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Market Intelligence

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Earnings Call

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Call Participants

EXECUTIVES

Carl N. Scibetta

Senior EVP & Chief Merchandising Officer

Mark J. Worden

President, CEO & Director

Patrick C. Edwards

Senior VP, CFO, Secretary & Treasurer

Steve R. Alexander

Investor Relations

ANALYSTS

James Andrew Chartier

Monness, Crespi, Hardt & Co., Inc., Research Division

Mitchel John Kummetz

Seaport Research Partners

Samuel Marc Poser

Williams Trading, LLC, Research Division

Presentation

Operator

Good morning, and welcome to Shoe Carnival's First Quarter 2024 Earnings Conference Call. Today's conference call is being recorded and is also being broadcast via webcast. Any reproduction or rebroadcast of any portion of this call is expressly prohibited. I would now like to introduce Mr. Steve Alexander, with Shoe Carnival Investor Relations. Mr. Alexander, please go ahead.

Steve R. Alexander

Investor Relations

Thank you, and good morning. Thanks for joining us today. Earlier this morning, we issued our earnings press release for the first quarter of 2024. If you need a copy of the release, it is available on our website in the Investors' section.

Joining me on today's call are Mark Worden, President and Chief Executive Officer, Shoe Carnival; Carl Scibetta, Chief Merchandising Officer; and Patrick Edwards, Chief Financial Officer.

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

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

Today's call will reference non-GAAP measures. The non-GAAP or adjusted results referenced exclude the purchase accounting, merger integration and transaction costs related to the acquisition of Rogan's shoes.

A reconciliation of GAAP to non-GAAP results is included in this morning's release. And with that, I'll hand the call over to Mark.

Mark J. Worden

President, CEO & Director

Thank you, Steve, and good morning, everyone. Let me start today by saying that sales momentum is accelerating across the company. We gained significant market share during the quarter. Our new digital-first marketing plans worked, and we sold a ton of sandals at Shoe Carnival.

During the quarter, net sales grew 6.8% to \$300.4 million. Our sales growth surpassed the high end of our expectations for the quarter, and there are 4 key drivers I would like to highlight. First, Shoe Station net sales grew faster than planned, increasing low double digits as we entered new markets, engaged new customers and continued to rapidly grow share in the existing markets we serve.

Second, e-commerce sales continued to grow double digits during the quarter, driven by the relaunch of shoecarnival.com in the third quarter of 2023. That relaunch enhanced the customer experience, is driving significant gains in customer conversion and ultimately, in sales growth.

Additionally, our launch of shoestation.com in early 2023 continues to drive growth as the platform scales up customer acquisition. Third, Rogan, which we acquired during the middle of February 2024, delivered first quarter net sales in line with our expectation. The integration is progressing ahead of schedule, and we continue to be on pace to deliver the increased synergies in fiscal 2025 as discussed last quarter.

Fourth, and most encouraging to me, during the quarter trends significantly improved at our Shoe Carnival banner when we kicked off our new digital-first marketing campaign. The customer response to our

sample assortment has been outstanding, with total sales growth of 14% in sandals during the quarter and accelerated sales growth in April after the Easter holiday period ended.

The results are clear. Our new digital-first marketing approach and compelling product assortment are working. We launched the new sandal season, Easter holiday marketing campaign about a month into Q1 and accelerated investments as spring weather progressed.

Prior to the campaign launch, sales were soft in January and February with a declining sales trend similar to nonevent periods in the prior year. Once we started the new campaign, we saw an immediate improvement in results.

During March, sales accelerated to single-digit growth early in the month and continued to accelerate significantly in the days leading up to Easter with double-digit growth across both the Shoe Station and Shoe Carnival banners.

Coming out of the Easter holiday event period, we saw encouraging sample buying trends. So, we continue to engage customers with our marketing campaign focused on social, digital and targeted CRM activities. While April is not what I would consider a nonevent period due to it being an important seasonal event month for us, it did provide some early insights about customer buying behavior.

We need to see this play out over a longer time period to understand that this is a sustaining trend in 2024, but I can share that the customer was far more engaged and motivated to purchase across our banners, across our geographies and across household income levels in both March and April as compared to January and February.

We will be monitoring this encouraging pattern closely and investing appropriately into trends as they emerge ahead. Shifting from our sales growth to financial highlights in the quarter. We again delivered sustained margin performance in the quarter, with gross profit margin expanding to 35.6%, representing the 13th consecutive quarter above 35%.

Operating income in the quarter increased 7.5% and pretax income increased 8.5% to \$23.2 million. Margin expansion over the long term has been a key driver of our profit transformation, led by our targeted promotional plans, smart buying strategies and growth of our Shoe Perks CRM membership. I'm particularly pleased with the merchandise margin expansion achieved this quarter versus Q1 last year.

