

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 October 30, 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 November 24, 2021 was 28,165,273.

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)	October 30, 2021	January 30, 2021	October 31, 2020
Assets			
Current Assets:			
Cash and cash equivalents	\$ 173,364	\$ 106,532	\$ 46,740
Marketable securities	17,834	0	0
Accounts receivable	10,018	7,096	8,435
Merchandise inventories	282,014	233,266	274,264
Other	12,435	8,411	10,727
Total Current Assets	495,665	355,305	340,166
Property and equipment – net	71,963	62,325	63,434
Deferred income taxes	3,153	5,635	6,283
Other noncurrent assets	14,218	13,843	11,802
Operating lease right-of-use assets	201,510	205,639	201,658
Total Assets	\$ 786,509	\$ 642,747	\$ 623,343
Liabilities and Shareholders' Equity			
Current Liabilities:			
Accounts payable	\$ 65,589	\$ 57,717	\$ 50,897
Accrued and other liabilities	48,536	24,390	25,346
Current portion of operating lease liabilities	47,712	48,794	48,984
Total Current Liabilities	161,837	130,901	125,227
Long-term portion of operating lease liabilities	177,354	182,622	179,335
Deferred compensation	11,941	16,008	14,600
Other	2,831	3,040	964
Total Liabilities	353,963	332,571	320,126
Shareholders' Equity:			
Common stock, \$0.01 par value, 50,000,000 shares authorized and 41,049,190 shares issued in each period, respectively	410	410	410
Additional paid-in capital	79,295	78,737	77,963
Retained earnings	534,902	406,655	400,505
Treasury stock, at cost, 12,883,917 shares, 12,839,472 shares and 12,842,062 shares, respectively	(182,061)	(175,626)	(175,661)
Total Shareholders' Equity	432,546	310,176	303,217
Total Liabilities and Shareholders' Equity	\$ 786,509	\$ 642,747	\$ 623,343

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 October 30, 2021	Thirteen Weeks Ended October 31, 2020	Thirty-nine Weeks Ended October 30, 2021	Thirty-nine Weeks Ended October 31, 2020
Net sales	\$ 356,336	\$ 274,579	\$ 1,017,023	\$ 722,868
Cost of sales (including buying, distribution and occupancy costs)	212,280	186,818	607,057	521,038
Gross profit	144,056	87,761	409,966	201,830
Selling, general and administrative expenses	81,632	67,598	230,225	190,530
Operating income	62,424	20,163	179,741	11,300
Interest income	(8)	(2)	(14)	(95)
Interest expense	120	119	358	293
Income before income taxes	62,312	20,046	179,397	11,102
Income tax expense	15,476	5,368	45,107	2,554
Net income	\$ 46,836	\$ 14,678	\$ 134,290	\$ 8,548
Net income per share:				
Basic	\$ 1.66	\$ 0.52	\$ 4.75	\$ 0.30
Diluted	\$ 1.64	\$ 0.51	\$ 4.69	\$ 0.30
Weighted average shares:				
Basic	28,192	28,180	28,257	28,113
Diluted	28,547	28,533	28,607	28,450

See notes to Condensed Consolidated Financial Statements.

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

	Thirteen Weeks Ended						
	Issued	Common Stock Treasury	Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
(In thousands, except per share data)							
Balance at July 31, 2021	41,049	(12,811)	\$ 410	\$ 78,330	\$ 490,069	\$ (178,897)	\$ 389,912
Dividends declared (\$0.070 per share)					(2,003)		(2,003)
Employee stock purchase plan purchases		1		14		16	30
Stock-based compensation awards		30		(410)		410	0
Shares surrendered by employees to pay taxes on stock-based compensation awards		(12)				(414)	(414)
Purchase of common stock for treasury		(92)				(3,176)	(3,176)
Stock-based compensation expense				1,361			1,361
Net income					46,836		46,836
Balance at October 30, 2021	<u>41,049</u>	<u>(12,884)</u>	<u>\$ 410</u>	<u>\$ 79,295</u>	<u>\$ 534,902</u>	<u>\$ (182,061)</u>	<u>\$ 432,546</u>
Balance at August 1, 2020	41,049	(12,847)	\$ 410	\$ 77,183	\$ 387,119	\$ (175,725)	\$ 288,987
Dividends declared (\$0.045 per share)					(1,292)		(1,292)
Employee stock purchase plan purchases		4		1		46	47
Stock-based compensation awards		1		(27)		27	0
Shares surrendered by employees to pay taxes on stock-based compensation awards						(9)	(9)
Stock-based compensation expense				806			806
Net income					14,678		14,678
Balance at October 31, 2020	<u>41,049</u>	<u>(12,842)</u>	<u>\$ 410</u>	<u>\$ 77,963</u>	<u>\$ 400,505</u>	<u>\$ (175,661)</u>	<u>\$ 303,217</u>

