity measures have exceeded our expectations. And with that, we're announcing today a return to net new store growth during 2022. We're not ready to give a full number but we're confident that in 2022 it'll start to ramp up during the year and we're aiming to be back into a double-digit net store growth mode by the time we get to 2023.

Sam Poser

Analyst, Williams Trading LLC

So, on a net basis, when you say double-digit, you mean 10 stores or more or double digits as a percent?

Mark J. Worden

President, Chief Executive Officer & Director, Shoe Carnival, Inc.

Ten stores or more is our aim as we get to 2023. We'll be ramping up towards that as we proceed through 2022. And as more goods sites open up, we'll be pursuing growth as fast as we can close deals.

Sam Poser

Analyst, Williams Trading LLC

Okay. Thank you. And then Kerry, on the last call, you talked – could you talk about how we should think or it looks like you're going to hit around the 15% operating margin this year. How should we think about operating margin going forward outside of this year because there was a little bit of – I don't know how to put it on the last earnings call regarding something that you alluded to. Thank you.

W. Kerry Jackson

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

A

Well, Sam like we've said before, we're – we have changed the profitability perspective of the company. We're operating at a much higher level with higher sales productivity of our stores and higher margins. Well, we're not going to go back to our 2019 levels. We're not in position yet really to talk about where we expect to be for next year. What we are focused on is continuing to deliver for this year with record sales for a fourth quarter and record earnings for the fourth quarter, leading it to the highest sales and earnings in the company's history for this year.

Sam Poser

Analyst, Williams Trading LLC

Q

All right. Well, then one more follow-up for you, Kerry. On the fourth quarter you've been putting up gross margins in the 40% range all year. How should we think about the gross margin in Q4 relative to the whole year? And you've been beating last year and the year before handily year-to-date as well.

W. Kerry Jackson

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

A

Well, we expect to continue to see gross profit margin improvement in Q4. It's not our most productive quarter, but we will see growth in there.

Sam Poser

Analyst, Williams Trading LLC

Q

I understand that, but I mean, are we looking at 36%? Are we looking at 32%? Give us some ballpark here that's sort of baked into how you're thinking about your guidance right now.

W. Kerry Jackson

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

A

We expect to see a significant growth in our margins in the fourth quarter as we have seen throughout the year, is in expect to be at the same run rate as we've seen in the first three quarters, but it's impressive growth on a year-over-year basis.

Sam Poser

Analyst, Williams Trading LLC

Q

All right. I'll let the next person go. Thanks very much, and continued success.

W. Kerry Jackson

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

A

Thank you, Sam.

Operator: Thank you. [Operator Instructions] Your next question comes from the line of Jim Chartier with Monness, Crespi and Hardt. Your line is open.

James Andrew Chartier

Analyst, Monness, Crespi, Hardt & Co., Inc.

Q

Good morning. Thanks for taking my questions. So first, it looks like, I believe, last quarter you said comp sales were up 23% for the first three weeks of August relative to 2019. And then for the full quarter, you guys did 31%

versus 2019. So your sales accelerated, curious what drove that? And then, any commentary on how fourth quarter has started out to-date? Thanks.

Mark J. Worden

President, Chief Executive Officer & Director, Shoe Carnival, Inc.

Good morning, Jim. Our customers are resoundingly returning into our stores and our store traffic trend continues to be exceptional as we go into Q4. With that, the product that we have on hand and our strong staffing levels, we are confident Q4 will close at the best Q4 sales and the highest earnings we've ever delivered. And we couldn't be more excited with the return of live shopping into our fleet across our geographic footprint.

James Andrew Chartier

Analyst, Monness, Crespi, Hardt & Co., Inc.

So would you attribute the acceleration to just people being more comfortable returning to stores or were there some categories that that may be accelerated over the course of the quarter for you?

Mark J. Worden

President, Chief Executive Officer & Director, Shoe Carnival, Inc.

