PARTICIPANTS

Corporate Participants

Peggy Reilly Tharp – Vice President, Investor Relations, Caleres, Inc.
Diane M. Sullivan – Chairman, President & Chief Executive Officer, Caleres, Inc.
Kenneth H. Hannah – Chief Financial Officer & Senior Vice President, Caleres, Inc.
Richard M. Ausick – Division President, Famous Footwear, Caleres, Inc.

Other Participants

Jay Sole – Analyst, Morgan Stanley & Co. LLC
Scott D. Krasik – Analyst, The Buckingham Research Group, Inc.
Jeffrey Stein – Analyst, Northcoast Research Partners LLC
Laurent Vasilescu – Analyst, Macquarie Capital (USA), Inc.
Steven L. Marotta – Analyst, C.L. King & Associates, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Jennifer, and I will be your conference operator today. At this time, I would like to welcome everyone to the Caleres' Third Quarter 2016 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

And I would now like to turn the conference over to Peggy Reilly Tharp. Ma'am, you may begin.

Peggy Reilly Tharp, Vice President, Investor Relations

Thank you. Good afternoon. I'm Peggy Reilly Tharp, Vice President of Investor Relations for Caleres, and I'd like to thank you for joining our third quarter 2016 earnings call and webcast. A press release with detailed financial tables and slides are both available at caleres.com.

Please be aware today's discussion contains forward-looking statements, which are subject to a number of risks and uncertainties. Actual results may differ materially due to various risk factors including but not limited to the factors disclosed in the company's Form 10-K and other filings with the U.S. Securities and Exchange Commission. Please refer to today's press release and our SEC filings for more information on risk factors and other factors, which could impact forward-looking statements. Copies of these reports are available online. The company undertakes no obligation to update any information discussed on this call at any time.

Joining us on the call today are Diane Sullivan, CEO, President and Chairman; Ken Hannah, Chief Financial Officer; and Rick Ausick, President, Famous Footwear.

And I would now like to turn the call over to Diane Sullivan.

Diane M. Sullivan, Chairman, President & Chief Executive Officer

Thanks, Peggy, and good afternoon, everyone, and thanks very much for joining us for a review of our third quarter. Our EPS of $0.81 exceeded Street expectations and despite a mixed consumer environment, we delivered growth in sales, margins, earnings and cash from operations. Gross margin was up 53 basis points in the quarter, driven by both Contemporary Fashion and Healthy Living. For SG&A, we maintained our spend in the third quarter, continued our operational investments in future growth and drove operating margin improvement up 41 basis points.

Once again in the third quarter, our portfolio strategy delivered shareholder value, and we continue to drive consistent profitable and sustainable growth. Our portfolio strategy is more than just Famous Footwear versus our Brand Portfolio or Healthy Living versus Contemporary Fashion. It's really about how we use the lens of consumer trends as we approach our entire business by segment, by channel, by brand and by our partner. For our Brand Portfolio that means that no one of our brands is more than 30% of our sales, no single channel is more than 20% of our business, and no individual retailer is more than 15% of sales.

For Famous Footwear, we used a portfolio approach to respond to consumer trends and demands. And this is reflected in how we edit and present our assortment of brands and how we manage our real estate portfolio. This approach enables us to remain agile and ensures the experience is the same no matter how our consumers choose to shop as they use our national retail footprint, our redesigned mobile site, and Famous.com interchangeably.

Now at Famous Footwear, consumers shopped across all of our direct-to-consumer options during the back-to-school season, and drove same-store sales up 2.7%. While the last two weeks of July and the first two weeks of August got off to a slow start, we saw a much stronger September with same-store sales up mid single-digits. For October, comp sales were down low single-digits as record breaking warm weather spread across the country, which undeniably delayed boot and booties sales. Because of this type of variability in the market, we continue to look at sales on a seasonal basis as short-term measurements have become less relevant. But what I can say is that Famous Footwear's top styles and top vendors continue to perform very well, with lifestyle athletic and sport-influenced products maintaining a strong consumer appeal.

Similarly, Famous not only maintained its broad consumer appeal, but expanded on it, as Rewards consumers comprised 76% of sales in the third quarter, up nearly 100 basis points year-over-year. As we had in the past, we focused on our Rewards consumers this back-to-school season. However, this year, we expanded our efforts to include our targeted high value customers.

