

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 July 29, 2023

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 August 25, 2023 was 27,359,697.

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)	July 29, 2023	January 28, 2023	July 30, 2022
Assets			
Current Assets:			
Cash and cash equivalents	\$ 34,562	\$ 51,372	\$ 51,620
Marketable securities	12,218	11,601	10,994
Accounts receivable	3,961	3,052	10,677
Merchandise inventories	409,342	390,390	385,510
Other	25,281	13,308	18,131
Total Current Assets	485,364	469,723	476,932
Property and equipment – net	159,186	141,435	124,789
Operating lease right-of-use assets	339,598	318,612	254,537
Intangible assets	32,600	32,600	32,600
Goodwill	12,023	12,023	10,786
Other noncurrent assets	14,433	15,388	14,871
Total Assets	<u>\$ 1,043,204</u>	<u>\$ 989,781</u>	<u>\$ 914,515</u>
Liabilities and Shareholders' Equity			
Current Liabilities:			
Accounts payable	\$ 77,429	\$ 78,850	\$ 113,826
Accrued and other liabilities	19,999	20,281	22,893
Current portion of operating lease liabilities	57,335	58,154	52,523
Total Current Liabilities	154,763	157,285	189,242
Long-term portion of operating lease liabilities	307,326	285,074	226,115
Deferred income taxes	14,631	11,844	4,436
Deferred compensation	10,596	9,840	10,779
Other	369	170	311
Total Liabilities	487,685	464,213	430,883
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	81,151	83,423	80,760
Retained earnings	683,875	653,450	604,192
Treasury stock, at cost, 13,689,493 shares, 13,883,902 shares and 13,435,296 shares, respectively	(209,917)	(211,715)	(201,730)
Total Shareholders' Equity	555,519	525,568	483,632
Total Liabilities and Shareholders' Equity	<u>\$ 1,043,204</u>	<u>\$ 989,781</u>	<u>\$ 914,515</u>

See notes to Condensed Consolidated Financial Statements.

SHOE CARNIVAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Unaudited

(In thousands, except per share data)	Thirteen Weeks Ended July 29, 2023	Thirteen Weeks Ended July 30, 2022	Twenty-six Weeks Ended July 29, 2023	Twenty-six Weeks Ended July 30, 2022
Net sales	\$ 294,615	\$ 312,268	\$ 575,799	\$ 629,795
Cost of sales (including buying, distribution and occupancy costs)	189,150	199,138	371,817	403,802
Gross profit	105,465	113,130	203,982	225,993
Selling, general and administrative expenses	80,803	74,341	158,381	151,820
Operating income	24,662	38,789	45,601	74,173
Interest income	(433)	(138)	(911)	(170)
Interest expense	71	65	137	160
Income before income taxes	25,024	38,862	46,375	74,183
Income tax expense	5,583	9,953	10,408	18,377
Net income	<u>\$ 19,441</u>	<u>\$ 28,909</u>	<u>\$ 35,967</u>	<u>\$ 55,806</u>
Net income per share:				
Basic	\$ 0.71	\$ 1.05	\$ 1.32	\$ 2.01
Diluted	\$ 0.71	\$ 1.04	\$ 1.31	\$ 1.99
Weighted average shares:				
Basic	27,336	27,590	27,280	27,784
Diluted	27,410	27,812	27,449	28,061

See notes to Condensed Consolidated Financial Statements.

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

(In thousands, except per share data)	Thirteen Weeks Ended						
	Common Stock			Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
	Issued	Treasury	Amount				
Balance at April 29, 2023	41,049	(13,714)	\$ 410	\$ 80,361	\$ 667,196	\$ (210,287)	\$ 537,680
Dividends declared (\$0.10 per share)					(2,762)		(2,762)
Employee stock purchase plan purchases		2		12		41	53
Stock-based compensation awards		23		(329)		329	0
Stock-based compensation expense				1,107			1,107
Net income					19,441		19,441
Balance at July 29, 2023	<u>41,049</u>	<u>(13,689)</u>	<u>\$ 410</u>	<u>\$ 81,151</u>	<u>\$ 683,875</u>	<u>\$ (209,917)</u>	<u>\$ 555,519</u>
Balance at April 30, 2022	41,049	(13,462)	\$ 410	\$ 79,595	\$ 577,823	\$ (202,114)	\$ 455,714
Dividends declared (\$0.09 per share)					(2,540)		(2,540)
Employee stock purchase plan purchases		3		9		39	48
Stock-based compensation awards		26		(383)		383	0
Shares surrendered by employees to pay taxes on stock-based compensation awards		(2)				(38)	(38)
Stock-based compensation expense				1,539			1,539
Net income					28,909		28,909
Balance at July 30, 2022	<u>41,049</u>	<u>(13,435)</u>	<u>\$ 410</u>	<u>\$ 80,760</u>	<u>\$ 604,192</u>	<u>\$ (201,730)</u>	<u>\$ 483,632</u>
(In thousands, except per share data)	Twenty-six Weeks Ended						
	Common Stock			Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
	Issued	Treasury	Amount				
Balance at January 28, 2023	41,049	(13,884)	\$ 410	\$ 83,423	\$ 653,450	\$ (211,715)	\$ 525,568
Dividends declared (\$0.20 per share)					(5,542)		(5,542)
Employee stock purchase plan purchases		5		29		81	110
Stock-based compensation awards		305		(4,644)		4,644	0
Shares surrendered by employees to pay taxes on stock-based compensation awards		(115)				(2,927)	(2,927)
Stock-based compensation expense				2,343			2,343
Net income					35,967		35,967
Balance at July 29, 2023	<u>41,049</u>	<u>(13,689)</u>	<u>\$ 410</u>	<u>\$ 81,151</u>	<u>\$ 683,875</u>	<u>\$ (209,917)</u>	<u>\$ 555,519</u>
Balance at January 29, 2022	41,049	(12,883)	\$ 410	\$ 80,681	\$ 553,487	\$ (182,045)	\$ 452,533
Dividends declared (\$0.18 per share)					(5,101)		(5,101)
Employee stock purchase plan purchases		5		27		66	93
Stock-based compensation awards		196		(2,850)		2,850	0
Shares surrendered by employees to pay taxes on stock-based compensation awards		(70)				(2,086)	(2,086)
Purchase of common stock for treasury		(683)				(20,515)	(20,515)
Stock-based compensation expense				2,902			2,902
Net income					55,806		55,806
Balance at July 30, 2022	<u>41,049</u>	<u>(13,435)</u>	<u>\$ 410</u>	<u>\$ 80,760</u>	<u>\$ 604,192</u>	<u>\$ (201,730)</u>	<u>\$ 483,632</u>

See notes to Condensed Consolidated Financial Statements.