	Thirty-nine Weeks Ended						
	Issued	Common Stock Treasury	Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
(In thousands, except per share data)							
Balance at January 30, 2021	41,049	(12,839)	\$ 410	\$ 78,737	\$ 406,655	\$ (175,626)	\$ 310,176
Dividends declared (\$0.210 per share)					(6,043)		(6,043)
Employee stock purchase plan purchases		4		60		62	122
Stock-based compensation awards		248		(3,400)		3,400	0
Shares surrendered by employees to pay taxes on stock-based compensation awards		(88)				(2,750)	(2,750)
Purchase of common stock for treasury		(209)				(7,147)	(7,147)
Stock-based compensation expense				3,898			3,898
Net income					134,290		134,290
Balance at October 30, 2021	<u>41,049</u>	<u>(12,884)</u>	<u>\$ 410</u>	<u>\$ 79,295</u>	<u>\$ 534,902</u>	<u>\$ (182,061)</u>	<u>\$ 432,546</u>
Balance at February 1, 2020	41,049	(13,034)	\$ 410	\$ 79,773	\$ 395,761	\$ (178,581)	\$ 297,363
Dividends declared (\$0.133 per share)					(3,804)		(3,804)
Employee stock purchase plan purchases		14		(37)		189	152
Stock-based compensation awards		322		(4,467)		4,467	0
Shares surrendered by employees to pay taxes on stock-based compensation awards		(144)				(1,736)	(1,736)
Stock-based compensation expense				2,694			2,694
Net income					8,548		8,548
Balance at October 31, 2020	<u>41,049</u>	<u>(12,842)</u>	<u>\$ 410</u>	<u>\$ 77,963</u>	<u>\$ 400,505</u>	<u>\$ (175,661)</u>	<u>\$ 303,217</u>

See notes to Condensed Consolidated Financial Statements.

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

(In thousands)	Thirty-nine Weeks Ended October 30, 2021	Thirty-nine Weeks Ended October 31, 2020
Cash Flows From Operating Activities		
Net income	\$ 134,290	\$ 8,548
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,687	12,034
Stock-based compensation	4,118	2,881
Loss on retirement and impairment of assets	1,120	2,427
Deferred income taxes	2,482	1,550
Non-cash operating lease expense	31,797	31,087
Other	1,950	494
Changes in operating assets and liabilities:		
Accounts receivable	(2,922)	(5,711)
Merchandise inventories	(48,748)	(14,769)
Operating leases	(34,018)	(26,673)
Accounts payable and accrued liabilities	19,872	(2,544)
Other	(3,150)	(9,154)
Net cash provided by operating activities	120,478	170
Cash Flows From Investing Activities		
Purchases of property and equipment	(20,350)	(10,083)
Investments in marketable securities and other	(17,496)	0
Other	0	194
Net cash used in investing activities	(37,846)	(9,889)
Cash Flows From Financing Activities		
Borrowings under line of credit	0	24,903
Payments on line of credit	0	(24,903)
Proceeds from issuance of stock	122	152
Dividends paid	(6,025)	(3,856)
Purchase of common stock for treasury	(7,147)	0
Shares surrendered by employees to pay taxes on stock-based compensation awards	(2,750)	(1,736)
Net cash used in financing activities	(15,800)	(5,440)
Net increase (decrease) in cash and cash equivalents	66,832	(15,159)
Cash and cash equivalents at beginning of period	106,532	61,899
Cash and cash equivalents at end of period	\$ 173,364	\$ 46,740
Supplemental disclosures of cash flow information:		
Cash paid during period for interest	\$ 359	\$ 276
Cash paid during period for income taxes	\$ 33,542	\$ 1,812
Capital expenditures incurred but not yet paid	\$ 2,602	\$ 808
Dividends declared but not yet paid	\$ 151	\$ 113

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 and accessories 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.

On June 21, 2021, our Board of Directors authorized a two-for-one stock split of the shares of our common stock. The stock split entitled each shareholder of record at the close of business on July 6, 2021 to receive one additional share of common stock for each share of common stock owned as of that date and was paid on July 19, 2021. Upon the completion of the stock split, our outstanding shares increased from approximately 14.1 million shares to approximately 28.2 million shares. In accordance with the provisions of our 2017 Equity Incentive Plan (the "2017 Plan") and our Employee Stock Purchase Plan, and as determined by the Compensation Committee of our Board of Directors, the following, among other items, were adjusted to equitably reflect the effect of the two-for-one stock split:

- The number of shares reserved and available for issuance;
- The number of shares subject to outstanding equity awards under our stock-based compensation programs;
- The exercise prices and maximum gain of our outstanding stock appreciation rights; and
- The annual diluted net income per share targets associated with our outstanding performance stock units granted under the 2017 Plan.