And, at the same time, we were able to grow sales ahead of our expectation. And compared to 5 years ago, gross profit margin in first quarter 2024 expanded 600 basis points, and operating income grew 44% on sales growth of 18%, demonstrating our success to grow the business profitably over the long term.

Our vision is to be the nation's leading family footwear retailer and a core strategy of realizing this vision is profitable M&A activity. We've completed 2 acquisitions in our company's history, Shoe Station, which we acquired in late 2021 and then most recently, Rogan's, which we acquired in February 2024.

Starting with Shoe Station. We completed the integration about a year ahead of schedule and achieved both the efficiencies and synergies that we expected. A little over 2 years later, Shoe Station continues to significantly grow sales ahead of the retail footwear category, grow profit and expand margins.

We have added new stores as part of growing the Shoe Station banner, and we are well positioned to continue expanding our market reach, engaging with new customers and continue rapidly expanding the Shoe Station banner in the years ahead.

We also launched the shoestation.com website in early 2023, which is driving e-commerce growth. We fully integrated Shoe Station into our Shoe Perks platform and are leveraging our advanced CRM analytics and capabilities to drive deeper engagement with both new and existing customers.

Moving to Rogan's, which we acquired in February 2024. We're in the early stages of integration and continue to be encouraged with the progress. Rogan delivered first quarter 2024 sales and profit results in line with our expectation, and we continue to expect that it will be accretive to our results in fiscal 2024. We also continue to expect that the level of accretion will increase meaningfully in fiscal 2025.

As discussed previously, based on the early pace of progress of the integration, we accelerated the time line, increased the expected synergy amount to \$2.5 million and accelerated the timing of the synergy capture entirely into fiscal 2025 rather than across fiscal 2025 and 2026.

Today, we continue to expect full synergy capture in the amount of \$2.5 million, and we continue to expect the entirety of those synergies will be realized in fiscal 2025. Additionally, we are on pace to have Rogan's fully integrated into our Shoe Station Growth banner operations in early 2025 and expect that Rogan's will be a solid source of accretive profit growth in 2025 and beyond.

In 2025, with Rogan's fully integrated, we believe that our Shoe Station banner will be even better positioned to drive sales and profit growth. Including Rogan's, Shoe Station is currently at 59 stores, and we expect to surpass the 100 store count sooner than planned as part of our long-term strategy to surpass 500 total stores in 2028.

Shoe Station and Rogan's, both demonstrate our successful approach to M&A as a key component of our long-term growth strategy. To date, we've largely focused on acquisitions that provide market leadership in their regions are profitable and give us the opportunity to expand our market presence or further penetrate existing markets.

Going forward, we are well positioned to continue pursuing M&A as part of our growth strategy. Our balance sheet is strong, and we have 0 debt. We have the flexibility to consider using equity or modest debt to the appropriate M&A opportunity. But given our solid cash position, funding M&A with cash flow from operations has been our approach just as we did with Shoe Station and Rogan's.

In addition to M&A, another key component of our growth strategy is to continue leveraging our advanced customer analytics and capabilities. By doing this, we can better identify customer priorities at a market level and drive engagement both in-store and online. One of the primary focus areas in this strategy is to evaluate data on community characteristics, purchasing trends, product assortment and mix.

We gained valuable insights about our Shoe Station customer by doing this analysis and have defined many markets where Shoe Station stores can likely outperform. Specifically, we have identified existing Shoe Carnival locations for the customer and real estate characteristics better aligned with Shoe Station. We're now in the early test and learn development process of banner transitions, meaning closing an existing Shoe Carnival store and opening a Shoe Station store in the market where customer dynamics better fit our growth banner.

It's very early days on executing the strategy, but I'm excited about what the data indicates regarding the potential for profitable growth in the years ahead. I'll have an in-market test to discuss our next conference call, so, stay tuned.

Moving now to thoughts on the balance of fiscal 2024. As I discussed earlier, we are encouraged with the sales growth and profitability we achieved in the first quarter. We achieved sales ahead of our expectations and grew operating profit even faster than sales. Patrick will provide additional details in his remarks, but given the solid performance in the quarter, today, we are reiterating our entire fiscal 2024 outlook.

We are only 2 weeks into Q2, so I do not have a lot to share about this quarter yet. But I can provide a brief update on a few things we are seeing so far in May. First, sandals continue to sell very well with double-digit growth in the first 2 weeks of May, and this is particularly encouraging as we are now in the peak selling period.

Second, product gross margins remained strong and in line with what I would like to see for Q2. Third, we are continuing to see sales trends pace where I would like to see them to achieve our annual expectations across our banners.

Last, we're now entering a nonevent buying period until we get into back-to-school. It is not yet clear if the customer remains as cautious about buying in nonevent periods as they were last year. We will continue to monitor customer buying behavior closely during this period before back-to-school starts and pivot accordingly.