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

(In thousands)	Twenty-six Weeks Ended July 29, 2023	Twenty-six Weeks Ended July 30, 2022
Cash Flows From Operating Activities		
Net income	\$ 35,967	\$ 55,806
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,822	10,416
Stock-based compensation	2,326	2,741
Loss on retirement and impairment of assets, net	59	83
Deferred income taxes	2,787	7,135
Non-cash operating lease expense	27,627	23,497
Other	251	384
Changes in operating assets and liabilities:		
Accounts receivable	(909)	3,481
Merchandise inventories	(18,952)	(100,305)
Operating leases	(27,181)	(24,794)
Accounts payable and accrued liabilities	(927)	40,514
Other	(12,518)	(10,040)
Net cash provided by operating activities	<u>22,352</u>	<u>8,918</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(30,629)	(50,198)
Investments in marketable securities	(41)	(11)
Sales of marketable securities	0	3,040
Net cash used in investing activities	<u>(30,670)</u>	<u>(47,169)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of stock	110	93
Dividends paid	(5,675)	(5,064)
Purchase of common stock for treasury	0	(20,515)
Shares surrendered by employees to pay taxes on stock-based compensation awards	(2,927)	(2,086)
Net cash used in financing activities	<u>(8,492)</u>	<u>(27,572)</u>
Net decrease in cash and cash equivalents	(16,810)	(65,823)
Cash and cash equivalents at beginning of period	51,372	117,443
Cash and cash equivalents at end of period	<u>\$ 34,562</u>	<u>\$ 51,620</u>
Supplemental disclosures of cash flow information:		
Cash paid during period for interest	\$ 138	\$ 164
Cash paid during period for income taxes	\$ 12,732	\$ 13,955
Capital expenditures incurred but not yet paid	\$ 2,730	\$ 1,899
Dividends declared but not yet paid	\$ 183	\$ 222

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 omnichannel family footwear retailers, selling footwear and related products through our retail stores located in 35 states within the continental United States and in Puerto Rico, as well as through our e-commerce platform. We offer customers a broad assortment of dress, casual, and work shoes, sandals, boots and athletic footwear and accessories for men, women and children with an emphasis on national name brands through our Shoe Carnival and Shoe Station store banners. We are an Indiana corporation that was initially formed in Delaware in 1993 and reincorporated in Indiana in 1996. References to "we," "us," "our" and the "Company" in this Quarterly Report on Form 10-Q refer to Shoe Carnival, Inc. and its subsidiaries.

Our consolidated financial statements include the accounts of Shoe Carnival, Inc. and its wholly-owned subsidiaries SCHC, Inc. and Shoe Carnival Ventures, LLC, and SCLC, Inc., a wholly-owned subsidiary of SCHC, Inc. All intercompany accounts and transactions have been eliminated. 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 28, 2023.

Note 2 - Net Income Per Share

The following table sets 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					
	July 29, 2023			July 30, 2022		
	Net Income	Shares	(In thousands, except per share data) 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	\$ 19,441	27,336	\$ 0.71	\$ 28,909	27,590	\$ 1.05
Diluted Net Income per Share:						
Net income	\$ 19,441			\$ 28,909		
Conversion of stock-based compensation arrangements	0	74		0	222	
Net income available for diluted common shares and diluted net income per share	\$ 19,441	27,410	\$ 0.71	\$ 28,909	27,812	\$ 1.04
	Twenty-six Weeks Ended					
	July 29, 2023			July 30, 2022		
	Net Income	Shares	(In thousands, except per share data) 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	\$ 35,967	27,280	\$ 1.32	\$ 55,806	27,784	\$ 2.01
Diluted Net Income per Share:						
Net income	\$ 35,967			\$ 55,806		
Conversion of stock-based compensation arrangements	0	169		0	277	
Net income available for diluted common shares and diluted net income per share	\$ 35,967	27,449	\$ 1.31	\$ 55,806	28,061	\$ 1.99

The computation of Basic Net Income per Share 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. The computation of Diluted Net Income per Share for the thirteen and twenty-six weeks ended July 29, 2023 excluded approximately 134,000 and 1,000, respectively, of unvested stock-based awards that will be settled in shares because the impact would have been anti-dilutive. During the thirteen and twenty-six weeks ended July 30, 2022, approximately 318,000 and 31,000, respectively, of unvested stock-based awards that will be settled in shares were excluded from the computation of Diluted Net Income per Share because the impact would have been anti-dilutive.

Note 3 - Fair Value Measurements

The following table presents financial instruments that are measured at fair value on a recurring basis at July 29, 2023, January 28, 2023 and July 30, 2022:

(In thousands)	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
As of July 29, 2023				
Cash equivalents - money market mutual funds	\$ 22,445	\$ 0	\$ 0	\$ 22,445
Marketable securities - mutual funds that fund deferred compensation	12,218	0	0	12,218
Total	\$ 34,663	\$ 0	\$ 0	\$ 34,663
As of January 28, 2023				
Cash equivalents - money market mutual funds	\$ 45,265	\$ 0	\$ 0	\$ 45,265
Marketable securities - mutual funds that fund deferred compensation	11,601			11,601
Total	\$ 56,866	\$ 0	\$ 0	\$ 56,866
As of July 30, 2022				
Cash equivalents - money market mutual funds	\$ 41,401	\$ 0	\$ 0	\$ 41,401
Marketable securities - mutual funds that fund deferred compensation	10,994			10,994
Total	\$ 52,395	\$ 0	\$ 0	\$ 52,395

We invest 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 July 29, 2023, these Marketable Securities were principally invested in equity-based mutual funds, consistent with the allocation in our deferred compensation plan. As of July 29, 2023, the balance in our deferred compensation plan was \$12.2 million, of which \$1.6 million was in Accrued and Other Liabilities based on scheduled payments due within the next 12 months and the remaining balance was in Deferred Compensation, a long-term liability. To the extent there is a variation in invested funds compared to the total non-qualified deferred compensation plan liability, such fund variance is 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. We have recognized cumulative unrealized losses of \$1.8 million, \$2.9 million and \$2.5 million related to equity securities still held at July 29, 2023, January 28, 2023 and July 30, 2022, respectively. For the thirteen and twenty-six weeks ended July 29, 2023, we have recognized unrealized gains of \$761,000 and \$1.1 million, respectively, related to equity securities still held at July 29, 2023. For the thirteen and twenty-six weeks ended July 30, 2022, we have recognized unrealized gains of \$34,000 and unrealized losses of \$501,000, respectively, related to equity securities still held at July 30, 2022.

The fair values of Cash and Cash Equivalents, Accounts Receivable, Accounts Payable and Accrued and Other 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, Operating Lease Right-of-Use Assets, and the current and long-term portions of operating lease liabilities. 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. No impairment charges were recorded during the thirteen and twenty-six weeks ended July 29, 2023 or the thirteen and twenty-six weeks ended July 30, 2022.

Note 4 - Stock-Based Compensation

On June 20, 2023, our shareholders approved the Shoe Carnival, Inc. Amended and Restated 2017 Equity Incentive Plan (the “Amended 2017 Plan”), which amended and restated the Shoe Carnival, Inc. 2017 Equity Incentive Plan. Among other changes approved by our shareholders, the Amended 2017 Plan increased the number of shares of our common stock that are available for issuance under the plan by 1.8 million additional shares. As of July 29, 2023, 1,858,000 shares were available for issuance under the Amended 2017 Plan, assuming that all unmeasured but outstanding performance stock units vest at the maximum level of performance.

Stock-based compensation includes share-settled awards issued pursuant to the Amended 2017 Plan in the form of restricted stock units, performance stock units, and restricted and other stock awards. 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 twenty-six weeks ended July 29, 2023 and July 30, 2022, stock-based compensation expense was comprised of the following:

(In thousands)	Thirteen Weeks Ended July 29, 2023	Thirteen Weeks Ended July 30, 2022	Twenty-six Weeks Ended July 29, 2023	Twenty-six Weeks Ended July 30, 2022
Share-settled equity awards	\$ 1,098	\$ 1,530	\$ 2,324	\$ 2,885
Stock appreciation rights	10	(38)	(17)	(161)
Employee stock purchase plan	9	9	19	17
Total stock-based compensation expense	\$ 1,117	\$ 1,501	\$ 2,326	\$ 2,741
Income tax effect at statutory rates	\$ (249)	\$ (385)	\$ (522)	\$ (678)
Additional income tax benefit on vesting of share-settled awards	\$ 5	\$ (26)	\$ (616)	\$ (521)

As of July 29, 2023, approximately \$8.4 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 2.1 years.