All share and per share amounts in this quarterly report on Form 10-Q give effect to the stock split and have been adjusted retroactively for all periods presented.

Note 2 - Net Income Per Share

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

	Thirteen Weeks Ended					
	October 30, 2021			October 31, 2020		
	(In thousands, except per share data)					
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic Net Income per Share:						
Net income available for basic common shares and basic net income per share	\$ 46,836	28,192	\$ 1.66	\$ 14,678	28,180	\$ 0.52
Diluted Net Income per Share:						
Net income	\$ 46,836			\$ 14,678		
Conversion of stock-based compensation arrangements	0	355		0	353	
Net income available for diluted common shares and diluted net income per share	\$ 46,836	28,547	\$ 1.64	\$ 14,678	28,533	\$ 0.51

	Thirty-nine Weeks Ended					
	October 30, 2021			October 31, 2020		
	(In thousands, except per share data)					
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic Net Income per Share:						
Net income available for basic common shares and basic net income per share	\$ 134,290	28,257	\$ 4.75	\$ 8,548	28,113	\$ 0.30
Diluted Net Income per Share:						
Net income	\$ 134,290			\$ 8,548		
Conversion of stock-based compensation arrangements	0	350		0	337	
Net income available for diluted common shares and diluted net income per share	\$ 134,290	28,607	\$ 4.69	\$ 8,548	28,450	\$ 0.30

The computation of basic net income 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 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 stock-based 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. No unvested stock-based awards that will be settled in shares were excluded from the computation of diluted net income per share for the thirteen and thirty-nine weeks ended October 30, 2021. During the thirteen and thirty-nine weeks ended October 31, 2020, unvested stock-based awards that will be settled in shares excluded from the computation were approximately 2,000 and 3,000, respectively, 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.

We did not have any stores closed as of October 30, 2021 or for extended periods during the first nine months of fiscal 2021 due to the pandemic. 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 October 30, 2021, January 30, 2021 and October 31, 2020.

(In thousands)	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
As of October 30, 2021				
Cash equivalents - money market mutual funds	\$ 165,072	\$ 0	\$ 0	\$ 165,072
Marketable securities - mutual funds that fund deferred compensation	17,834	0	0	17,834
Total	\$ 182,906	\$ 0	\$ 0	\$ 182,906
As of January 30, 2021				
Cash equivalents - money market mutual funds	\$ 97,519	\$ 0	\$ 0	\$ 97,519
As of October 31, 2020				
Cash equivalents - money market mutual funds	\$ 48,883	\$ 0	\$ 0	\$ 48,883

During the second quarter of fiscal 2021, we invested in publicly traded mutual funds with readily determinable fair values. These marketable securities are designed to mitigate volatility in our Condensed Consolidated Statements of Income associated with our non-qualified deferred compensation plan. As of October 30, 2021, these marketable securities were principally invested in equity-based mutual funds, consistent with the allocation in our deferred compensation plan. As of October 30, 2021, the balance in our deferred compensation plan was \$16.7 million, of which \$4.8 million was in Accrued and other liabilities based on scheduled payments due within the next 12 months and \$11.9 million was in Deferred compensation. To the extent there are funds in excess of the total non-qualified deferred compensation plan liability, such funds are invested in a stable value mutual fund. We classify these marketable securities as current assets because we have the ability to convert the securities into cash at our discretion and these marketable securities are not held in a rabbi trust. For the thirteen and thirty-nine weeks ended October 30, 2021, we recognized unrealized gains of \$390,000 and \$338,000, respectively, related to equity securities still held at October 30, 2021.

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 for impairment 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 and thirty-nine weeks ended October 30, 2021, we recorded impairment charges of \$15,000 and \$983,000 associated with one store and four stores, respectively. During the thirteen and thirty-nine weeks ended October 31, 2020, we recorded impairment charges of \$211,000 and \$2.7 million associated with one store and nine stores, respectively. These charges were included in selling, general and administrative expenses. No impairments of operating right-of-use assets have been recorded in any of these periods.

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. For the thirteen and thirty-nine weeks ended October 30, 2021, stock-based compensation expense for the Employee Stock Purchase Plan was \$5,000 before the income tax benefit of \$1,000 and \$22,000 before the income tax benefit of \$6,000, respectively. For the thirteen and thirty-nine weeks ended October 31, 2020, stock-based compensation expense for the Employee Stock Purchase Plan was \$8,000 before the income tax benefit of \$2,000 and \$27,000 before the income tax benefit of \$6,000, 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
Outstanding at January 30, 2021	513,016	\$ 11.07
Granted	215,972	28.21
Vested	(238,964)	15.50
Forfeited	(34,486)	16.17
Outstanding at October 30, 2021	455,538	\$ 16.48

The total fair value at grant date of restricted stock units and performance stock units that vested during the thirty-nine weeks ended October 30, 2021 and October 31, 2020 was \$3.7 million and \$4.4 million, respectively. The weighted-average grant date fair value of restricted stock units and performance stock units granted during the thirty-nine weeks ended October 30, 2021 and October 31, 2020 was \$28.21 and \$7.44, respectively.