Before handing it to Carl to discuss Q1 category-level performance, I'd like to share a few summary comments. We are encouraged by the results we achieved in the quarter. We delivered sales growth and operating profits higher than our expectations.

We again delivered sustained gross profit margin performance exceeding 35% for the 13th consecutive quarter. Sales growth in the quarter was led by continued strength in our Shoe Station banner, e-commerce and Rogan's acquisition.

Trends improved sharply at our Shoe Carnival banner during March and April as we are having a strong start to the sandal season. Our digital-first marketing strategy is resonating with customers and our assortment of the right brands with the right depth is working.

Our strategy is to grow sales and increase profitability over the long term have put us in a competitive position of strength to continue growing market share and delivering shareholder value.

Our long-term vision is clear: to be the nation's leading family footwear retailer. And I believe we are very well positioned to continue advancing toward that ambition in 2024 and beyond.

And now, I'll hand it over to Carl to provide further color on our category's performance. Carl?

Carl N. Scibetta

Senior EVP & Chief Merchandising Officer

Thank you, Mark. As you discussed, sales momentum accelerated across the business during the quarter. From a category perspective, both children and adult athletics performed very well, and we did sell a lot of sandals at Shoe Carnival.

While competitive intensity remained high during the quarter, we delivered gross profit margin of about 35% for the 13th consecutive quarter, and we remain committed to our long-term profit transformation and targeted CRM strategies to continue delivering sustained gross profit margin performance.

Our merchandise margin in the quarter expanded by 50 basis points versus prior year, primarily due to lower inbound freight and shipping costs. During the first quarter, we continued to further optimize our inventory levels. Inventory at the end of the quarter totaled \$411.6 million, an increase of \$22.1 million versus prior year, primarily reflecting the impact of the Rogan's acquisition in February 2024.

Excluding the impacts of Rogan's, our merchandise inventory at the end of Q1 was lower by approximately 6% on a dollar basis than prior year. And on a unit basis, merchandise inventory was down approximately 9% versus prior year.

Excluding the impact of Rogan's inventory, we continue to expect fiscal 2024 year-end inventory to be approximately \$20 million or 5% lower than fiscal 2023 year-end while maintaining the freshest product assortment for our customers.

Now, moving to sales by category for the quarter. Total Q1 comp sales were down 3.4%, which reflected our very strong performance in sandals, combined with growth in Athletics. And, as Mark discussed, our comp sales trends strengthened as the quarter progressed.

From a category perspective, total adult athletic comp sales increased low single digits in the quarter. Comp sales in women's adult athletics were up by mid-singles, led by court and basketball. Comp sales in men's adult athletics were down low singles with the decline in running partially offset by strength in training and walking.

Children's comp sales were down very low single digit with athletic low single-digit and nonathletic down mid-single digit. The strong performance of children's athletic was led by Corden Running, the children's non-Fed performance was primarily due to softness in boots and dress partially offset by solid growth in sandals.

First quarter comp sales in women's nonathletic footwear were down high single digits with boots low 20s. Dress and casual were both down high teens. Sport was down mid-teens and sandals were very strong

in the quarter, growing 14% with performance trends accelerating during the quarter, led by flat handles, footbeds and slides.

Men's non-athletic comp sales were down mid-single digit. Dress was down low teens. Boots were down low double digit and casual was down low single digit. In casual canvas, casuals were down, partially offset by strong growth in sandals.

Coming out of the quarter, our inventory content is clean and in good position, including sandals. We are excited about the fresh new products coming to our stores in 2024. As our back-to-school inventory begins to arrive later this month and build in May and June, we are well positioned to in back-to-school by growing our children's business just as we did last year, providing the product assortment and mix that our customers want.

And with this, I'll turn the call over to Patrick for a review of our financials. Patrick?

Patrick C. Edwards

Senior VP, CFO, Secretary & Treasurer

Thanks, Carl. Moving on to our financial results. Starting with top line. Our net sales in Q1 were \$300.4 million, an increase of 6.8% versus prior year. Rogan's and continued growth from Shoe station, combined with strengthening trends at Shoe Carnival, were the key drivers to this strong performance.

Going into a little more detail. Shoe Station total sales performed very well with a low double-digit increase versus prior year on the strength of new stores and share growth in existing markets. Shoe Carnival total sales came in at a low single-digit decline. While sales trends were soft early in the quarter, they strengthened as the quarter progressed and demonstrated comparable store sales growth versus prior year late in the quarter on the strength of sandals and athletics.

Rogan's sales in the quarter approximated \$19.6 million. As you will recall, we completed the Rogan's acquisition in mid-February of this year and therefore, only a partial month of Rogan's sales from February are included in our first quarter results.