I'd say the key driver for us has been our accelerated investments in our CRM and engagement with new customers. We're bringing in by droves new people to the Shoe Carnival modern experience whether it's their first time seeing that or they're retrying us after many years, and they're loving what they're seeing with the quarters delivering more customers converted than during any period prior.

So I think, first and foremost, is what we're doing. Second compared to last year, we're seeing consumers more confident to get out there to in-person shopping in our open strip centers and really having that experience of walking those bright, safe, modern shopping environments we provide them.

James Andrew Chartier

Analyst, Monness, Crespi, Hardt & Co., Inc.

Great. And then you talked about the new customer acquisition. Any way to kind of quantify for us, how much of your growth maybe year-to-date versus 2019 has been driven by new customers versus existing customers?

Mark J. Worden

President, Chief Executive Officer & Director, Shoe Carnival, Inc.

I think the best point I could point to is our Shoe Perks loyalty membership. And that has surged to an all-time record exceeding 28 million this year. And if you look at that on a year-over-year basis, we grew that by just about 3 million new customers into that group. We think new customer acquisition has been a key catalyst for our record year. And the big opportunity for us now is now that we can engage with them converting those into multi-purchase loyal consumers. It's a big opportunity for us in 2022 in the years ahead.

James Andrew Chartier

Analyst, Monness, Crespi, Hardt & Co., Inc.

Great. And then you talked about a multi-billion dollar brand. You have to get to \$2 billion, that's over 50% growth from where you're guiding this year. Any sense of what kind of timeframe you're looking to get there?

Mark J. Worden

President, Chief Executive Officer & Director, Shoe Carnival, Inc.

We're signaling, our ambition is to move into an aggressive decade of growth ahead, both in our current footprint as well as looking beyond that. We don't have a timeframe on the exact number of years but we want to be clear to say we're back in growth and as we sit here today, dwelling over \$300 million in sales with the profits in our guidance north of \$5, we want to signal to the group that we are looking aggressively to expand and become a multi-billion dollar retailer in the years ahead. More to come on that also in the quarters ahead, but for now, we want to signal we're an aggressive growth mode again.

James Andrew Chartier

Analyst, Monness, Crespi, Hardt & Co., Inc.

Great. And would you consider acquisitions within that potential to get the multi-billion dollar brand?

Mark J. Worden

President, Chief Executive Officer & Director, Shoe Carnival, Inc.

We're looking at the best way we can gain market share leadership in the markets we're in, whether that's organic growth or opportunities provide themselves through M&A activity. We're going to contemplate the best way for us to get to that multi-billion dollar leader of the family footwear with a value consumer.

James Andrew Chartier

Analyst, Monness, Crespi, Hardt & Co., Inc.

Very good. And just the last question, [indiscernible] (00:36:50) what you believe kind of the store opportunity is for Shoe Carnival over time? Thanks.

Mark J. Worden

President, Chief Executive Officer & Director, Shoe Carnival, Inc.

Sure. Well, near-term, as I said to Sam earlier, we're going to get back into net store growth now that the entire fleet is forecast to be cash flow positive. For 2022, we'll get the net store growth. We will ramp that up rapidly into double-digit gains as we get into 2023 and considerations beyond not putting a long-term target for store count out there today but we are intending to significantly expand our store count in the years ahead.

James Andrew Chartier

Analyst, Monness, Crespi, Hardt & Co., Inc.

Great. Thank you.

Operator: [Operator Instructions] There are no further questions at this time. I will now turn the call back over to Mr. Mark Worden, Chief Executive Officer.

Mark J. Worden

President, Chief Executive Officer & Director, Shoe Carnival, Inc.

I'd like to thank you, all, for, again, your interest in Shoe Carnival and joining us today, and we wish you all very happy holiday season ahead. Look forward to talking to you again soon.

Operator: Ladies and gentlemen, thank you for your participation. This concludes today's conference call. You may now disconnect.

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