Let me give you a little bit more color on this. Our existing stores with a higher penetration of high value consumers outperformed our other doors during both the back-to-school season and in the third quarter on both a comp sales and a traffic basis. While it's still early in the execution of this strategy, we have already begun to open new stores where this consumer lives and shops.

For 2016 and beyond, we will continue to integrate our high value consumer strategy and our digital efforts into our appropriately sized stores, and we will expand our efforts to include new experiences both in-store and online to drive cohesive messaging. A good example of this during our back-to-school season, with our online Nike Hub, where the teams felt a bigger story around one of our largest brands and highlighted four key styles.

This online experience included video to bring to life the special features of these styles, which we also featured prominently in-store. Visitors to our online Nike Shop drove a higher conversion rate and a significant increase in revenue per visitor.

The online shop also drove visitors to other pages at Famous.com and created – and increased the time that our consumers spent online. E-commerce sales were up more than 180 basis points in the third quarter and included our successful ship-from-store program, which was expanded to approximately 900 doors last October.

So consumers keep coming back to Famous Footwear because we offer trend-right and relevant products from trusted brands, and we're confident in our ability to execute against our strategy. The same can be said for our Brand Portfolio, where our retail partners and our consumers continue to respond to fresh, new and innovative products.

So, let's turn to our Brand Portfolio, where both businesses reported outstanding improvement in gross margin, driving overall Brand Portfolio gross margin to 37.5%, up more than 300 basis points, despite a 3% decline in sales.

Across the Portfolio, we delivered in-demand product, resulting in higher sell-through rates at retail and healthier margins. Operating margins increased for Brand Portfolio and at 11.5% of sales, it was also up more than 300 basis points, even as we continued to invest in product design and development and new brands.

As particular note is that the Brand Portfolio operating margin continue to trend up and was at its highest rate in five years. For our Healthy Living brands, third quarter sales of $134.1 million were down 10.4%, reflecting previously discussed declines at Naturalizer and Dr. Scholl's.

However, there was good news in the quarter as well. Dr. Scholl's sales were up approximately 3% excluding the planned reduction of the mass channel, sport-influenced styles were up for Healthy Living; and, all Healthy Living brands reported an improvement in gross and operating margins including Naturalizer.

The brand teams have worked hard to drive significant margin improvement by targeting more profitable businesses, exiting underperforming products and categories, and managing inventory. For the quarter, Healthy Living inventory declined by low double-digits year-over-year.

Now, shifting to Contemporary Fashion, where third quarter sales of $130.4 million was up 6.2% with good growth from key brands such as Sam Edelman and Vince. Consumers continue to respond to newness from these brands and others in our Contemporary Fashion portfolio. Our exciting designs and fresh product has helped drive better sell-through rates and favorable stock-to-sales ratios.

So, even though retailers continue to tighten inventory, reduce initial orders and chase product in season, we continue to adapt and deliver a successful third quarter. Our success to-date at both Brand Portfolio and Famous Footwear is doing great part to solid execution against our strategy.

I'm very happy with the decisions and the investments we've made as well as the work we've completed, as it has allowed us to remain very agile. And, as a result, we've been able to read and react to the atypical seasonal shopping patterns that we see today, we're able to more rapidly respond to consumer's desire for newness. And, we've reduced inventory and delivered good performance in a really ever-changing environment.

So, we'll continue to make solid decisions going forward, as we execute against our strategies to deliver consistent profitable and sustainable growth for our shareholders.

So with that, I'll turn things over to Ken to give you more of a financial review.

Kenneth H. Hannah, Chief Financial Officer & Senior Vice President

Thank you, Diane and good afternoon, everyone. Today, we reported a strong third quarter, in which we delivered growth in sales, margin, earnings and cash. Our net sales of $732.2 million, were up 0.5% versus the third quarter a year ago. Famous Footwear delivered a solid back-to-school with same-store sales up 2.7% for the season and 2.1% for the quarter. On a two-year trend, same-store sales for back-to-school were up 5.7%, while the quarter was 6.5%.

Contemporary Fashion also contributed to the over sales growth for the quarter with sales improving 6.2% year-over-year.