Consistent with previous guidance, we continue to expect full year 2024 net sales for Rogan's to approximately \$84 million. As a result of the 53rd week in fiscal 2023 that will not recur in fiscal 2024, the calendar weeks in each quarter shipped in 2024 as compared to prior year, which we discussed on our earnings call in March.

On a comparable store sale basis, which excludes the impact of this calendar shift, Rogan's sales and other new store growth, net sales declined 3.4% for first quarter, representing a significant improvement versus comparable store sale trends in late fiscal 2023.

As the first quarter progressed, and we continued to execute our digital-first marketing campaign, we saw strengthening comparable store sales trends and those trends turned to low single-digit growth versus prior year late in the quarter.

Q1 gross profit margin expanded to 35.6%, marking the 13th consecutive quarter that our gross profit margin has exceeded 35%. Compared to Q1 2023, gross profit margin increased approximately 60 basis points, with merchandise margins increasing approximately 50 basis points, led by stable product margins and lower incoming freight and e-commerce shipping costs during the quarter.

Buying, distribution and occupancy costs were higher in the quarter, primarily due to increased rent associated with operating more stores. Despite these higher overall costs in the quarter, BD&O leveraged approximately 10 basis points on the higher sales delivery versus the prior year.

SG&A expense in Q1 was \$84.3 million, representing an increase of \$6.7 million versus Q1 2023. Q1 SG&A increased on higher marketing investments that drove our strong sales performance in the quarter and higher selling expenses associated with Rogan's. As a percentage of net sales, our SG&A was 28.1%. We continue to expect synergies from the Rogan's acquisition into 2025, and we expect those synergies to lower our SG&A as a percentage of sales as they are achieved.

Operating income in the quarter totaled \$22.5 million, an increase of 7.5% versus prior year on a GAAP basis and 9.8% on an adjusted basis. We were pleased that our operating income grew faster than net sales in the quarter. On a GAAP basis, operating income included approximately \$500,000 of expenses from the Rogan's acquisition.

Our income tax rate in the quarter was 25.4% versus 22.6% in the prior year, resulting in a headwind to EPS of approximately \$0.02 per share. This higher rate primarily reflects a lower benefit in fiscal 2024 from share settled equity awards. On a GAAP basis, net income for first quarter 2024 was \$17.3 million or \$0.63 per diluted share.

On a non-GAAP basis, excluding the Rogan's related costs, adjusted net income for the first quarter was \$17.7 million or \$0.64 per diluted share. At the end of the quarter, we had total cash, cash equivalents and marketable securities of approximately \$69 million. Cash and cash equivalents increased over \$24 million versus first quarter 2023, and cash flow from operations in the quarter increased approximately \$15 million.

2023 fiscal year-end marked the 19th consecutive year the company ended the year with no debt. And through the first quarter of 2024, we have continued to fund our operations and growth investments, including the acquisition of Rogan's in February 2024 from operating cash flow and without debt.

During the quarter, we did not repurchase any shares and have \$50 million available under our current share repurchase program. Inventory at the end of the quarter totaled \$412 million, an increase of approximately \$22 million versus prior year. The increase reflected Rogan's acquired inventory and the timing of purchases, partially offset by continued efficiencies from our ongoing inventory optimization improvement plan.

As Carl discussed, we continue to expect inventory will be lower by approximately \$20 million on our business, excluding Rogan's by the end of the year. Moving on to our 2024 outlook. Based on first quarter results, today, we reiterated our entire full year 2024 outlook, including net sales growth in a range of 4% to 6% versus fiscal 2023 and full year fiscal adjusted EPS in a range of \$2.55 to \$2.75.

The phasing of our Q2 and Q3 quarterly results versus the prior year will be significantly impacted by the retail calendar shift. One of our highest volume back-to-school weeks will move out of Q3 and into Q2. As a result, we are providing additional information on our expected second quarter net sales and second quarter EPS.

We expect net sales for the second quarter to be about \$330 million compared to \$295 million in the prior year. This would be an increase in net sales of about 12% versus last year. This increase includes a benefit of approximately \$20 million in the quarter as a result of the retail calendar shift. We expect a similar increase in our EPS, which would put EPS at about \$0.80 in the quarter compared to \$0.71 earned in last year's second quarter.

We continue to expect the combined total of Q2 and Q3 sales growth in 2024 versus prior year to be in line with our full year outlook of 4% to 6% net sales growth. To close, in the first quarter, we delivered net sales growth of 6.8% and operating income growth of nearly 10% on an adjusted basis.

Our strong balance sheet and cash flow continue to position us to fund internal growth, execute on desirable M&A opportunities and the continued ability to deliver long-term shareholder return. As previously announced, we will hold our Annual Meeting of Shareholders on June 25, 2024 at 9:00 a.m. Eastern Time. The distribution of information to shareholders for the annual meeting began on May 14. This concludes our financial review. Now, we would like to open the call up for questions. Operator?

Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Sam Poser with Williams Trading.

Samuel Marc Poser

Williams Trading, LLC, Research Division

Just a follow-up on the calendar shift stuff in the second quarter. I believe on the first quarter call or on the fourth quarter call, you inferred that it was going to be about a \$25 million per quarter maneuver versus the \$20 million you just said. I want to make sure I got that right, but what changed, if I did?

Patrick C. Edwards

Senior VP, CFO, Secretary & Treasurer

Hi, Sam, this is Patrick. Great question. I appreciate you asking it. The \$25 million versus the \$20 million, the difference is the amount of benefits that exists in the first quarter that shifted into there, which is about 2%.

Samuel Marc Poser

Williams Trading, LLC, Research Division

Just so I get this right, you're gaining a \$25 million a week, and you're losing a \$5 million a week just at the beginning or lost a \$5 million a week at the beginning of the quarter. So, my question on Q3 then is, theoretically, in Q3, you wouldn't lose as much because I believe the last week with the shift in Q3 is bigger than the shift out in Q1. Historically, and so, you're gaining \$20 million in Q2 and you what loses about \$18 million in Q3 or something like that?

Patrick C. Edwards

Senior VP, CFO, Secretary & Treasurer

I'll try to just reiterate what we said here one more time and then if necessary, we can go a little bit deeper on it. But our Q2 net sales are going to be up 12% with \$20 million of that caused by the shift. And as you said, \$25 million coming in from Q3, \$5 million coming out into Q1.

Q2 and Q3 combined are going to be about flat, leaving us with growth of 4% to 6% over both of those periods. And then you're right, Q4 has a more significant and material impacts where we just completely lose that 53rd week in its entirety, which is about \$15 million.

Samuel Marc Poser

Williams Trading, LLC, Research Division

Which is going to be offset by, what, about \$35 million from Rogan's? So, you lose to gain, yes.

Patrick C. Edwards

Senior VP, CFO, Secretary & Treasurer

So, Sam, we know we've tried. For Q2, we've tried to give a lot of increased color around this because of the complexity that you're dealing with right now and the complexity that most retailers are dealing with right now. So, our goal is to provide a range around that \$330 million in our EPS.

And, as we move through the year, we'll continue to do that. But the other elements of our growth and of our drivers, we're just not prepared yet to give that for Q2 or any other quarter. But for the full year, we're still expecting revenue growth of 4% to 6% on that unshifted basis and a cost decline of somewhere between down 3% to up 1% on a shifted basis.

Operator

Your next question comes from the line of Mitch Kummetz with Seaport Research.

Mitchel John Kummetz*Seaport Research Partners*

I did kind of lose connection there for a few minutes. I apologize if you've already addressed something that I asked. I just want to start with, again, I want to get a little bit more color on the guide. So, for 2Q, you've given us the sales. Can you say what comp and what Rogan's contribution are embedded in that sales number?

Patrick C. Edwards*Senior VP, CFO, Secretary & Treasurer*

Hi, Mitch, it's Patrick. We are, again, trying to prepare a north star for everyone for the second quarter in the range of \$330 million on the top line. We're not prepared to provide the individual other key drivers other than the impact of the shift, which is about \$20 million.

Mitchel John Kummetz*Seaport Research Partners*

Can you say how much of the -- so you said \$0.80 of earnings. And I know you said that obviously the earnings benefit from the sales shift, but is there any way you can sort of isolate how much earnings are shifting from 3Q to 2Q?

Patrick C. Edwards*Senior VP, CFO, Secretary & Treasurer*

Right. So, what we're providing is a 12% overall increase in our net sales. And then what we're seeing is an overall increase in EPS of the same about 12%. As Mark mentioned, what we're seeing so far into Q2, stable margins, some increased selling expenses and as acted at a higher tax rate.

If you think about our tax rate in Q2 of last year, that number was about 22.3%. This year, it will be more like 26%, in line with our annual guidance, and that creates a fairly sizable headwind to EPS in the quarter. So, that is why we provided that sort of 12% top line and in at about 12% bottom line sort of point of view on growth in the quarter.

Mitchel John Kummetz*Seaport Research Partners*

And then, Mark, you started to talk about, I think, some of the improved sales trend when I kind of lost my connection. So, again, maybe you addressed this, but can you walk us through maybe the months in 1Q and then kind of how that's progressed into early 2Q, like maybe the comp by month and then what you're seeing through the first 2 weeks of May?

Mark J. Worden*President, CEO & Director*

Sure, Mitch. Thanks for joining. Really pleased with the progression as the quarter when February was slow. And as we talked at the year-end, we were just kicking off our new digital campaign as we were heading into tax miss and the sandal season. And as soon as we did that, along with Carl's team's outstanding sandal assortment, we saw the consumer respond immediately.