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 28, 2023	560,323	\$ 23.27
Granted	370,653	24.98
Vested	(282,927)	16.83
Forfeited	(36,526)	30.09
Outstanding at July 29, 2023	611,523	\$ 26.87

The total fair value at grant date of restricted stock units and performance stock units that vested during the twenty-six weeks ended July 29, 2023 and July 30, 2022 was \$4.8 million and \$3.2 million, respectively. The weighted-average grant date fair value of restricted stock units and performance stock units granted during the twenty-six weeks ended July 30, 2022 was \$30.32.

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 28, 2023	0	\$ 0.00
Granted	21,462	21.90
Vested	0	0.00
Forfeited	0	0.00
Outstanding at July 29, 2023	21,462	\$ 21.90

No restricted stock and other stock awards vested during the twenty-six weeks ended July 29, 2023 or July 30, 2022. The weighted-average grant date fair value of restricted stock and other stock awards granted during the twenty-six weeks ended July 30, 2022 was \$24.12.

Note 5 – 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 twenty-six weeks ended July 29, 2023 and July 30, 2022 were as follows:

(In thousands)	Thirteen Weeks Ended July 29, 2023		Thirteen Weeks Ended July 30, 2022	
Non-Athletics:				
Women's	\$ 82,747	28 %	\$ 94,013	30 %
Men's	51,650	17	55,102	18
Children's	22,318	8	22,822	7
Total	156,715	53	171,937	55
Athletics:				
Women's	40,598	14	40,511	13
Men's	49,096	17	50,776	17
Children's	32,013	11	30,977	10
Total	121,707	42	122,264	40
Accessories	14,881	5	16,664	5
Other	1,312	0	1,403	0
Total	\$ 294,615	100 %	\$ 312,268	100 %

(In thousands)	Twenty-six Weeks Ended July 29, 2023		Twenty-six Weeks Ended July 30, 2022	
Non-Athletics:				
Women's	\$ 160,505	28 %	\$ 182,569	29 %
Men's	95,096	16	104,254	17
Children's	43,846	8	44,231	7
Total	299,447	52	331,054	53
Athletics:				
Women's	83,386	15	91,545	14
Men's	97,132	17	103,802	16
Children's	64,042	11	67,705	11
Total	244,560	43	263,052	41
Accessories	29,429	5	32,414	5
Other	2,363	0	3,275	1
Total	\$ 575,799	100 %	\$ 629,795	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.

We accept various forms of payment from customers at the point of sale typical for an omnichannel retailer. 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 Shoes 2U was not material to our consolidated financial statements at July 29, 2023, January 28, 2023 or July 30, 2022.

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 \$866,000 of refund liabilities and \$503,000 of right of return assets associated with estimated product returns were recorded in Accrued and Other Liabilities and Merchandise Inventories, respectively, as of July 29, 2023 and January 28, 2023. Approximately \$884,000 of refund liabilities and \$516,000 of right of return assets associated with estimated product returns were recorded in Accrued and Other Liabilities and Merchandise Inventories, respectively, at July 30, 2022.

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 July 29, 2023, January 28, 2023 and July 30, 2022, approximately \$2.0 million, \$2.4 million and \$2.0 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 recognized in Net Sales was not material to any of the periods presented.

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 twenty-six weeks ended July 29, 2023, approximately \$1.4 million and \$2.7 million, respectively, of loyalty rewards were recognized in Net Sales. During the thirteen and twenty-six weeks ended July 30, 2022, approximately \$1.3 million and \$2.6 million, respectively, of loyalty rewards were recognized in Net Sales. At July 29, 2023, January 28, 2023 and July 30, 2022, approximately \$950,000, \$844,000 and \$889,000, respectively, of contract liabilities associated with loyalty rewards were recorded in Accrued and Other Liabilities. 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 6 – Leases

We lease all of our physical stores, our single distribution center, which has a current lease term expiring in 2034, and office space for our Southern office. 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 July 29, 2023.

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 twenty-six weeks ended July 29, 2023 and July 30, 2022:

(In thousands)	Thirteen Weeks Ended July 29, 2023	Thirteen Weeks Ended July 30, 2022	Twenty-six Weeks Ended July 29, 2023	Twenty-six Weeks Ended July 30, 2022
Operating lease cost	\$ 15,952	\$ 14,943	\$ 31,824	\$ 29,642
Variable lease cost				
CAM, property taxes and insurance	5,370	4,667	10,722	9,429
Percentage rent and other variable lease costs	381	301	624	494
Total	<u>\$ 21,703</u>	<u>\$ 19,911</u>	<u>\$ 43,170</u>	<u>\$ 39,565</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: our ability to control costs and meet our labor needs in a rising wage, inflationary, and/or supply chain constrained environment; our ability to maintain current promotional intensity levels; the effects and duration of economic downturns and unemployment rates; our ability to achieve expected operating results, synergies, and other benefits from the Shoe Station acquisition within expected time frames, or at all; the potential impact of national and international security concerns, including those caused by war and terrorism, on the retail environment; general economic conditions in the areas of the continental United States and Puerto Rico where our stores are located; 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 many of 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 effectiveness of our inventory management, including our ability to manage key merchandise vendor relationships and direct-to-consumer initiatives; changes in our relationships with other key suppliers; 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, public health and 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; the duration and spread of a public health crisis, such as COVID-19, and the mitigating efforts deployed, including the effects of government stimulus on consumer spending; 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 identify, consummate or effectively integrate future acquisitions, 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 28, 2023.

General

Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to provide information to assist the reader in better understanding and evaluating our financial condition and results of operations. We encourage you to read this in conjunction with our Condensed Consolidated Financial Statements and the notes thereto included in PART I, ITEM 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended January 28, 2023 as filed with the SEC. This section of this Quarterly Report on Form 10-Q generally discusses our results for second quarter 2023 and second quarter 2022 and year-over-year comparisons between second quarter 2023 and second quarter 2022, as well as year-to-date results for, and comparisons between, the two periods.

Referred to herein, second quarter 2023 is the thirteen weeks ended July 29, 2023 and second quarter 2022 is the thirteen weeks ended July 30, 2022. Also referred to herein, year-to-date 2023 is the twenty-six weeks ended July 29, 2023 and year-to-date 2022 is the twenty-six weeks ended July 30, 2022.

Overview of Our Business

Shoe Carnival, Inc. is one of the nation's largest omnichannel family footwear retailers. On December 3, 2021, we began operating under two banners: Shoe Carnival and Shoe Station. Our objective is to be the omnichannel retailer-of-choice for on-trend branded footwear for the entire family. Our product assortment, whether shopping in a physical store or on our e-commerce platform, includes

dress, casual, and work shoes, sandals, boots and a wide assortment of athletic shoes. Our typical physical store carries shoes in two general categories – athletics and non-athletics with subcategories for men's, women's and children's, as well as a broad range of accessories. In addition to our physical stores, our e-commerce platform offers customers the same assortment of merchandise in all categories of footwear with expanded options in certain instances.

Our stores under the Shoe Carnival banner combine competitive pricing with a high-energy in-store environment that encourages customer participation. Footwear in our Shoe Carnival physical stores 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.

The Shoe Station banner and retail locations are a complementary retail platform for us to serve a broader base of family footwear customers in both urban and suburban demographics. The Shoe Station concept targets a more affluent family footwear customer and has a strong track record of capitalizing on emerging footwear fashion trends and introducing new brands. Due to the larger average size of our Shoe Station stores and the targeted, more affluent customer, these locations provide for a primary destination shopping experience. See Note 3 — "Acquisition of Shoe Station" 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 28, 2023, for further discussion.