Consolidated gross margin for the third quarter was $293.8 million or 40.1% of sales, up 53 basis points year-over-year, and driven by both Famous Footwear and Brand Portfolio. As Diane mentioned, Brand Portfolio delivered solid gross margin improvement, as we continue to benefit from the exit of lower margin product, improved product mix, inventory management and better sell-through rates of retail.

Famous Footwear, while our contributor to the overall margin improvement was impacted by both higher shipping costs as we continue to grow online sales and slower bootie and boot sales when compared to this period last year.

We essentially maintained SG&A spend in the third quarter at 32.5% of revenue or $238.3 million. And as we have all year, we continue to invest for the long-term growth. We're currently operating seven more doors at Famous Footwear versus last year and this includes three new high volume destination doors for the Famous business. We also opened seven new Sam Edelman retail stores in fiscal 2016.

Depreciation and amortization were $13.9 million for the third quarter, up 8.6% over last year due to our new retail doors and our continued investment in our consumer fulfillment initiative. The modernization and expansion of our Lebanon distribution center is on schedule to ramp up in December and will provide us the flexibility to adapt and meet our consumers' ever-changing needs. As a result of this work, we'll soon be able to get new product directly into our consumer hands faster than ever before.

Our net interest expense for the third quarter was $3.1 million. This was down from $3.9 million in 2015, excluding $2 million in the debt extinguishment expenses related to the refinancing of our senior notes last year. For the third quarter, our corporate tax rate was 33.6%. This was up significantly over last year's rate of 26.7%, which included a discrete tax benefit of approximately $0.03 per share related to the use of tax carry forwards.

Net earnings in the third quarter for this year were $34.7 million or $0.81 per share and included investments in the business discussed earlier and the opening of additional retail doors. For the third quarter of 2015, earnings per share were $0.78 on a GAAP basis including the debt extinguishment expense and $0.80 per share on an adjusted basis.

Capital expenditures of $17.5 million for the third quarter and $48.7 million for the first nine months of 2016, reflect the investments in the consumer fulfillment initiative and the new retail doors.

Now turning to our strong balance sheet. We ended the quarter with cash and equivalents of $173.4 million, up $87.1 million year-over-year and had no borrowings against our revolving credit facility. As always, our priorities for cash generated around delivering value to our shareholders.

We're focused on investing in organic growth and continue to be interested in opportunistic acquisitions. We plan to continue our longstanding dividend and to repurchase shares to offset dilution, associated with our stock compensation programs.

Our consolidated inventory position at the end of the third quarter was $524.8 million, down 3.6% year-over-year. And as it has been all year, Brand Portfolio inventory was down, as we continue to manage inventory and improve our in-season replenishment capabilities.

At Famous Footwear, we ended the quarter with overall inventory down 0.4% per store, on a dollar basis, with the mix of inventory down for Fashion Footwear and up for lifestyle athletic and sport-influenced products.

Before we begin Q&A, I'd like to reiterate our fiscal 2016 guidance, which calls for consolidated net sales of $2.57 billion to $2.6 billion, with Famous Footwear same-store sales, flat to up low single-digits; and Brand Portfolio sales, flat to down low single-digits.

We continue to expect gross margin to be up 25 basis points to 35 basis points, while we expect SG&A, as a percentage of revenue to be down 5 basis points to 15 basis points. Our effective tax rate will be between 30% and 32%, and our earnings per diluted share will be between $2 and $2.10.

And with that, I'd like to turn the call back over to the operator for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And our first question comes from the line of Jay Sole with Morgan Stanley.

<Q – Jay Sole – Morgan Stanley & Co. LLC>: Great, thank you. So Ken, I just wanted to start off with the gross margin because year-to-date so far, gross margin's [ph] up (16:24) about 65 basis points. You're still guiding to gross margin being up about 25 basis points to 35 basis points for the year. So that implies a little bit of slowdown in gross margin improvement for the fourth quarter. Just wondering what the drivers are there, kind of what explains kind of the implied guidance for 4Q gross margin?

<A – Ken Hannah – Caleres, Inc.>: I think the big piece is just we want to make sure we maintain as much flexibility as we can in the fourth quarter. I mean clearly I think we've been trending at a rate higher than that. And so long as we don't see the quarter get highly promotional, we would expect that we could extend that leverage. But I think for the most part, we're wanting to make sure that early here in the quarter, we leave as much flexibility as we can.