Started again, February was down similar to nonevent period last year. We got into early March, started growing low singles, got towards Easter. We were growing double digit across banners, which was very encouraging to see it drive results at Carnival and station. And then as we got into April, that was going to be our first big unknown. I said earlier, it's not really a nonevent period because it samples core season kicking in.

But nonetheless, we weren't sure April was going to look more like January or last year's nonevents or if it would sustain trends. So, we invested and we continue to invest, like I said in the last call, in this marketing campaign and it worked. We accelerated sandals after Easter. Our sales results accelerated across the company after Easter. And in fact, as Patrick mentioned, comp sales grew after Easter.

Flipping into May, it looks very similar, right? We're kind of wrapping up. And I'd say May still is giving us very encouraging results. I'm pleased with the margins. I'm really pleased with the sales across banners, look to be able to deliver what we said. And the campaign is working, and we're keeping on going with it. I would like to call the one thing, though, that I did say we just don't know fully yet of what a nonevent period is going to look like, and we're in that now until late July when back-to-school kicks in.

I'm encouraged with what I've seen in the last 10 days or so, which are really nonevent. But nonetheless, we're going into about a 2-month extended period, where we're going to learn a lot about the customers' behavior.

Mitchel John Kummetz

Seaport Research Partners

And just as a follow-up to that, Mark, because I know you're somewhat hesitant to make any sort of projections on the business through these nonevent periods. But I think what you said was sort of April and early May, kind of event not event. Like it's maybe an event because it's sandals, but it's not really an event because you don't have kind of the holidays like you did maybe in March with Easter.

And actually, I think June historically is your biggest handle month. So, maybe you could kind of call June event, I don't know. But are there any sort of learnings that you kind of when you reflect on April and early May as it relates to sort of the digital first marketing campaign that really suggests that this is something that is working?

Mark J. Worden

President, CEO & Director

Yes. I mean the results to get the comp growth post Easter was very encouraging when we continued on with this digital social influencer work. We weren't originally going to do that, but we saw trends were strong with sandals coming out of Easter. We saw people where were still responding. So, we made the decision to increase investments and it continued to work in April and continues to work in early May.

I think the insight is too early to call, but I think what I'm most pleased about, I said in the call, we're seeing improved trends across all geographies. We're seeing improved trends across all demographics and across all patterns. We didn't see that last year. And so, I think that's a big change that the campaign is working, the product is fresher and the product is really resonating that particularly in sandals that Carl brought in.

So, really encouraged, Mitch again. I think the next 6 to 8 weeks or so, we would call them really the most nonevent of nonevent. Sandals just becomes incredibly important to your point, it's peak season, but there's no real spike in an event until we get to BTS. So, we're going to learn a lot, but I like what I'm seeing very much these first couple of weeks of May.

Mitchel John Kummetz

Seaport Research Partners

And then last one for me for Carl. I just want to drill down and a bit more because it sounds like you had a lot of success there. My sense is that early March was good weather-wise and the rest of the quarter was a little more inconsistent and yet you guys had good channel performance throughout. And in fact, it sounds like it actually accelerated.

So maybe, Carl, when you look at sandals, can you parse out how much is weather? How much is product? How much is inventory? How much is the digital marketing campaign behind the sandals? And again, going into really peak sandal season, how much can we look at what's happened to sandal season to date and have that be a read through to kind of the balance of the sandal season?

Carl N. Scibetta

Senior EVP & Chief Merchandising Officer

Well, sure, Mitch. First of all, early on, I would say we did get some benefit early on from weather that weather was a little bit from a cold weather standpoint, a little better than a year ago. But, however, as

we continue to move through April and early May, it's not as much of a factor. In fact, weather may not be a cold issue, but with the amount of storms of things coming through the heart of our business, weather certainly would have played an effect on traffic.

That said, our sandal business continues to perform well. I think by category, the categories that we invested in are performing quite well. And, the sandal business is taken over other categories on the footwear business, as I talked about in my prepared remarks. So, we feel good about where we are. We're focused. We've made the big items and categories bigger, and we do think there's some sustainability as we move forward in that category to continue to outperform.

Operator

Your next question comes from the line of Jim Chartier with Monness, Crespi, Hardt.

James Andrew Chartier

Monness, Crespi, Hardt & Co., Inc., Research Division

I guess, given kind of the success of the digital marketing, how have your plans changed for the rest of the year from a marketing standpoint? And then what can you do to kind of minimize this nonevent low that you're expecting or facing potentially in June and early July?

Mark J. Worden

President, CEO & Director

Hi, Jim, it's Mark. Two things. First, we're going to continue the campaign investments between now and back-to-school. We like the response to the campaign in the first 2 weeks of May, we loved it in April. So, we're going to keep on testing to see if this investing in a nonevent can continue to drive comps within the higher side of that range that we have for the year.