We believe our distinctive shopping experiences give 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.

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, valuation of Goodwill and Intangible 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 28, 2023, and there have been no material changes to those critical accounting policies.

Results of Operations Summary Information

Quarter Ended	Number of Stores				Store Square Footage		Comparable Store Sales ⁽¹⁾
	Beginning Of Period	Opened	Closed	End of Period	Net Change	End of Period	
April 29, 2023	397	1	1	397	5,000	4,510,000	(11.9)%
July 29, 2023	397	2	0	399	32,000	4,542,000	(6.5)%
Year-to-date	397	3	1	399	37,000	4,542,000	(9.3)%
April 30, 2022	393	2	0	395	31,000	4,450,000	(10.6)%
July 30, 2022	395	0	0	395	0	4,450,000	(13.8)%
Year-to-date	393	2	0	395	31,000	4,450,000	(12.2)%

- (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 or acquisition prior to the beginning of the period, including those stores that have been relocated or remodeled. Therefore, stores recently opened, acquired or closed are not included in comparable store sales. We generally 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. E-commerce platforms associated with a physical store acquisition will not be included in comparable store sales until the initial physical stores are included. The 21 original Shoe Station stores acquired and the www.shoestation.com e-commerce site that went live in early February 2023 are included in comparable store sales calculations beginning in first quarter 2023.

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

	Thirteen Weeks Ended July 29, 2023	Thirteen Weeks Ended July 30, 2022	Twenty-six Weeks Ended July 29, 2023	Twenty-six Weeks Ended July 30, 2022
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales (including buying, distribution and occupancy costs)	64.2	63.8	64.6	64.1
Gross profit	35.8	36.2	35.4	35.9
Selling, general and administrative expenses	27.4	23.8	27.5	24.1
Operating income	8.4	12.4	7.9	11.8
Interest income, net	(0.1)	0.0	(0.2)	0.0
Income tax expense	1.9	3.1	1.8	2.9
Net income	6.6 %	9.3 %	6.3 %	8.9 %

Executive Summary for Second Quarter Ended July 29, 2023

For second quarter 2023, Diluted Net Income per Share (“EPS”) was \$0.71, compared to \$1.04 of EPS in second quarter 2022. The primary driver of the lower EPS in second quarter 2023 compared to second quarter 2022 was a \$17.7 million, or 5.7%, decline in Net Sales. The Net Sales decline was primarily due to store traffic declining approximately 7%, which resulted in a comparable store sales decline of 6.5% compared to second quarter 2022. A 5.4% increase in our e-commerce Net Sales and Net Sales from new Shoe Station stores partially offset the decrease. As a result of e-commerce growth and new stores, we grew Net Sales under our Shoe Station banner by low-single digits. Net Sales under the Shoe Carnival banner declined mid-single digits primarily due to a store traffic decline principally from our lower income consumers and within our urban markets.

Second quarter 2023 ranked as the third best second quarter in our history in terms of EPS, only surpassed by the second quarters of fiscal 2022 and fiscal 2021. Our investments in customer relationship management (“CRM”) systems and store modernization have continued to produce sustained higher gross profit margin, increased customer conversion and increased loyalty members compared to our pre-CRM and pre-modernization results in 2019. The benefits of our CRM and store modernization programs were key factors to maintaining the following results with store traffic continuing to be impacted by inflation and higher interest rates:

- Second quarter 2023 marked the tenth consecutive quarter that gross profit margin exceeded 35%;
- Loyalty customers grew over 12% compared to second quarter 2022 to 33.3 million customers; and
- Store conversion was over 400 basis points higher compared to pre-CRM and pre-modernization results in 2019.

In second quarter 2023, we increased our strategic investments in branding, advertising and our in-store experience. These investments resulted in increased Selling, General and Administrative Expenses and occupancy costs in Cost of Sales in second quarter 2023 compared to second quarter 2022.

Significant progress was made in the first half of 2023 to reduce our Merchandise Inventories and optimize our inventory positions for an improved athletic assortment of national named brands. Second quarter 2023 ending inventory was \$23.8 million higher than the prior year, compared to first quarter 2023 when ending inventory was \$44.5 million higher than the prior year and to fiscal 2022 year end when inventory was \$105.2 million higher than the prior year end. We expect our Merchandise Inventories at the end of third quarter 2023 to be lower than the end of third quarter 2022 and to be approximately \$40 million lower by year end 2023 compared to year end 2022.

Year end fiscal 2022 marked the 18th consecutive year we ended the year with no debt, and through second quarter 2023 we also funded our operations without debt. As of July 29, 2023, we had \$46.8 million of Cash, Cash Equivalents and Marketable Securities and \$99.3 million in borrowing capacity.

We ended second quarter 2023 with 399 total stores, 373 Shoe Carnival stores and 26 Shoe Station stores. In second quarter 2023, we opened one Shoe Carnival store and one Shoe Station store. No stores were closed in second quarter 2023. In August 2023, we opened another new store, achieving the 400 store level for the first time since 2018. Over 50% of Shoe Carnival stores have been modernized.

Results of Operations for Second Quarter Ended July 29, 2023 Compared to Second Quarter Ended July 30, 2022

Net Sales

Net Sales were \$294.6 million during second quarter 2023 and decreased 5.7% compared to second quarter 2022. The decrease was due to a 6.5% comparable store sales decline resulting from an approximate 7% decrease in physical store traffic, which we believe was primarily due to persistent inflation and higher interest rates impacting our lower income consumers and our urban markets, partially offset by a 5.4% increase in e-commerce Net Sales and Net Sales from new Shoe Station stores. E-commerce sales were favorably impacted by the February 2023 launch of shoestation.com and increased sales through shoecarnival.com. E-commerce sales were approximately 9% of merchandise sales in both second quarter 2023 and second quarter 2022. With an improved brand name assortment this year, sales of athletic merchandise in second quarter 2023 were flat compared to second quarter 2022 despite lower store traffic.

Gross Profit

Gross Profit was \$105.5 million during second quarter 2023, a decrease of \$7.7 million compared to second quarter 2022. Gross profit margin in second quarter 2023 was 35.8% compared to 36.2% in second quarter 2022. Merchandise margin decreased 20 basis points. Buying, distribution and occupancy ("BDO") costs were lower in the quarter compared to second quarter 2022; however, BDO costs decreased gross profit margin by 20 basis points due to the lower Net Sales in second quarter 2023. The BDO costs were lower in second quarter 2023 as freight and distribution costs declined versus 2022 through active management, contract renegotiation and normalization, partially offset by our investments in store modernization and by rent associated with operating more stores.

Selling, General and Administrative Expenses ("SG&A")

SG&A increased \$6.5 million in second quarter 2023 to \$80.8 million compared to \$74.3 million in second quarter 2022. Approximately \$6.2 million of the increase was evenly split between (1) advertising and brand initiatives, supporting new store growth and e-commerce growth and (2) sustaining our in-store experience, which included higher payroll expense and depreciation of newly modernized stores. As a percentage of Net Sales, SG&A were 27.4% in second quarter 2023, consistent with first quarter 2023 when SG&A was 27.6% of Net Sales. In second quarter 2022, SG&A was 23.8% of Net Sales.

Income Taxes

The effective income tax rate for second quarter 2023 was 22.3% compared to 25.6% for second quarter 2022. 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 effective tax rate in second quarter 2023 compared to the prior year quarter was reflective of discrete adjustments recognized during the second quarter 2023. For the full 2023 fiscal year, we expect our tax rate to be between 24% and 25% compared to the 25.2% effective tax rate recognized during the full 2022 fiscal year.