The following table summarizes transactions for our restricted stock and other stock awards:

	Number of Shares	Weighted- Average Grant Date Fair Value
Outstanding at January 30, 2021	0	\$ 0.00
Granted	8,702	32.79
Vested	(802)	33.04
Forfeited or expired	0	0.00
Outstanding at October 30, 2021	7,900	\$ 32.76

The total fair value at grant date of restricted stock and other stock awards that vested during the thirty-nine weeks ended October 30, 2021 and October 31, 2020 was \$26,000 and \$1.3 million, respectively. The weighted-average grant date fair value of restricted stock and other stock awards granted during the thirty-nine weeks ended October 30, 2021 and October 31, 2020 was \$32.79 and \$12.46, respectively.

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 and other stock awards):

(In thousands)	Thirteen Weeks Ended October 30, 2021	Thirteen Weeks Ended October 31, 2020	Thirty-nine Weeks Ended October 30, 2021	Thirty-nine Weeks Ended October 31, 2020
Stock-based compensation expense before the recognized income tax effect	\$ 1,356	\$ 797	\$ 3,876	\$ 2,667
Income tax effect at statutory rate	\$ (337)	\$ (213)	\$ (975)	\$ (613)
Additional income tax (benefit)/expense on vesting of awards	\$ (107)	\$ 3	\$ (992)	\$ 81

As of October 30, 2021 approximately \$4.7 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 1.1 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. The remaining unexercised SARs from the first quarter fiscal 2020 grant were exercised in the second quarter of fiscal 2021. 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 \$5.00 over the exercise price of \$30.94 for awards granted in fiscal 2021.

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	88,400	\$ 7.61	
Granted	93,800	30.94	
Forfeited or expired	(5,800)	30.94	
Exercised	(88,400)	7.61	
Outstanding at October 30, 2021	88,000	\$ 30.94	2.4

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 October 30, 2021 was \$3.02.

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

	October 30, 2021	October 31, 2020
Risk free interest rate yield curve	0.06% - 1.18%	0.08% - 0.38%
Expected dividend yield	0.8%	1.2%
Expected volatility	63.29%	64.09%
Maximum life	2.4 Years	1.9 Years
Exercise multiple	1.03	1.29
Maximum payout	\$ 5.00	\$ 5.00
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 October 30, 2021	Thirteen Weeks Ended October 31, 2020	Thirty-nine Weeks Ended October 30, 2021	Thirty-nine Weeks Ended October 31, 2020
Stock-based compensation expense before the recognized income tax effect	\$ 71	\$ 183	\$ 220	\$ 187
Income tax effect at statutory rate	\$ (18)	\$ (49)	\$ (55)	\$ (43)

As of October 30, 2021, approximately \$111,000 in unrecognized compensation expense remained related to non-vested SARs. This expense is expected to be recognized over a period of approximately 0.4 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 and thirty-nine weeks ended October 30, 2021 and October 31, 2020 were as follows:

(In thousands)	Thirteen Weeks Ended October 30, 2021		Thirteen Weeks Ended October 31, 2020	
Non-Athletics:				
Women's	\$ 73,031	21%	\$ 54,164	20%
Men's	44,226	12	34,676	13
Children's	21,358	6	15,145	5
Total	138,615	39	103,985	38
Athletics:				
Women's	58,941	16	50,935	19
Men's	73,429	21	59,355	22
Children's	64,590	18	43,662	16
Total	196,960	55	153,952	57
Accessories and Other				
	20,761	6	16,642	5
Total	\$ 356,336	100%	\$ 274,579	100%
(In thousands)	Thirty-nine Weeks Ended October 30, 2021		Thirty-nine Weeks Ended October 31, 2020	
Non-Athletics:				
Women's	\$ 231,702	23%	\$ 148,252	21%
Men's	140,186	14	95,710	13
Children's	67,205	7	38,698	5
Total	439,093	44	282,660	39
Athletics:				
Women's	167,184	16	139,808	19
Men's	206,054	20	163,757	23
Children's	147,092	14	95,743	13
Total	520,330	50	399,308	55
Accessories and Other				
	57,600	6	40,900	6
Total	\$ 1,017,023	100%	\$ 722,868	100%

Accounting Policy and Performance Obligations

We operate as an omnichannel, 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 omnichannel 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 October 30, 2021, January 30, 2021 or October 31, 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 October 30, 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 October 31, 2020.