<Q – Jay Sole – Morgan Stanley & Co. LLC>: Okay, great. And then, maybe just to dig into the gross margin in the wholesale business for this quarter. You called out some of the drivers talking about better products and maybe more responsiveness. Can you just quantify which ones have been the biggest factors that have driven that really strong improvement in the wholesale business in terms of gross margin?

<A – Ken Hannah – Caleres, Inc.>: Yeah. I mean, it's been across the board. And we've been focused on making sure that we're managing our inventory and as a result, we've been able to continue to see nice initial margin improvement. I think as we've seen lower initial orders, that's resulted in a reduction in markdowns and discounts and allowances. So I think as we look throughout the entire season, the profitability of our business continues to improve. So I mean we're seeing those improvements across a number of categories.

<A – Diane Sullivan – Caleres, Inc.>: Jay, it's not really one thing, it's really all of the pieces that Ken talked about in combination, which is the best piece of it all. You never wanted to be any one thing. And I think that's what we're very encouraged by.

<A – Ken Hannah – Caleres, Inc.>: Yeah. And it was across – I mean really across the entire portfolio, we saw improvements in gross margin and operating margin. And I think we've made some tough decisions earlier in the year around exiting some categories and products. And so, we are getting the benefit of that and that was pretty painful earlier in the year when we were having to report the overall revenues that were down. But I think as you can see, that's resulting in a much more profitable business for us going forward.

<Q – Jay Sole – Morgan Stanley & Co. LLC>: Got it. Understood. And then just on SG&A because this year SG&A dollar growth was pretty flat, very strong SG&A control, which has been a hallmark for quite a few years now. But looking ahead into 2017, do you see any inflationary pressures, whether it's rising minimum wages or anything of that nature that could cause that SG&A growth rate to increase as we head into next year?

<A – Ken Hannah – Caleres, Inc.>: No. I mean we're not in a position today to give guidance for 2017. But I think on a more general term, I mean we've spent a lot of time talking about how do we maintain those expenses. And I think as you impact the top line growth obviously, the more, the easier it is to leverage those expenses. And when that growth slows down, then we traditionally have had to monitor and really modulate our investments in the business. And I think that's one of the consistencies this year. As we said from the very beginning, we were going to invest in some new brands, we were going to invest in the team and product development, and we've continued to do that, and we've had to find offsets in other places of the business to do that.

<Q – Jay Sole – Morgan Stanley & Co. LLC>: Great. And then, maybe last one from me. Diane, Ken mentioned some of the new businesses, can you just talk about DVF and George Brown, and some of the new things that you've done this year, and if you're pleased with the progress you've made in those areas.

<A – Diane Sullivan – Caleres, Inc.>: Yeah. Yeah, I'd say we are. It's – particularly DVF is off to a good start. The sell-through rates on that classification and category of business, that's actually been one of the surprises, I would say, of this fall season. I think you probably heard that it's not just the sport and athletic today, but we're starting to see early signs that the sort of non-seasonal categories of the footwear business is starting to open up a little more. So we're seeing more in the dress and casual side, and we think that's going to bode well for not only our entire company, but that will help DVF quite a bit. And our George Brown's very early, but not a whole lot of doors yet, but so far so good in terms of the read on the kind of products that the consumers [ph] going to want (21:00) from us in the future.

<Q – Jay Sole – Morgan Stanley & Co. LLC>: Okay, great. Thank you so much.

Operator: Your next question comes from the line of Scott Krasik with The Buckingham Research.

<Q – Scott Krasik – The Buckingham Research Group, Inc.>: Yeah. Hey, everyone. Congrats on the good quarter.

<A – Diane Sullivan – Caleres, Inc.>: Thanks, Scott.

<A – Ken Hannah – Caleres, Inc.>: Thanks, Scott.

<Q – Scott Krasik – The Buckingham Research Group, Inc.>: I jumped on a little bit late, so I didn't necessarily catch it. Did you say what the monthly progression of comps for Famous Footwear were?

<A – Diane Sullivan – Caleres, Inc.>: No, we basically said that that August sort of started off slow and finished in the – a high 2%s. September within the mid-single-digit range up and then October, slow down a little bit in low single-digits.

<Q – Scott Krasik – The Buckingham Research Group, Inc.>: So, no – so positive all three months now.