Results of Operations Year-to-Date Through July 29, 2023 Compared to Year-to-Date Through July 30, 2022

Net Sales

Net Sales were \$575.8 million in year-to-date 2023 and decreased 8.6% compared to year-to-date 2022. The decrease was due to a 9.3% comparable store sales decline resulting from an approximate 8% decrease in traffic in our physical stores and lower Net Sales through our e-commerce sales channel. We believe the lower store traffic was primarily due to persistent inflation, higher interest rates and a reduction in first quarter 2023 federal tax refunds compared to 2022 impacting our lower income consumers and our urban markets. The decrease was partially offset by Net Sales attributable to new stores, mostly new Shoe Station stores. E-commerce sales were approximately 8% of merchandise sales in year-to-date 2023 compared to 10% in year-to-date 2022.

Gross Profit

Gross Profit was \$204.0 million during year-to-date 2023, a decrease of \$22.0 million compared to year-to-date 2022. Gross profit margin in year-to-date 2023 was 35.4% compared to 35.9% in year-to-date 2022. Merchandise margin decreased 30 basis points, reflecting an increase in promotional intensity. BDO costs were lower year-to-date compared to year-to-date 2022; however, BDO decreased gross profit margin by 20 basis points due to the lower Net Sales in year-to-date 2023. The BDO costs were lower in year-to-date 2023 as freight and distribution costs declined versus 2022 through active management, contract renegotiation and normalization, partially offset by our investments in store modernization and by rent associated with operating more stores.

Selling, General and Administrative Expenses

SG&A increased \$6.6 million, or 4.3%, in year-to-date 2023 to \$158.4 million compared to \$151.8 million in year-to-date 2022. The increase was nearly evenly split between (1) brand initiatives, supporting new store growth and the launch of shoestation.com and (2) sustaining our in-store experience, which included higher payroll expense and depreciation of newly modernized stores. These increases were partially offset by lower advertising expense. As a percentage of Net Sales, SG&A were 27.5% in year-to-date 2023 compared to 24.1% in year-to-date 2022.

Interest Income and Interest Expense

Changes in our interest income and expense increased our income before taxes by \$764,000 in year-to-date 2023 compared to year-to-date 2022. This increase was primarily due to higher interest earned on invested cash balances and lower unused commitment fees under our current credit agreement as compared to our prior credit agreement.

Income Taxes

The effective income tax rate for year-to-date 2023 was 22.4% compared to 24.8% for year-to-date 2022. The lower effective tax rate in year-to-date 2023 compared to the prior year-to-date was reflective of discrete adjustments recognized during second quarter 2023.

Liquidity and Capital Resources

Our primary sources of liquidity are \$46.8 million of Cash, Cash Equivalents and Marketable Securities on hand at the end of the second quarter 2023, cash generated from operations and availability under our \$100 million credit agreement. 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, modernization/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 \$22.4 million in year-to-date 2023 compared to \$8.9 million during year-to-date 2022. The change in operating cash flow was primarily driven by inventory reductions, partially offset by decreased Net Sales in year-to-date 2023.

Working capital increased on a year-over-year basis and totaled \$330.6 million at July 29, 2023 compared to \$287.7 million at July 30, 2022. The increase was primarily attributable to lower Accounts Payable and higher Merchandise Inventories levels, partially offset by lower cash balances due to investment in Property and Equipment related to our store modernization program. Our current ratio was 3.1 as of July 29, 2023 compared to 2.5 as of July 30, 2022.

Cash Flow – Investing Activities

Our cash outflows for investing activities are normally for capital expenditures. During year-to-date 2023 and 2022, we expended \$30.7 million and \$50.2 million, respectively, for the purchase of Property and Equipment, primarily related to our store modernization program.

We invest in publicly traded mutual funds designed to mitigate income statement volatility associated with our nonqualified deferred compensation plan. The balance of these Marketable Securities was \$12.2 million at July 29, 2023, compared to \$11.6 million at January 28, 2023 and \$11.0 million at July 30, 2022. Additional information can be found in Note 3 — “Fair Value Measurements” to our Notes to Condensed 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 agreement. 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 agreement.

During year-to-date 2023, net cash used in financing activities was \$8.5 million compared to \$27.6 million during year-to-date 2022. The decrease in net cash used in financing activities was primarily due to the repurchase of \$20.5 million of shares in year-to-date 2022 under our Board of Directors' authorized share repurchase program. No share repurchases were made in year-to-date 2023.

Capital Expenditures

Capital expenditures for fiscal 2023, including actual expenditures in year-to-date 2023, are expected to be between \$55 million and \$65 million, with approximately \$45 million to \$50 million to be used for new stores and modernization and approximately \$10 million to \$15 million for upgrades to our distribution center and e-commerce platform, various other store improvements, continued investments in technology and normal asset replacement activities. The resources allocated to projects are subject to near-term changes depending on ongoing supply chain disruptions and potential inflationary and other macroeconomic impacts. Furthermore, the actual amount of cash required for capital expenditures for store operations depends in part on the number of stores opened, relocated, and remodeled, and the amount of lease incentives, if any, received from landlords. 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 opened two Shoe Station branded stores, opened one Shoe Carnival branded store and closed one Shoe Carnival branded store in year-to-date 2023. Increasing market penetration by adding new stores is a key component of our growth strategy. We opened our 400th store in August 2023 and are targeting operating over 500 stores in 2028. This increased scale will be accomplished through a combination of both organic and acquired store growth. We believe our current store footprint provides for growth in new markets within the United States as well as fill-in opportunities within existing markets. In the near term, we expect to pursue fill-in opportunities for store growth across large and mid-size markets as we continue to leverage customer data from our CRM program. We believe more attractive real estate options will be available with the addition of the Shoe Station retail concept to our portfolio and aim to grow the Shoe Station banner to over 100 stores over the same time period. However, our future store growth may continue to be impacted by macroeconomic uncertainty and our ability to identify desirable locations and/or acquisition partners.

Credit Agreement

On March 23, 2022, we entered into a \$100 million Amended and Restated Credit Agreement (the "Credit Agreement"), which replaced our prior credit agreement. The Credit Agreement is collateralized by our inventory, expires on March 23, 2027, and uses a Secured Overnight Financing Rate ("SOFR") as quoted by The Federal Reserve Bank of New York as the basis for financing charges. Material covenants associated with the Credit Agreement require that we maintain a minimum net worth of \$250 million and a consolidated interest coverage ratio of not less than 3.0 to 1.0. We were in compliance with these covenants as of July 29, 2023.

The Credit Agreement contains certain restrictions. However, as long as our consolidated EBITDA is positive and there are either no or low borrowings outstanding, we expect these restrictions would have no impact on our ability to pay cash dividends, execute share repurchases or facilitate acquisitions from cash on hand. The Credit Agreement stipulates that cash dividends and share repurchases of \$15 million or less per fiscal year can be made without restriction as long as there is no default or event of default before and immediately after such distributions. We are also permitted to make acquisitions and pay cash dividends or repurchase shares in excess of \$15 million in a fiscal year provided that (a) no default or event of default exists before and immediately after the transaction and (b) on a proforma basis, the ratio of (i) the sum of (A) our consolidated funded indebtedness plus (B) three times our consolidated rental expense to (ii) the sum of (A) our consolidated EBITDA plus (B) our consolidated rental expense is less than 3.5 to 1.0. Among other restrictions, the Credit Agreement also limits our ability to incur additional secured or unsecured debt to \$20 million.