Contract Liabilities

The issuance of a gift card is recorded as an increase to contract liabilities 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 October 30, 2021, January 30, 2021 and October 31, 2020, approximately \$1.4 million, \$1.7 million and \$1.2 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 \$41,000 and \$121,000 was recognized in Net sales during the thirteen and thirty-nine weeks ended October 30, 2021, respectively. Breakage revenue associated with our gift cards of \$27,000 and \$69,000 was recognized in Net sales during the thirteen and thirty-nine weeks ended October 31, 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 omnichannel 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 and thirty-nine weeks ended October 30, 2021, approximately \$1.7 million and \$4.5 million, respectively, of loyalty rewards were recognized in Net sales. During the thirteen and thirty-nine weeks ended October 31, 2020, approximately \$1.3 million and \$3.2 million, respectively, of loyalty rewards were recognized in Net sales. At October 30, 2021, January 30, 2021 and October 31, 2020, approximately \$1.0 million, \$755,000 and \$828,000 of contract liabilities associated with loyalty rewards 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 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 October 30, 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 and thirty-nine weeks ended October 30, 2021 and October 31, 2020:

(In thousands)	Thirteen Weeks Ended October 30, 2021	Thirteen Weeks Ended October 31, 2020	Thirty-nine Weeks Ended October 30, 2021	Thirty-nine Weeks Ended October 31, 2020
Operating lease cost	\$ 13,520	\$ 13,432	\$ 40,272	\$ 40,047
Variable lease cost	713	490	2,413	1,464
CAM, property taxes and insurance	4,746	4,888	14,375	15,023
Total	<u>\$ 18,979</u>	<u>\$ 18,810</u>	<u>\$ 57,060</u>	<u>\$ 56,534</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 our operations, including our stores, supply chain and distribution processes, economic conditions, and financial market volatility; 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; 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 omnichannel sales; the potential impact of national and international security concerns on the retail environment; the effectiveness of our inventory management, including our ability to manage key merchandise vendor relationships and emerging direct-to-consumer initiatives; changes in our relationships with other 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 impact of natural disasters, other public health crises, political crises, civil unrest, and other catastrophic events on our operations and the operations of 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 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, and "Risk Factors" in Part II, Item 1A of our Quarterly Reports on Forms 10-Q for the quarters ended May 1, 2021 and July 31, 2021.

General

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") 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 omnichannel retailer-of-choice for on-trend branded and private label footwear for the entire family. Our product assortment, whether shopping in a physical store or on our e-commerce platform, includes dress and casual shoes, sandals, boots and a wide assortment of athletic shoes. Our average physical 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 at least 100 more Nike shops to our physical stores through 2023. Our e-commerce platform offers customers the same assortment of merchandise in all categories of footwear with expanded options in certain instances.

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, distribution processes, 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. We did not have any stores closed as of October 30, 2021 or for extended periods during the first nine months of fiscal 2021 due to the pandemic.

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%
July 31, 2021	377	1	0	378	12,000	4,112,000	11.4%
October 30, 2021	378	0	1	377	(7,000)	4,105,000	30.1%
Year-to-date	383	1	7	377	(41,000)	4,105,000	41.6%
May 2, 2020	392	0	2	390	(22,000)	4,198,000	(42.3)%
August 1, 2020	390	2	10	382	(66,000)	4,132,000	12.6%
October 31, 2020	382	1	0	383	10,000	4,142,000	0.9%
Year-to-date	392	3	12	383	(78,000)	4,142,000	(8.8)%

- (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 omnichannel retailer strategy. Due to our omnichannel 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 October 30, 2021	Thirteen Weeks Ended October 31, 2020	Thirty-nine Weeks Ended October 30, 2021	Thirty-nine Weeks Ended October 31, 2020
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales (including buying, distribution and occupancy costs)	59.6	68.0	59.7	72.1
Gross profit	40.4	32.0	40.3	27.9
Selling, general and administrative expenses	22.9	24.7	22.6	26.3
Operating income	17.5	7.3	17.7	1.6
Interest income	0.0	0.0	0.0	0.0
Income tax expense	4.4	1.9	4.5	0.4
Net income	13.1%	5.4%	13.2%	1.2%

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

The shares outstanding and net income per share information throughout this MD&A has been adjusted retroactively for all periods presented as a result of a two-for-one stock split of the outstanding shares of our common stock held by shareholders of record on July 6, 2021 that was completed on July 19, 2021. See Note 1 — “Basis of Presentation” to our Notes to Consolidated Financial Statements contained in PART I, ITEM 1 of this Quarterly Report on Form 10-Q for additional information on the stock split.