Second, for back-to-school, we're fully committed to this approach. It worked to grow Kids business last year, it worked to grow our holiday business in total last year. It worked now again to drive growth beyond our expectations in Q1. So, expect the entire get back to school, we will be on this campaign approach, and we will probably be accelerating investments and we're ready to increase SG&A as appropriately responding as profitable margin gets thrown off and share keeps growing.

James Andrew Chartier

Monness, Crespi, Hardt & Co., Inc., Research Division

And then for Rogan's, can you give us any color on what comp trends there look like? Is it more similar to Shoe Station or Shoe Carnival?

Mark J. Worden

President, CEO & Director

Sure. We don't really have comp trends, right? Then we'll go confident next year. I can say it's a consistent business is what we're learning in this first quarter where it's really not like Shoe Carnival that spikes with events. We're seeing a much more stable than rolling into it about a quarter, and that's what we're seeing in early days, it's very stable. It's not as volatile towards economic activity and have a more affluent customer that doesn't seem to react to inflation as much, which we like, a very balanced, predictable business to deliver right what we wanted to for the quarter.

And we think we're squarely on target to be delivering that annual number that we've put out there already. So, good start, real good start. And I love that the integration is faster than we thought, and we really believe that full increased synergy capture, I got a good line of sight to bringing that in, in 2025.

James Andrew Chartier

Monness, Crespi, Hardt & Co., Inc., Research Division

And then Patrick, I think you said non-rogue inventory was down 6% in dollars, but 9% in units. What did ASPs look like in first quarter? And does it look like kind of a 3% ASP growth for kind of going forward? Is that the right way to look at it?

Carl N. Scibetta

Senior EVP & Chief Merchandising Officer

Hi, Jim, it's Carl. I'll tell you, you're pretty close. The ASPs for first quarter were up by mid-single digits.

James Andrew Chartier

Monness, Crespi, Hardt & Co., Inc., Research Division

And is that sustainable? Is that kind of what you're seeing for the rest of the year?

Carl N. Scibetta

Senior EVP & Chief Merchandising Officer

Yes. I believe it is sustainable and it's a reflection of some of the athletic inventory that's performing at a higher retail than the brown shoe side of the business.

Operator

Your next question comes from the line of Sam Poser with Williams Trading.

Samuel Marc Poser

Williams Trading, LLC, Research Division

Just a follow-up. On the Rogan's business, can you talk now that you have it, can you talk about what categories and so on, you're really seeing the strength in and where you see the opportunities initially?

Mark J. Worden

President, CEO & Director

Sure, Sam. It's Mark. I'm really excited about the work business in particular, that Rogan's brings. We knew that they were a leader in that category. They've got great threat, great strength of brands, really wide range that meets the Wisconsin and uppers consumers work needs. So, we think there's a lot to mine there and learn and to grow in the future.

We also really like, as we think about them becoming part of the Shoe Station operations in early 2025, I really like the similarities in performance running and the high-end performance brands that Rogan's customers love. It's really synchronized it's great with Shoe Station. And we're going to be able to lean into that as well.

And then I'll give you an opportunity, you didn't ask it, but their kids business doesn't keep pace with the exceptional Shoe Carnival Kids business. So, I think Carl and the team are really excited about how we could take our strength and market leadership in kids from Shoe Carnival and build that as we get into '25 and '26 at the Rogan's banner.

Samuel Marc Poser

Williams Trading, LLC, Research Division

And then, Carl, 2 things for you. One, how much have you narrowed the mix, like on narrowing and deeper on key items year-over-year? And two, are you finding, and the confidence you have in the ASPs, which I understand is athletic, but it's also probably selling more regular priced product or product at higher prices than you did a year ago. Do you have more product now that people are coming in and asking for like within sandals or other categories, they just say, "I want this particular shoe versus looking for issue and billing about to find it or brand for that matter?"

Carl N. Scibetta

Senior EVP & Chief Merchandising Officer

Okay. I will tell you on the first part, Sam, we continue to constantly attempt to optimize our assortment and squeeze down and focus in on categories and/or items. We try to target percentage numbers, I would say, as a percent, anywhere from high single to low teens percent every year in style come. Sometimes that varies throughout the season. But a major focus of ours is tightening the assortment, making big items bigger.

The second part of your question, definitely, Sam, the consumer that we're finding right now is brand shopping and they're coming in and they're looking for the hot brand in the category, and they have faith in the styling and quality of that brand. So, most definitely, the key brands, the key iconic brands by category that we carry are performing very, very well.

And then beyond that, as you're aware, we have somewhat of a private label business that we use to drive those big items, and it's an item-driven business. But first and foremost, brands are on the customer's mind. As they're a little bit stretched with their economic dollars, they have faith and the quality and fit of the brands.