The Credit Agreement bears interest, at our option, at (1) the agent bank's base rate plus 0.0% to 1.0% or (2) Adjusted Term SOFR plus 0.9% to 1.9%, depending on our achievement of certain performance criteria. A commitment fee is charged at 0.2% to 0.3% per annum, depending on our achievement of certain performance criteria, on the unused portion of the lenders' commitment. During year-to-date 2023, we did not borrow or repay funds under the Credit Agreement. Letters of credit outstanding were \$700,000 at July 29, 2023 and our borrowing capacity was \$99.3 million.

The terms "net worth", "consolidated interest coverage ratio", "consolidated funded indebtedness", "consolidated rental expense", "consolidated EBITDA", "base rate" and "Adjusted Term SOFR" are defined in the Credit Agreement.

Dividends

On June 20, 2023, the Board of Directors approved the payment of a second quarter 2023 cash dividend to our shareholders. The quarterly cash dividend of \$0.10 per share was paid on July 19, 2023 to shareholders of record as of the close of business on July 5, 2023. In second quarter 2022, the dividend paid was \$0.09 per share. During year-to-date 2023 and 2022, we returned \$5.7 million and \$5.1 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, subject to restrictions as outlined above in the “Credit Agreement” discussion. See Note 9 — “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 28, 2023 for a further discussion of the Credit Agreement.

Share Repurchase Program

On December 14, 2022, our Board of Directors authorized a share repurchase program for up to \$50.0 million of our outstanding common stock, effective January 1, 2023 (the “2023 Share Repurchase Program”). The purchases may be made in the open market or through privately negotiated transactions from time-to-time through December 31, 2023 and in accordance with applicable laws, rules and regulations. The 2023 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 and economic factors and are subject to restrictions as outlined above in the “Credit Agreement” discussion. See Note 9 — “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 28, 2023 for a further discussion of the Credit Agreement.

No share repurchases have been made to date in fiscal 2023. During year-to-date 2022, we repurchased 682,886 shares of common stock at a total cost of \$20.5 million.

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 could reduce our Net Sales and Gross Profit and negatively affect our profitability.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk in that the interest payable under the Credit Agreement 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 outstanding during second quarter 2023.

ITEM 4. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of July 29, 2023, 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 (the “Exchange Act”), 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 July 29, 2023 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

There have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023.

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

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number Of Shares Purchased as Part of Publicly Announced Programs ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under Programs ⁽¹⁾
April 30, 2023 to May 27, 2023	0	\$ 0.00	0	\$ 50,000,000
May 28, 2023 to July 1, 2023	0	\$ 0.00	0	\$ 50,000,000
July 2, 2023 to July 29, 2023	0	\$ 0.00	0	\$ 50,000,000
	0		0	

- (1) On December 14, 2022, our Board of Directors authorized the 2023 Share Repurchase Program for up to \$50.0 million of our outstanding common stock, effective January 1, 2023 and expiring on December 31, 2023.

ITEM 5. OTHER INFORMATION

During second quarter 2023, no members of our Board of Directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, amended or terminated any contract, instruction or written plan for the purchase or sale of our securities intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any non-Rule 10b5-1 trading arrangement, as defined in the SEC's rules.

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	06/27/2022	
3-B	By-laws of Registrant, as amended to date	8-K	3.B	03/17/2023	
10.1	Shoe Carnival, Inc. Amended and Restated 2017 Equity Incentive Plan	8-K	10.1	06/22/2023	
10.2	Form of Restricted Stock Award Agreement under the Amended and Restated 2017 Equity Incentive Plan (Non-Employee Directors)				X
10.3	Form of Restricted Stock Award Agreement under the Amended and Restated 2017 Equity Incentive Plan (Employee Directors)				X
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 July 29, 2023, 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: September 1, 2023

SHOE CARNIVAL, INC.
(Registrant)

By: /s/ Erik D. Gast
Erik D. Gast
Executive Vice President,
Chief Financial Officer and Treasurer
(Duly Authorized Officer and Principal Financial Officer)

SHOE CARNIVAL, INC.

Restricted Stock Award Agreement
Under the Amended and Restated 2017 Equity Incentive Plan
(Non-Employee Directors)

Shoe Carnival, Inc. (the “Company”), pursuant to its Amended and Restated 2017 Equity Incentive Plan (the “Plan”), hereby grants an award of Restricted Stock to you, the Participant named below. The terms and conditions of this Restricted Stock Award are set forth in this Restricted Stock Award Agreement (the “Agreement”), consisting of this cover page and the Terms and Conditions on the following pages, and in the Plan document, a copy of which has been provided or otherwise made available to you and is incorporated herein by reference and made a part of this Agreement. Any capitalized term that is not defined in this Agreement shall have the meaning set forth in the Plan, as it currently exists or as it is amended in the future.

Name of Participant: [_____]	
Number of Shares of Restricted Stock: [_____]	Grant Date: _____, 20__
Vesting Date: [_____]	

By signing below or otherwise evidencing your acceptance of this Agreement in a manner approved by the Company, you agree to all of the terms and conditions contained in this Agreement and in the Plan document. You acknowledge that you have received and reviewed these documents and that they set forth the entire agreement between you and the Company regarding your rights and obligations in connection with this Restricted Stock Award.

PARTICIPANT:

SHOE CARNIVAL, INC

 [NAME]

By: _____
 Name:
 Title:

Shoe Carnival, Inc.
Amended and Restated 2017 Equity Incentive Plan
Restricted Stock Award Agreement

Terms and Conditions

1. **Grant of Restricted Stock.** The Company hereby grants to you, as of the Grant Date specified on the cover page of this Agreement (the “Grant Date”) and subject to the terms and conditions in this Agreement and the Plan, an Award of the number of Shares of Restricted Stock specified on the cover page of this Agreement. Unless and until these Shares vest as provided in Section 4 of this Agreement, they are subject to the restrictions provided for in Section 3 of this Agreement and are referred to as “Restricted Shares.”

2. **Issuance of Restricted Shares.** Until the Restricted Shares vest as provided in Section 4 of this Agreement, the Restricted Shares will be evidenced either by a book-entry in your name with the Company’s transfer agent or by one or more stock certificates issued in your name. Any such stock certificate(s) will be deposited with the Company or its designee and will bear the following legend:

“This Certificate and the shares of stock evidenced hereby are subject to the terms and conditions (including possible forfeiture and restrictions on transfer) contained in the Shoe Carnival, Inc. Amended and Restated 2017 Equity Incentive Plan (the “Plan”) and the Restricted Stock Award Agreement (the “Agreement”) between the registered owner of the shares evidenced hereby and the Company. Release from such terms and conditions shall be made only in accordance with the provisions of the Agreement and the Plan, copies of which are on file in the office of the Company’s Secretary.”

Any book-entry will be accompanied by a similar legend and shall be subject to such stop-transfer orders and other restrictions as the Company may deem advisable. Your right to receive this Restricted Stock Award is conditioned upon your execution and delivery to the Company of any instructions of assignment that may be necessary to permit transfer to the Company of all or a portion of the Restricted Shares if such Restricted Shares are forfeited in whole or in part.

3. **Transfer Restrictions, Possible Forfeiture and Rights as Shareholder.**

(a) Until the Restricted Shares vest as provided in Section 4 of this Agreement, you are not entitled to sell, assign, transfer, exchange or encumber the Restricted Shares, other than by will or the laws of descent and distribution, and the Restricted Shares remain subject to possible forfeiture as provided in Section 5 of this Agreement. Any attempted transfer in violation of this Agreement or the Plan shall be null and void and of no effect.