Executive Summary for the Third Fiscal Quarter Ended October 30, 2021

The third quarter of fiscal 2021 was another record-breaking quarter. Results for the third quarter of fiscal 2021 were the highest in terms of quarterly net sales, gross profit, operating income and diluted net income per share in our history, surpassing our previous records set in the second and first quarters of fiscal 2021. Thus, this fiscal quarter represented the third consecutive quarter where we established all-time quarterly records. Through the first nine months of fiscal 2021, our diluted net income per share of \$4.69 exceeded the diluted net income per share earned during the last five fiscal years combined.

Comparable store sales in the third quarter of fiscal 2021 increased 30.1% compared to the third quarter of fiscal 2020 and increased 31.4% compared to the third quarter of fiscal 2019.

We believe these record-breaking results were driven by the following:

- our inventory selection;
- our more focused promotional strategy;
- our customer base returning to a more normal lifestyle, including going back to work and fully back to in-person learning; and
- a stronger economy, inclusive of the impacts of government stimulus on consumer spending.

During the third quarter of fiscal 2021, physical store traffic increased 29.9% compared to the third quarter of fiscal 2020 and increased 2.6% compared to the third quarter of fiscal 2019. Through the first nine months of fiscal 2021, physical store traffic increased over 40% compared to the same period in fiscal 2020. The increased store traffic, combined with stable conversion rates, resulted in an increased number of converted customers, compared to the prior year periods.

All of our major product categories had comparable store sale increases ranging from low to mid double digits compared to the third quarter of fiscal 2020 and the third quarter of fiscal 2019. These increases were driven by higher average per unit prices across all categories and, overall, more units sold.

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

- Net sales for the third quarter of fiscal 2021 of \$356.3 million set another all-time quarterly record, eclipsing the previous all-time records established earlier this fiscal year.

- Net income for the third quarter of fiscal 2021 was \$46.8 million, or \$1.64 per diluted share, compared to net income of \$14.7 million, or \$0.51 per diluted share in the third quarter of fiscal 2020. Earnings in the third quarter of fiscal 2021 exceeded any previous quarterly or full-year record, including exceeding results recognized in the first quarter and second quarter of fiscal 2021, which were records at those points in time.
- We achieved record quarterly gross profit of \$144.1 million during the third quarter of fiscal 2021. Gross profit margin as a percent of sales increased 8.4 percentage points compared to the third quarter of fiscal 2020 to 40.4% and increased 9.5 percentage points compared to the third quarter of fiscal 2019.
- We had no borrowings during the third quarter of fiscal 2021 and ended the quarter with \$191.2 million of cash, cash equivalents and marketable securities.
- In the third quarter of fiscal 2021, we continued to increase membership in our Shoe Perks customer loyalty program, which grew over 10% compared to the prior year third quarter. This brought total membership in the program to over 28.5 million customers as of October 30, 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.
- We are continuing to modernize our stores and expect to have approximately 100 stores completed by the spring of fiscal 2022, within our plan to modernize 90 percent of our store portfolio by 2025.

Results of Operations for the Third Quarter Ended October 30, 2021

Net Sales

Net sales were a record \$356.3 million during the third quarter of fiscal 2021 and increased 29.8% compared to the third quarter of fiscal 2020. Comparable stores sales increased 30.1% compared to the third quarter of fiscal 2020. Sales generated from our comparable physical stores increased 32.8% for the third quarter of fiscal 2021 compared to the third quarter of fiscal 2020 and 22.6% compared to the third quarter of fiscal 2019. Sales generated from our e-commerce platform increased 12.5% compared to the third quarter of fiscal 2020 and 186.2% compared to the third quarter of fiscal 2019. E-commerce sales were approximately 12% of merchandise sales in the third quarter of fiscal 2021, compared to 13% in the third quarter of fiscal 2020 and 5% in the third quarter of fiscal 2019.

Net sales were positively impacted by continued demand for our merchandise as result of our merchandise selection, the continued easing of COVID-19 restrictions and customers returning a more normal lifestyle, including going back to work and fully back to in-person learning, and a stronger economy (including impacts from consumer-based government stimulus). Net sales in the third quarter of fiscal 2021 were favorably impacted by increased average transaction price and more units sold compared to the third quarter of fiscal 2020, with traffic 2.6% above pre-pandemic levels experienced in the third quarter of fiscal 2019. The increase in average transaction price was primarily driven by our more focused promotional activity.

Gross Profit

Gross profit was a record \$144.1 million during the third quarter of fiscal 2021, an increase of \$56.3 million compared to the third quarter of fiscal 2020. Gross profit margin in the third quarter of fiscal 2021 increased to 40.4% compared to 32.0% in the third quarter of fiscal 2020 and 30.9% in the third quarter of fiscal 2019. Merchandise margin increased 6.7 percentage points compared to the third quarter of fiscal 2020 and 8.3 percentage points compared to the third quarter of fiscal 2019. Our more focused promotional strategy drove a higher merchandise margin compared to both fiscal 2020 and 2019. We began eliminating broad-based use of the “buy one get one half off” promotional strategy during fiscal 2020 and have completely eliminated its broad use during the current fiscal year.