<A – Diane Sullivan – Caleres, Inc.>: Oh, yes. Yeah.

<Q – Scott Krasik – The Buckingham Research Group, Inc.>: Okay.

<A – Diane Sullivan – Caleres, Inc.>: Yeah, positive all three months, 2.1% back-to-school to 2.7%, 2.6%.

<Q – Scott Krasik – The Buckingham Research Group, Inc.>: Okay, so as we think about next year, I'm not talking about guidance, but it seems like the consumer is shopping more during the peak period and you can really capture that, and back-to-school, especially, but is there anything that you can do to try and drive traffic to the stores at a greater rate, if that phenomenon continues and maybe accelerates?

<A – Diane Sullivan – Caleres, Inc.>: Well, I think, we're focused on making sure, we're used to engaging consumers in lots of different ways, Scott, and we really look at trying to drive traffic, not just to stores, but really again across all of the different ways that the customer shops. So we are looking at some, mobile actually is the fastest growing way that she is shopping. I know that you know that and you hear that from everybody and you can see the traffic rates there, just growing exponentially. The desktop and tablets, we're focused on how we manage that as well; that's been a little less robust in the last couple of months, as we've seen the growth in the mobile growing much more.

And then, the store piece of it continues, I would say on our peak times of the year to be – to really come back and to do quite a good job. But again, we don't focus necessarily, specifically by channel. We're really trying to drive interest and engagement and purchasing really across all of those different channels, the way that she shops, so not any one place.

<Q – Scott Krasik – The Buckingham Research Group, Inc.>: Okay. Thanks. And then Ken, you alluded to you want to keep your optionality on the gross margins, but historically, you really haven't played in that of Famous. I think the sell in, just based on what you were reporting, hasn't been over the top. So, I don't think that retail inventory is that high. So, how would you sort of frame the likelihood of needing to be more promotional?

<A – Ken Hannah – Caleres, Inc.>: Well, I think I would frame it by just the unseasonably warm weather, obviously we're selling more sandals today than we are boots and booties. And, I think just what we've seen in the slight change in weather patterns in the last week, that's had a big impact on that business. And so, I think we want to make sure Rick has as much flexibility as he needs to navigate the fourth quarter. So, we're not anticipating that there is going to have to be anything done from a response standpoint, but we certainly didn't want to close our options.

<Q – Scott Krasik – The Buckingham Research Group, Inc.>: Okay. And then just – you said, Sam was up, is that up ex- the new store growth? Are you growing in all Sam store as well?

<A – Diane Sullivan – Caleres, Inc.>: Yes.

<Q – Scott Krasik – The Buckingham Research Group, Inc.>: Okay. And then, is there anything that you've run from the stores that can improve wholesale or gives you confidence to open more stores? Just sort of update that?

<A – Diane Sullivan – Caleres, Inc.>: Well, I think that probably it might be the reverse actually a little bit. I think we want to make sure that we have even more product differentiation in the stores that there is actually we need a stronger breadth of assortment and even more freshness and even more newness there. So, I would say sort of the pace of how we flow goods is something that we're going to have to pay attention to there. So, I would say that it's the – almost the reverse there. We learned a little bit about how to – really how to drive the retail side of it better.

<Q – Scott Krasik – The Buckingham Research Group, Inc.>: Great. Okay. Thanks. Good luck.

<A – Diane Sullivan – Caleres, Inc.>: Thanks.

Operator: Your next question comes from the line of Jeff Stein with Northcoast Research.

<Q – Jeff Stein – Northcoast Research Partners LLC>: Good afternoon, everyone.

<A – Diane Sullivan – Caleres, Inc.>: Hi, Jeff.

<Q – Jeff Stein – Northcoast Research Partners LLC>: At the low end, you're looking for about a 23% improvement earnings per share in the fourth quarter and obviously, that would represent the highest increase of any quarter this year. So where do you see it's coming from, Ken, and how would you kind of size up the risks, the upside, downside, where do you see the biggest risks in the quarter?

<A – Ken Hannah – Caleres, Inc.>: Yeah. Yeah, I think if you look at the business in the third quarter the operating earnings contribution was a little more 50-50 across the business. And so, I think traditionally that's been much more heavily weighted towards the Famous contribution and with the 11-plus percent operating margin at the Branded business, it's contributing a larger percentage of the overall earnings; and that continues into the fourth quarter.