(b) Except as otherwise provided in this Agreement or the Plan, you are entitled at all times on and after the Grant Date to all the rights of a shareholder with respect to the Restricted Shares, including the right to vote the Restricted Shares. Any dividends or distributions, including regular cash dividends, payable with respect to outstanding but unvested Restricted Shares, including any Shares or other property or securities distributable as the result of any equity restructuring or other change in corporate capitalization described in Section 12 of the Plan, shall be delivered to, retained and held by the Company subject to the same restrictions, vesting conditions and other terms of this Agreement to which the underlying unvested

Restricted Shares are subject. At the time the underlying Restricted Shares vest, the Company shall deliver to you (without interest) such retained dividends and distributions that relate to the Restricted Shares that have vested. You agree to execute and deliver to the Company any instruments of assignment that may be necessary to permit transfer to the Company of all or any portion of any dividends or distributions subject to this Section 3(b) that may be forfeited.

4. **Vesting of Restricted Shares.**

(a) **Scheduled Vesting.** If you remain a Service Provider continuously from the Grant Date, then the Restricted Shares will vest on the Vesting Date specified on the cover page of this Agreement (the “Vesting Date”).

(b) **Accelerated Vesting.** Notwithstanding Section 4(a) of this Agreement:

(1) **Death or Disability.** If your Service terminates prior to the Vesting Date due to your death or Disability, all of the Restricted Shares shall vest in full immediately upon such termination.

(2) **Change in Control.** If a Change in Control occurs prior to the Vesting Date, all of the Restricted Shares shall vest in full immediately prior to the effective time of such Change in Control.

5. **Effect of Termination of Service.** Except as otherwise provided in accordance with Section 4(b) of this Agreement, if you cease to be a Service Provider, you will immediately forfeit all unvested Restricted Shares and all retained dividends and distributions that relate to such unvested Restricted Shares. Any Restricted Shares that are forfeited shall be returned to the Company for cancellation. You shall have no further rights as a shareholder of the Company with respect to the forfeited Shares, including, without limitation, any right to receive any dividend or distribution payable to shareholders of record on or after the date of such forfeiture.

6. **Delivery of Unrestricted Shares.** After any Restricted Shares vest pursuant to Section 4 of this Agreement, and after the Company has determined that all conditions to the release of such vested Shares to you, including compliance with all applicable legal requirements as provided in Section 18(c) of the Plan, have been satisfied, the Company shall, as soon as practicable, cause to be delivered to you, or to your designated beneficiary or estate in the event of your death, the applicable number of unrestricted Shares. Delivery of the unrestricted Shares shall be effected by the removal of restrictions on the book-entry in the stock register maintained by the Company’s transfer agent with a corresponding notice provided to you, by the electronic delivery of the Shares to a brokerage account you designate, or by delivery to you of a stock certificate without a restrictive legend.

7. **No Right to Continued Service or Future Awards.** This Agreement awards Restricted Stock to you, but does not impose any obligation on the Company to make any future grants or issue any future awards to you or otherwise continue your participation under the Plan. This Agreement will not give you a right to continued Service with the Company or any Affiliate, and the Company may terminate your Service without regard to the effect it may have upon you under this Agreement.

8. **Tax Consequences.** You acknowledge that unless you make a proper and timely Section 83(b) election as described below, then at the time the Restricted Shares vest, you will be obligated to recognize ordinary income and be taxed in an amount equal to the Fair Market Value as of the date of

vesting of the Restricted Shares then vesting. You shall be solely responsible for any tax obligations that may arise as a result of this Award.

You understand that, with respect to the grant of this Restricted Stock Award, you may file an election with the Internal Revenue Service, within 30 days of the Grant Date, electing pursuant to Section 83(b) of the Code to be taxed on the Fair Market Value of the Restricted Shares as of the Grant Date. You acknowledge that it is your sole responsibility to timely file an election under Section 83(b) of the Code. If you make such an election, you must promptly provide the Company with a copy.

9. **Governing Plan Document**. This Agreement and the Award are subject to all the provisions of the Plan, including the confidentiality, non-solicitation, forfeiture and recovery provisions set forth in Section 17 of the Plan, and to all interpretations, rules and regulations which may, from time to time, be adopted and promulgated by the Board or the Committee pursuant to the Plan. All interpretations of the Committee and all related decisions or resolutions of the Board or the Committee shall be final and binding on the Company and you. If there is any inconsistency between the provisions of this Agreement and the Plan, the provisions of the Plan will govern.

10. **Entire Agreement**. This Agreement and the Plan set forth the entire agreement and understanding of the parties hereto with respect to the issuance and delivery of the Restricted Shares and supersede all prior agreements, arrangements, plans, and understandings relating to the issuance and delivery of these Restricted Shares.

11. **Choice of Law**. This Agreement will be interpreted and enforced under the laws of the state of Indiana (without regard to its conflicts-of-law principles).

12. **Binding Effect**. This Agreement will be binding in all respects on your heirs, representatives, successors and assigns, and on the successors and assigns of the Company.

13. **Electronic Delivery and Acceptance**. The Company may deliver any documents related to this Restricted Stock Award by electronic means and request your acceptance of this Agreement by electronic means. You hereby consent to receive all applicable documentation by electronic delivery and to participate in the Plan through an on-line (and/or voice activated) system established and maintained by the Company or the Company's third-party stock plan administrator.

SHOE CARNIVAL, INC.

Restricted Stock Award Agreement
Under the Amended and Restated 2017 Equity Incentive Plan
(Employee Directors)

Shoe Carnival, Inc. (the “Company”), pursuant to its Amended and Restated 2017 Equity Incentive Plan (the “Plan”), hereby grants an award of Restricted Stock to you, the Participant named below. The terms and conditions of this Restricted Stock Award are set forth in this Restricted Stock Award Agreement (the “Agreement”), consisting of this cover page and the Terms and Conditions on the following pages, and in the Plan document, a copy of which has been provided or otherwise made available to you and is incorporated herein by reference and made a part of this Agreement. Any capitalized term that is not defined in this Agreement shall have the meaning set forth in the Plan, as it currently exists or as it is amended in the future.

Name of Participant: [_____]	
Number of Shares of Restricted Stock: [_____]	Grant Date: _____, 20__
Vesting Date: [_____]	

By signing below or otherwise evidencing your acceptance of this Agreement in a manner approved by the Company, you agree to all of the terms and conditions contained in this Agreement and in the Plan document. You acknowledge that you have received and reviewed these documents and that they set forth the entire agreement between you and the Company regarding your rights and obligations in connection with this Restricted Stock Award.

PARTICIPANT:

SHOE CARNIVAL, INC

 [NAME]

By: _____
 Name:
 Title:

Shoe Carnival, Inc.
Amended and Restated 2017 Equity Incentive Plan
Restricted Stock Award Agreement

Terms and Conditions

1. **Grant of Restricted Stock.** The Company hereby grants to you, as of the Grant Date specified on the cover page of this Agreement (the “Grant Date”) and subject to the terms and conditions in this Agreement and the Plan, an Award of the number of Shares of Restricted Stock specified on the cover page of this Agreement. Unless and until these Shares vest as provided in Section 4 of this Agreement, they are subject to the restrictions provided for in Section 3 of this Agreement and are referred to as “Restricted Shares.”

