

# CALERES

*Third Quarter 2016 Earnings*

*November 22, 2016*



# Safe harbor statement

## **Under the private securities litigation reform act of 1995**

This presentation contains certain forward-looking statements and expectations regarding the company's future performance and the performance of its brands. Such statements are subject to various risks and uncertainties that could cause actual results to differ materially. These risks include (i) changing consumer demands, which may be influenced by consumers' disposable income, which in turn can be influenced by general economic conditions; (ii) rapidly changing fashion trends and purchasing patterns; (iii) intense competition within the footwear industry; (iv) political and economic conditions or other threats to the continued and uninterrupted flow of inventory from China and other countries, where the Company relies heavily on third-party manufacturing facilities for a significant amount of its inventory; (v) the ability to accurately forecast sales and manage inventory levels; (vi) cybersecurity threats or other major disruption to the Company's information technology systems; (vii) customer concentration and increased consolidation in the retail industry; (viii) a disruption in the Company's distribution centers; (ix) the ability to recruit and retain senior management and other key associates; (x) foreign currency fluctuations; (xi) compliance with applicable laws and standards with respect to labor, trade and product safety issues; (xii) the ability to secure/exit leases on favorable terms; (xiii) the ability to maintain relationships with current suppliers; (xiv) the ability to attract, retain, and maintain good relationships with licensors and protect intellectual property rights; and (xv) changes to federal overtime regulations could increase the Company's payroll costs. The company's reports to the Securities and Exchange Commission contain detailed information relating to such factors, including, without limitation, the information under the caption Risk Factors in Item 1A of the company's Annual Report on Form 10-K for the year ended January 30, 2016, which information is incorporated by reference herein and updated by the company's Quarterly Reports on Form 10-Q. The company does not undertake any obligation or plan to update these forward-looking statements, even though its situation may change. In this presentation, the company's financial results are provided both in accordance with generally accepted accounting principles (GAAP) and using certain non-GAAP financial measures. In particular, the company provides historic and estimated future gross profit, operating earnings, net earnings and earnings per diluted share adjusted to exclude certain gains, charges and recoveries, which are non-GAAP financial measures. These results are included as a complement to results provided in accordance with GAAP because management believes these non-GAAP financial measures help identify underlying trends in the company's business and provide useful information to both management and investors by excluding certain items that may not be indicative of the company's core operating results. These measures should not be considered a substitute for or superior to GAAP results. Reconciliations to the applicable GAAP financial measures have been included in the schedules attached to the November 22, 2016, earnings release. All references in this document, unless otherwise noted, related to net earnings attributable to Caleres, Inc. and diluted earnings per common share attributable to Caleres, Inc. shareholders, are presented as net earnings and earnings per diluted share, respectively.

# Results : 3Q'16 vs. 3Q'15

## 3Q'16

- Delivered growth in sales, margin, earnings and cash from operations
  - Portfolio strategy continued to drive consistent, profitable and sustainable growth
- Net sales of \$732.2M, up 0.5%
  - Solid back-to-school season at Famous Footwear
- Gross margin up 53 bps to 40.1%
  - Driven by Brand Portfolio
- Operating margin up 41 bps to 7.6%
  - Strong contribution from Brand Portfolio
- Diluted EPS of \$0.81
  - Up vs. GAAP EPS of \$0.78 and adjusted EPS of \$0.80
- Cash and equivalents of \$173.4M
  - Up \$87.1M year-over-year
- Inventory down 3.6%
  - Famous Footwear down 0.4% per store on a dollar basis
  - Brand Portfolio down low-double digits



# Operating highlights : Famous Footwear 3Q'16 vs.3Q'15



## 3Q'16

- Sales of \$467.8M, up 2.6%
  - Back-to-school same-store-sales up 2.7%
  - 3Q'16 same-store-sales up 2.1%
    - August up low-single digits
    - September up mid-single digits
    - October down low-single digit
  - E-commerce sales up 51%
    - Comprises 6% of Famous Footwear sales
- Trends
  - Strong performance continued for lifestyle athletic and sport-inspired product
  - Fall bootie and boot sales off to slow start
    - Undeniably delayed by unseasonably warm weather
- Sales metrics
  - Overall pairs-per-transaction up with average unit retail flat
  - Strong conversion rate in-store and online, with traffic down in-store but up online

# Operating highlights : Brand Portfolio 3Q'16 vs. 3Q'15

## 3Q'16

Sales of \$264.4M, down 3.0%

- Contemporary Fashion sales of \$130.4M, up 6.2%
  - Improvement across key brands
  - Consumers responded to newness
- Healthy Living sales of \$134.1M, down 10.4%
  - Dr. Scholl's up 3%, excluding expected decline in mass channel
  - Sport-influenced styles up

## Margin

- Gross margin of 37.5%
  - Up +300 bps, with contribution from both Contemporary Fashion and Healthy Living
  - Delivered in-demand product, resulting in higher sell-through rates at retail and healthier margins
- Op margin of 11.5%, also up +300 bps
  - Continued to trend up to highest rate in five years
- All brands reported improvement in gross and operating margin



# Financial results : 3Q'16 vs. 3Q'15



<i>US\$M, except per share (unaudited)</i>	<b>3Q'16</b>	<b>3Q'15</b>	<b>3Q Chg</b>
Consolidated sales	\$732.2	\$728.6	0.5%
Famous Footwear	\$467.8	\$456.2	2.6%
Brand Portfolio	\$264.4	\$272.5	-3.0%
Gross profit	\$293.8	288.4	1.9%
Margin	40.1%	39.6%	53 bps
SG&A	\$238.3	\$236.2	0.9%
% of sales	32.5%	32.4%	13 bps
Operating earnings	\$55.5	\$52.2	6.2%
Margin	7.6%	7.2%	41 bps
Income tax	\$17.6	\$12.3	see note
Rate	33.6%	26.7%	see note
Adjusted net earnings	\$34.7	\$35.2	-1.3%
Per diluted share	\$0.81	\$0.80	1.3%

Note: 3Q'15 included a discrete tax benefit to EPS of ~\$0.03

# FY'16 : guidance



Metric	FY'16
Consolidated net sales	\$2.57B to \$2.6B
Famous Footwear same-store-sales	Flat to up low-single digits
Brand Portfolio sales	Flat to down low-single digits
Gross margin	Up 25 to 35 bps
SG&A, as a percent of revenue	Down 5 to 15 bps
Effective tax rate	30% to 32%
Earnings per diluted share	\$2.00 to \$2.10
Capital expenditures	~\$70M



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