We don't anticipate any real – any shifts really in the Famous business in trend or anything year-over-year. I think the biggest change is we're getting more contribution from the Branded Portfolio and then we're also – we're seeing a little bit of improvement in the corporate other segment just as we continue to manage our overall expenses.

<Q – Jeff Stein – Northcoast Research Partners LLC>: Got it, got it. And when I look at the SG&A of each of your segments, it was kind of interesting for the Brands Portfolio, your dollars in SG&A were actually down over 5% and when you combine that obviously with a 300-plus basis point improvement in gross margin that certainly gives you a lot of leverage particularly if you can start getting the top-line growing again. So I've got two questions here. One, what's contributing to the drop in SG&A? And number two, when would you guesstimate, we'll start to see positive revenue growth in the Brand Portfolio?

<A – Ken Hannah – Caleres, Inc.>: Yeah. So, I think, a big piece of that is, Contemporary Fashion, up 6.2% in the quarter. And I know that, Jay's done a great job of really going through in evaluating all of the brands in the portfolio, and making sure that he's reallocating resources appropriately. So, we're seeing the improvement there at the expense level. I think from an overall contribution on the top line, I mean we do believe that, that you'll see that turn in the fourth quarter and the sales for the Brand Portfolio segment will be up.

<Q – Jeff Stein – Northcoast Research Partners LLC>: Excellent. Okay. So, in other words, have you know anniversaried the kind of the changing mix at Dr. Scholl's in terms of the channel?

<A – Diane Sullivan – Caleres, Inc.>: Yeah. In the fourth quarter, we have Jeff, for sure. And if not, then we have other operators for how we offset that, that going into next year. And I wanted to mention one other thing around the Brand Portfolio as well. In terms of our full year expectations that we really expect that every brand is going to show operating margin improvement by the end of this year, which really demonstrates a significant amount of discipline and terrific execution in this last year, which is to – it's one thing when a couple of them do, and it's another thing when you really have every Branding Portfolio ending up contributing in that way.

<Q – Jeff Stein – Northcoast Research Partners LLC>: Very good. And final question, your gross margin dropped at Famous Footwear. I presume that has everything to do with the product mix shift, in other words slowdown in boots and booties during October, and was there anything else that may have contributed?

<A – Rick Ausick – Caleres, Inc.>: Yeah, Jeff, it's Rick. Yes, that's a contributor as well as the additional freight expense on our dot-com shipping.

<Q – Jeff Stein – Northcoast Research Partners LLC>: Got it. Okay. Thank you very much and great quarter.

<A – Rick Ausick – Caleres, Inc.>: Thanks.

<A – Diane Sullivan – Caleres, Inc.>: Thank you.

Operator: Your next question comes from Laurent Vasilescu, Macquarie.

<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>: Thank you very much for taking my question, and congrats on the strong quarter. I was curious to know, I think in the prepared remarks, you talked about – a little bit about Nike and the positive. I'm curious to know how athletics did this quarter at Famous Footwear?

<A – Ken Hannah – Caleres, Inc.>: Yeah, athletic in total was up mid single-digits.

<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>: Okay. And then, within that canvas, is there any commentary on that?

<A – Rick Ausick – Caleres, Inc.>: Well, I guess, canvas business, it was probably a little bit more diversified by brand. Some brands are very well, some brands had a little bit of a struggle. We like to take – we like to look at it now as more lifestyle driven, so whether we have – whether choose Natural canvas shoe or not is secondary to the fact how the customer is wearing it and using the product, but the lifestyle business as we look at it today was up in the high teens.

<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>: Okay, that's great. And then without getting into specifics on numbers for next year, but how are you guys thinking about the athletic categories for next spring?

<A – Rick Ausick – Caleres, Inc.>: We don't see this trend slowing. I think we're looking at making sure we have breadth of product, making sure that we have the assortment and the brands that the consumer's looking for in a more meaningful way. So we think this is going to continue through first quarter and second quarter; and we're anticipating through back-to-school.

<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>: Okay. And with the weather turning, getting a little bit colder, it always gets colder, but how is November stacking up so far?