As a percentage of sales, our buying, distribution and occupancy costs decreased 1.7 percentage points compared to the third quarter of fiscal 2020 due to the leveraging effect of higher sales, despite higher supply chain expense.

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

SG&A increased \$14.0 million in the third quarter of fiscal 2021 to \$81.6 million compared to \$67.6 million in the third quarter of fiscal 2020. Nearly half of the increase in SG&A in the third quarter of fiscal 2021 compared to the third quarter of fiscal 2020 was due to increased advertising expense, with the remaining increase primarily attributable to store level wages, including incentive compensation. As a percentage of net sales, SG&A was 22.9% in the third quarter of fiscal 2021 compared to 24.7% in the third quarter of fiscal 2020 and 24.3% recorded in the third quarter of fiscal 2019, with the decrease due to the leveraging effect of higher sales.

Income Taxes

The effective income tax rate for the third quarter of fiscal 2021 was 24.8% compared to 26.8% 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 lower quarterly effective tax rate was primarily due to the timing of discrete tax adjustments and increased utilization of foreign tax credits associated with our Puerto Rico operations. For the full 2021 fiscal year, we expect our tax rate to be between 25% and 26% compared to the 25.8% effective tax rate recognized during the full 2020 fiscal year.

Results of Operations for the Nine-Month Period Ended October 30, 2021

Net Sales

Net sales were \$1,017.0 million year-to-date in fiscal 2021, a 40.7% increase over the prior year's year-to-date net sales of \$722.9 million. The overall increase in net sales was primarily due to our more focused promotional strategies and inventory selection. The temporary closure of our physical stores for approximately 50% of the first quarter of fiscal 2020 as a result of the COVID-19 pandemic, with some stores closed through May 2020, decreased net sales in the prior year. Comparable stores sales increased 41.6% compared to the first nine months of fiscal 2020 and increased 29.2% compared to the first nine months of fiscal 2019.

Gross Profit

Gross profit was \$410.0 million during the first nine months of fiscal 2021, an increase of \$208.1 million compared to the first nine months of fiscal 2020. Gross profit margin in the first nine months of fiscal 2021 increased to 40.3% compared to 27.9% in fiscal 2020 and 30.4% in fiscal 2019. Merchandise margin increased 10.0 percentage points compared to the first nine months of fiscal 2020 and 8.7 percentage points compared to the first nine months of fiscal 2019. Our more focused promotional strategies throughout fiscal 2021 drove a higher merchandise margin compared to both fiscal 2020 and 2019. A more standard product mix, with more non-athletic merchandise sold in fiscal 2021 compared to fiscal 2020, further increased margins compared to fiscal 2020.

As a percentage of sales, our buying, distribution and occupancy costs decreased 2.4 percentage points compared to the first nine months of fiscal 2020 and 1.2 percentage points compared to the first nine months fiscal 2019 primarily due to the leveraging effect of increased sales, offset somewhat by increased freight and distribution labor costs.

Selling, General and Administrative Expenses

SG&A increased \$39.7 million to \$230.2 million in the first nine months of fiscal 2021 compared to \$190.5 million in the first nine months of fiscal 2020. As a percentage of net sales, SG&A was leveraged to 22.6% in the first nine months of fiscal 2021 compared to 26.3% in the first nine months of fiscal 2020 and 24.2% in the first nine months fiscal 2019.

Compared to the first nine months of fiscal 2020, the increase in SG&A primarily correlated with our record performance, in terms of increased performance-based incentive compensation, general wages (inclusive of CARES Act payroll retention tax credits recognized in fiscal 2020) and variable costs, such as credit card fees. SG&A also increased due to higher advertising expense, as well as market return volatility on our deferred compensation plan and higher stock-based compensation. Store level wages, incentives paid to store level employees, and annual performance-based compensation comprised the majority of the year-to-date increase compared to the prior year. Our performance year-to-date has exceeded annual fiscal 2021 performance targets; therefore, virtually all annual performance-based compensation expected for the full year has been recognized.

Income Taxes

The effective income tax rate year-to-date for fiscal 2021 was 25.1% compared to 23.0% for the same period in fiscal 2020. The higher effective rate was primarily attributable to more unfavorable permanent differences and discrete tax adjustments, partially offset by increased utilization of foreign tax credits associated with our Puerto Rico operations.

Liquidity and Capital Resources

Our primary sources of liquidity are \$191.2 million of cash, cash equivalents and marketable securities on hand at the end of the third 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 normally 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. As part of our growth strategy, we may also pursue strategic acquisitions of other footwear retailers.