Samuel Marc Poser

Williams Trading, LLC, Research Division

What are those strong brands?

Carl N. Scibetta

Senior EVP & Chief Merchandising Officer

I can't go into that. Well, I'm sure you know who they are.

Operator

We have another question from the line of Mitch Kummetz.

Mitchel John Kummetz

Seaport Research Partners

Yes. I got a couple of follow-ups. Mark, you talked on Shoe Station, you mentioned the benefit of customer acquisition. Can you maybe elaborate on that? Are these Shoe Carnival customers that are kind of migrating over? Or are these entirely new to the organization? And maybe you can say about them or how you're picking them up?

Mark J. Worden

President, CEO & Director

Sure, Mitch. Two things. We're gaining new customers in our existing markets, not from Shoe Carnival. We're taking market share in the existing legacy markets, Alabama, Mississippi, Florida and our rural Georgia. We gained significant market share and continued to quarter after quarter.

Second, with Shoe Station fully integrated into Shoe Perks and the shoestation.com fully launched. We're able to now reach other customers even beyond that footprint, and it's giving us a customer base in the states that we don't have current store bases for us to allow to mine and understand these new markets outside of where we have stores are looking very appealing for future growth.

So, it's coming both market share growth as well as new markets where we don't have current stores.

Mitchel John Kummetz

Seaport Research Partners

And then in your prepared remarks, you briefly discussed this potential transition of some Shoe Carnival stores to Shoe Station stores. I know it's probably too early for me to ask what that might do in terms of kind of the P&L. But can you at least say how many stores you think might make sense for such a transition? I mean, is it 10 stores? Is it 50 stores? I mean can you give us sort of a rough idea as to how meaningful this might be?

Mark J. Worden

President, CEO & Director

What I could say is we're looking at our 34 million customer base in Shoe Perks now. And we see a lot of locations where a Shoe Station store seems to fit the customer profile very well. We're not ready to give

a range or a number at this moment in time because we're just getting deep into the data, and the data shows a lot of profitable growth opportunities ahead.

And so, like I said in my prepared remarks, I'll have an in-market test that I can share at the next quarter, and we can give some insight as to, well, where did we try this and how is it looking in terms of revenue upside as well as profit. But too early to give any feedback at this moment, Mitch. But stay tuned. Very excited about the data.

Mitchel John Kummetz

Seaport Research Partners

And then maybe one last thing. It sounds like you guys are ahead of schedule on the Rogan's integration. Just looking at the website there, I don't get the sense that it's plugged into Shoe Perks yet. Maybe it is and I'm just not seeing it. But talk about some of those things in terms of like getting it on board with the CRM, loyalty, any adjustments to the product assortment like in terms of maybe bringing in some new brands. I know that you were able to kind of leverage your relationships with brands on Shoe Carnival to maybe do some things on Shoe Station. I don't know what you're looking to do at Rogan's, but how quickly there?

And then like is there a digital marketing opportunity for Rogan's for back-to-school like there is with the other banners?

Mark J. Worden

President, CEO & Director

Hi, it's Mark again. Thanks, Mitch. You're correct. When you say it is not integrated at all from a consumer standpoint, it's not in the horizon over the next few months. Our focus in the 18-month integration plan is to have the business fully integrated by early 2025, and that will include becoming part of the Shoe Station operations that will include being part of the shoestation.com experience for the customer as well as being part of the Shoe Perks loyalty program.

But we expect all of that by early 2025 as we get into the new fiscal. Our focus right now is on blocking and tackling, getting really the back-office integrations done, getting operations and customer service done and they're progressing very smooth, really pleased with that. But the customer-facing benefits we would see happening in 2025, early 2025 along with the full synergy capture.

Operator

We have another question coming from the line of Sam Poser.

Samuel Marc Poser

Williams Trading, LLC, Research Division

Just one last thing. What is the difference, I would assume that your average selling price at Shoe Carnival is lower than it is at Shoe Station and Rogan's. So, like how many basis points higher is the average selling price within relative to Shoe Carnival in Shoe Station and Rogan's?

Patrick C. Edwards

Senior VP, CFO, Secretary & Treasurer

Sam, good question. I would say the average transaction, we want to look at it that way today in Shoe Station, is about 20% higher than Shoe Carnival and Rogan's is about 15% higher than Shoe Station. Average transaction, not ASP.

Operator

At this time, there are no other questions. So, I will hand the call back over to Steve Alexander for closing remarks.

Steve R. Alexander

Investor Relations

Thank you. We're available all day, so please feel free to reach out with any follow-up questions. Regarding Q2 results, we intend to report in early September after Labor Day, including an update on back-to-school, which will essentially be complete at that time. So thanks again, everyone, for joining the call today. Thank you.

Operator

Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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