<A – Diane Sullivan – Caleres, Inc.>: Well, as the weather has turned and as Rick just said, the athletic really not slowing down, it obviously has gotten better.

<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>: Okay. And then on the SG&A for the fourth quarter. Are there any one-time items that we should think about from last year, as we think about the SG&A dollars for this year for fourth quarter?

<A – Ken Hannah – Caleres, Inc.>: No. Not really.

<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>: Okay. And then the tax rate, I guess we get to 25%. Is that a fair estimate?

<A – Ken Hannah – Caleres, Inc.>: Yeah. I mean, the tax rate, last year, we had a number of discrete items that allowed us to utilize some of our tax carryforwards. Don't really have those this year. And with a higher mix of our business coming through our U.S. subsidiaries, that rate's been at the high-end of that 30% to 32% range.

<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>: Okay. Thank you very much and best of luck.

<A – Diane Sullivan – Caleres, Inc.>: Thanks, Laurent.

Operator: Your next question comes from the line of Steve Marotta with C.L.K & Associates (sic) [C.L. King & Associates]

<Q – Steve Marotta – C.L. King & Associates, Inc.>: Good evening, everybody. Diane, I have a couple of questions for you...

<A – Diane Sullivan – Caleres, Inc.>: Sure.

<Q – Steve Marotta – C.L. King & Associates, Inc.>: ...if you could endeavor to disassemble weather-related acceleration through the month. Was there any change in pace of sales after the election?

<A – Diane Sullivan – Caleres, Inc.>: No, not significantly. No. Definitely not, I would say. It was – we didn't see any material change with the election.

<Q – Steve Marotta – C.L. King & Associates, Inc.>: As you look into next year, and without giving specific guidance on 2017, of course, are there – can you comment on the open to buy dollars that are available for the Branded Portfolio within the wholesale channel, and are there any shifts to that that are currently going on that you would view either positively or negatively?

<A – Diane Sullivan – Caleres, Inc.>: I wouldn't say that there is anything that I could give you specifically other than to tell you there will be the continuation of people wanting to place fewer initial orders [ph] and (33:26) chase goods and keep the inventories tight and lean. And that for sure is what we're seeing. And I think again, demonstrating our – not only the third quarter performance, but what we also expect in fourth quarter.

Our teams have really done an outstanding job of managing inventory and chasing the great new items that they've been testing, and able to get reorders and replenishment and it improves the drop-ship capabilities. So what we're not getting on initials, upfront, we're really figuring out how to continue to chase the opportunity and chase the consumer demand.

<Q – Steve Marotta – C.L. King & Associates, Inc.>: And that will help, of course, when the DC goes live in December.

<A – Diane Sullivan – Caleres, Inc.>: Sure. Yeah.

<Q – Steve Marotta – C.L. King & Associates, Inc.>: Great. Rick, I have one question for you. There was a comparable [ph] within the (34:13) industry that recently commented that acceleration of denim is helping out in other categories besides athletic. Are you seeing anything like that at Famous? And actually Diane, if you want to chime in on the Branded Portfolio as well, if you're seeing anything like that in any of the styles that you're selling in either of the divisions?

<A – Diane Sullivan – Caleres, Inc.>: I mean I think, Rick, we'd say right, it's really for Famous and for the Brand Portfolio that there continues to be a trend in athletic and sport-inspired product. We don't see that really slowing down at all. But what we do see is maybe a little bit of a shift from seasonal to more seasonless kind of product and a little more on the casual and a little bit more on the dress side.

So we think that there is – we think that's actually a good trend because it really allows the consumer to really diversify her wardrobe a little bit. We're going to be less reliant on boots and booties and potentially sandals. So we see more closed shoes and open buckle up shoes selling as well. So there's a couple of nice new trends out there that we think we can take advantage of.

<Q – Steve Marotta – C.L. King & Associates, Inc.>: That's great. Thank you so much.

<A – Diane Sullivan – Caleres, Inc.>: Okay. Thanks, Steve.

Operator: And we have no other questions in queue at this time. And I would like to turn the call back over to our presenters.

Diane M. Sullivan, Chairman, President & Chief Executive Officer

Well, thank you very much for joining us this afternoon. And we wish everybody a happy and healthy Thanksgiving. Take care.

Operator: Thank you for your participation. This does conclude today's conference call and you may now disconnect.