Cash Flow - Operating Activities

Net cash generated from operating activities was \$120.5 million in the first nine months of fiscal 2021 compared to \$0.2 million during the first nine months of fiscal 2020. The increase in operating cash flow was primarily driven by higher cash receipts on increased sales, partially offset by inventory purchases and payments for operating expenses and income taxes.

Working capital increased on a year-over-year basis and totaled \$333.8 million at October 30, 2021 compared to \$214.9 million at October 31, 2020. The increase was primarily attributable to increased cash and marketable securities positions. Our current ratio was 3.1 as of October 30, 2021 compared to 2.7 as of October 31, 2020.

Cash Flow – Investing Activities

Our cash outflows for investing activities are normally for capital expenditures. During the first nine months of fiscal 2021, we expended \$20.4 million for the purchase of property and equipment, primarily related to our store portfolio modernization plan. During the first nine months of fiscal 2020, we expended \$10.1 million for the purchase of property and equipment, primarily related to investments in technology and normal asset replacement activities.

During the first nine months of fiscal 2021, we invested approximately \$17.5 million in publicly traded mutual funds designed to mitigate income statement volatility associated with our nonqualified deferred compensation plan. Additional information regarding these marketable securities can be found in Note 5 — “Fair Value Measurements” to our Notes to Consolidated Financial Statements contained in PART I, ITEM 1 of this Quarterly Report on Form 10-Q.

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 stock-based compensation awards that are settled in shares. 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 nine months of fiscal 2021, net cash used in financing activities was \$15.8 million compared to \$5.4 million during the first nine months of fiscal 2020. The increase in net cash used in financing activities was primarily due to the repurchase of \$7.1 million of shares in fiscal 2021 associated with our Board of Directors’ authorized share repurchase program. In fiscal 2021 we also increased our dividend payments and more shares were withheld upon the vesting of stock-based compensation awards. During the first nine months of fiscal 2021, we did not borrow or repay funds under our credit facility. Letters of credit outstanding were \$700,000 at October 30, 2021, and our borrowing capacity was \$99.3 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 October 30, 2021.

Capital Expenditures

Capital expenditures for fiscal 2021, including actual expenditures for the first nine months of fiscal 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 opened one new store within our existing geographic footprint and do not anticipate opening any more stores this fiscal year. 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 seven stores in the first nine months of fiscal 2021 and expect to close three 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 September 16, 2021, the Board of Directors approved the payment of a third quarter cash dividend to our shareholders. The quarterly cash dividend of \$0.070 per share was paid on October 18, 2021 to shareholders of record as of the close of business on October 4, 2021. In fiscal 2020, the third quarter dividend was \$0.045 per share. During the first nine months of fiscal 2021 and 2020, we returned \$6.0 million and \$3.9 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, share repurchases 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, share repurchases have been limited in fiscal 2021 and no repurchases were made in fiscal 2020. Shares totaling 91,594 shares were repurchased during the third quarter of fiscal 2021 at a cost of \$3.2 million. We purchased a total of 208,662 shares at a cost of \$7.1 million under this share repurchase program in fiscal 2021. As of October 30, 2021, we had \$42.9 million available for future repurchases. We will continue to evaluate the repurchase of shares under the 2021 Share Repurchase Program given the uncertainty.

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 or a supply chain disruption that reduces inventory availability during these peak shopping seasons in future periods could reduce our net sales and gross profit and negatively affect our profitability.

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 nine months of fiscal 2021.

ITEM 4. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of October 30, 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 October 30, 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 in our Quarterly Reports on Form 10-Q for the quarters ended May 1, 2021 and July 31, 2021, there have been no additional material changes to the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

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⁾
August 1, 2021 to August 28, 2021	0	\$ 0	0	\$ 46,029,000
August 29, 2021 to October 2, 2021	103,465	\$ 34.69	91,594	\$ 42,853,000
October 3, 2021 to October 30, 2021	0	\$ 0	0	\$ 42,853,000
	103,465		91,594	

- (1) Includes 11,871 shares withheld by us in connection with employee payroll tax withholding upon the vesting of stock-based compensation awards that were settled in shares.
- (2) On December 15, 2020, our Board of Directors authorized the 2021 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	Amended and Restated Employment and Noncompetition Agreement, made and entered into as of October 1, 2021, by and between the Company and Mark J. Worden	8-K	10.1	10/05/2021	
10.2	Letter Agreement, dated September 30, 2021, by and between the Company and Clifton E. Sifford	8-K	10.2	10/05/2021	
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 October 30, 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: November 29, 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.
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, Mark J. Worden, 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: November 29, 2021

By: /s/ Mark J. Worden
Mark J. Worden
President 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: November 29, 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 October 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark J. Worden, President 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: November 29, 2021

By: /s/ Mark J. Worden
Mark J. Worden
President 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 October 30, 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: November 29, 2021

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