2. **Issuance of Restricted Shares.** Until the Restricted Shares vest as provided in Section 4 of this Agreement, the Restricted Shares will be evidenced either by a book-entry in your name with the Company’s transfer agent or by one or more stock certificates issued in your name. Any such stock certificate(s) will be deposited with the Company or its designee and will bear the following legend:

“This Certificate and the shares of stock evidenced hereby are subject to the terms and conditions (including possible forfeiture and restrictions on transfer) contained in the Shoe Carnival, Inc. Amended and Restated 2017 Equity Incentive Plan (the “Plan”) and the Restricted Stock Award Agreement (the “Agreement”) between the registered owner of the shares evidenced hereby and the Company. Release from such terms and conditions shall be made only in accordance with the provisions of the Agreement and the Plan, copies of which are on file in the office of the Company’s Secretary.”

Any book-entry will be accompanied by a similar legend and shall be subject to such stop-transfer orders and other restrictions as the Company may deem advisable. Your right to receive this Restricted Stock Award is conditioned upon your execution and delivery to the Company of any instructions of assignment that may be necessary to permit transfer to the Company of all or a portion of the Restricted Shares if such Restricted Shares are forfeited in whole or in part.

3. **Transfer Restrictions, Possible Forfeiture and Rights as Shareholder.**

(a) Until the Restricted Shares vest as provided in Section 4 of this Agreement, you are not entitled to sell, assign, transfer, exchange or encumber the Restricted Shares, other than by will or the laws of descent and distribution, and the Restricted Shares remain subject to possible forfeiture as provided in Section 5 of this Agreement. Any attempted transfer in violation of this Agreement or the Plan shall be null and void and of no effect.

(b) Except as otherwise provided in this Agreement or the Plan, you are entitled at all times on and after the Grant Date to all the rights of a shareholder with respect to the Restricted Shares, including the right to vote the Restricted Shares. Any dividends or distributions, including regular cash dividends, payable with respect to outstanding but unvested Restricted Shares, including any Shares or other property or securities distributable as the result of any equity restructuring or other change in corporate capitalization described in Section 12 of the Plan, shall be delivered to, retained and held by the Company subject to the same restrictions, vesting conditions and other terms of this Agreement to which the underlying unvested

Restricted Shares are subject. At the time the underlying Restricted Shares vest, the Company shall deliver to you (without interest) such retained dividends and distributions that relate to the Restricted Shares that have vested. You agree to execute and deliver to the Company any instruments of assignment that may be necessary to permit transfer to the Company of all or any portion of any dividends or distributions subject to this Section 3(b) that may be forfeited.

4. **Vesting of Restricted Shares.**

(a) **Scheduled Vesting.** If you remain a Service Provider continuously from the Grant Date, then the Restricted Shares will vest on the Vesting Date specified on the cover page of this Agreement (the “Vesting Date”).

(b) **Accelerated Vesting.** Notwithstanding Section 4(a) of this Agreement:

(1) **Death or Disability.** If your Service terminates prior to the Vesting Date due to your death or Disability, all of the Restricted Shares shall vest in full immediately upon such termination.

(2) **Change in Control.** If a Change in Control occurs prior to the Vesting Date, all of the Restricted Shares shall vest in full immediately prior to the effective time of such Change in Control.

5. **Effect of Termination of Service.** Except as otherwise provided in accordance with Section 4(b) of this Agreement, if you cease to be a Service Provider, you will immediately forfeit all unvested Restricted Shares and all retained dividends and distributions that relate to such unvested Restricted Shares. Any Restricted Shares that are forfeited shall be returned to the Company for cancellation. You shall have no further rights as a shareholder of the Company with respect to the forfeited Shares, including, without limitation, any right to receive any dividend or distribution payable to shareholders of record on or after the date of such forfeiture.

6. **Delivery of Unrestricted Shares.** After any Restricted Shares vest pursuant to Section 4 of this Agreement, and after the Company has determined that all conditions to the release of such vested Shares to you, including compliance with all applicable legal requirements as provided in Section 18(c) of the Plan, have been satisfied, the Company shall, as soon as practicable, cause to be delivered to you, or to your designated beneficiary or estate in the event of your death, the applicable number of unrestricted Shares. Delivery of the unrestricted Shares shall be effected by the removal of restrictions on the book-entry in the stock register maintained by the Company’s transfer agent with a corresponding notice provided to you, by the electronic delivery of the Shares to a brokerage account you designate, or by delivery to you of a stock certificate without a restrictive legend.

7. **No Right to Continued Service or Future Awards.** This Agreement awards Restricted Stock to you, but does not impose any obligation on the Company to make any future grants or issue any future awards to you or otherwise continue your participation under the Plan. This Agreement will not give you a right to continued Service with the Company or any Affiliate, and the Company may terminate your Service without regard to the effect it may have upon you under this Agreement.

8. **Tax Consequences.** You acknowledge that unless you make a proper and timely Section 83(b) election as described below, then at the time the Restricted Shares vest, you will be obligated to recognize ordinary income and be taxed in an amount equal to the Fair Market Value as of the date of

vesting of the Restricted Shares then vesting. You shall be solely responsible for any tax obligations that may arise as a result of this Award. The Company will retain a portion of the Shares that would otherwise be delivered to you upon the vesting of the Restricted Shares, which retained Shares shall have a Fair Market Value on the date the taxes are required to be withheld equal to the amount of taxes required to be withheld, unless you provide notice to the Company prior to the vesting date of the Restricted Shares that you desire to pay cash or direct the Company (or any Affiliate) to withhold from payroll or other amounts payable to you any sums required to satisfy such withholding tax obligations, and otherwise agree to satisfy such obligations in accordance with the provisions of Section 14 of the Plan.

You understand that, with respect to the grant of this Restricted Stock Award, you may file an election with the Internal Revenue Service, within 30 days of the Grant Date, electing pursuant to Section 83(b) of the Code to be taxed on the Fair Market Value of the Restricted Shares as of the Grant Date. You acknowledge that it is your sole responsibility to timely file an election under Section 83(b) of the Code. If you make such an election, you must promptly provide the Company with a copy.

9. **Governing Plan Document**. This Agreement and the Award are subject to all the provisions of the Plan, including the confidentiality, non-solicitation, forfeiture and recovery provisions set forth in Section 17 of the Plan, and to all interpretations, rules and regulations which may, from time to time, be adopted and promulgated by the Board or the Committee pursuant to the Plan. All interpretations of the Committee and all related decisions or resolutions of the Board or the Committee shall be final and binding on the Company and you. If there is any inconsistency between the provisions of this Agreement and the Plan, the provisions of the Plan will govern.

10. **Entire Agreement**. This Agreement and the Plan set forth the entire agreement and understanding of the parties hereto with respect to the issuance and delivery of the Restricted Shares and supersede all prior agreements, arrangements, plans, and understandings relating to the issuance and delivery of these Restricted Shares.

11. **Choice of Law**. This Agreement will be interpreted and enforced under the laws of the state of Indiana (without regard to its conflicts-of-law principles).

12. **Binding Effect**. This Agreement will be binding in all respects on your heirs, representatives, successors and assigns, and on the successors and assigns of the Company.

13. **Electronic Delivery and Acceptance**. The Company may deliver any documents related to this Restricted Stock Award by electronic means and request your acceptance of this Agreement by electronic means. You hereby consent to receive all applicable documentation by electronic delivery and to participate in the Plan through an on-line (and/or voice activated) system established and maintained by the Company or the Company's third-party stock plan administrator.

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: September 1, 2023

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, Erik D. Gast, 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: September 1, 2023

By: /s/ Erik D. Gast
Erik D. Gast
Executive Vice President,
Chief Financial 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 July 29, 2023 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: September 1, 2023

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 July 29, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Erik D. Gast, Executive Vice President, Chief Financial 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: September 1, 2023

By: /s/ Erik D. Gast
Erik D. Gast
Executive Vice President,
Chief Financial Officer and Treasurer
