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FORM 10-Q

CALERES INC - CAL

Filed: June 13, 2019 (period: May 04, 2019)

Quarterly report with a continuing view of a company's financial position

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 4, 2019

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: 1-2191

CALERES, INC.

(Exact name of registrant as specified in its charter)

New York *(State or other jurisdiction of incorporation or organization)*	**43-0197190** *(I.R.S. Employer Identification No.)*
8300 Maryland Avenue **St. Louis, Missouri** *(Address of principal executive offices)*	**63105** *(Zip Code)*

(314) 854-4000

(Registrant's telephone number, including area code)

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 of $0.01 per share	CAL	New York Stock Exchange

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 ☑

As of May 31, 2019, 42,224,221 common shares were outstanding.

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PART I FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CALERES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited)		
($ thousands)	May 4, 2019	May 5, 2018	February 2, 2019
Assets			
Current assets:			
Cash and cash equivalents	**$ 35,778**	$ 96,481	$ 30,200
Receivables, net	**148,487**	125,559	191,722
Inventories, net	**648,145**	579,902	683,171
Prepaid expenses and other current assets	**54,902**	62,385	71,354
Total current assets	**887,312**	864,327	976,447
Other assets	**85,711**	88,941	81,440
Goodwill	**244,407**	127,081	242,531
Intangible assets, net	**304,101**	212,819	307,366
Lease right-of-use assets	**735,282**	—	—
Property and equipment	**592,670**	542,927	579,087
Allowance for depreciation	**(356,413)**	(334,029)	(348,303)
Property and equipment, net	**236,257**	208,898	230,784
Total assets	**$ 2,493,070**	$ 1,502,066	$ 1,838,568
Liabilities and Equity			
Current liabilities:			
Borrowings under revolving credit agreement	**$ 318,000**	$ —	$ 335,000
Trade accounts payable	**289,071**	268,917	316,298
Lease obligations	**136,005**	—	—
Other accrued expenses	**168,224**	168,746	202,038
Total current liabilities	**911,300**	437,663	853,336
Other liabilities:			
Noncurrent lease obligations	**662,750**	—	—
Long-term debt	**198,046**	197,587	197,932
Deferred rent	**—**	53,027	54,850
Other liabilities	**92,342**	99,651	97,015
Total other liabilities	**953,138**	350,265	349,797
Equity:			
Common stock	**422**	432	419
Additional paid-in capital	**146,641**	136,909	145,889
Accumulated other comprehensive loss	**(31,873)**	(16,065)	(31,601)
Retained earnings	**512,046**	591,429	519,346
Total Caleres, Inc. shareholders' equity	**627,236**	712,705	634,053
Noncontrolling interests	**1,396**	1,433	1,382
Total equity	**628,632**	714,138	635,435
Total liabilities and equity	**$ 2,493,070**	$ 1,502,066	$ 1,838,568

See notes to condensed consolidated financial statements.

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CALERES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

	(Unaudited)	
	Thirteen Weeks Ended	
($ thousands, except per share amounts)	May 4, 2019	May 5, 2018
Net sales	**$ 677,754**	$ 632,142
Cost of goods sold	**397,918**	357,221
Gross profit	**279,836**	274,921
Selling and administrative expenses	**262,111**	250,197
Restructuring and other special charges, net	**856**	1,778
Operating earnings	**16,869**	22,946
Interest expense, net	**(7,340)**	(3,683)
Other income, net	**2,619**	3,091
Earnings before income taxes	**12,148**	22,354
Income tax provision	**(3,063)**	(5,174)
Net earnings	**9,085**	17,180
Net earnings (loss) attributable to noncontrolling interests	**2**	(32)
Net earnings attributable to Caleres, Inc.	**$ 9,083**	$ 17,212
Basic earnings per common share attributable to Caleres, Inc. shareholders	**$ 0.22**	$ 0.40
Diluted earnings per common share attributable to Caleres, Inc. shareholders	**$ 0.22**	$ 0.40

See notes to condensed consolidated financial statements.

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CALERES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

($ thousands)	(Unaudited) Thirteen Weeks Ended May 4, 2019	May 5, 2018
Net earnings	**$ 9,085**	$ 17,180
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment	**(958)**	(808)
Pension and other postretirement benefits adjustments	**395**	434
Derivative financial instruments	**303**	(521)
Other comprehensive loss, net of tax	**(260)**	(895)
Comprehensive income	**8,825**	16,285
Comprehensive income (loss) attributable to noncontrolling interests	**14**	(40)
Comprehensive income attributable to Caleres, Inc.	**$ 8,811**	$ 16,325

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CALERES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Unaudited)	
	Thirteen Weeks Ended	
($ thousands)	May 4, 2019	May 5, 2018
Operating Activities		
Net earnings	**$ 9,085**	$ 17,180
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	**11,434**	11,064
Amortization of capitalized software	**1,733**	2,684
Amortization of intangible assets	**3,265**	1,037
Amortization of debt issuance costs and debt discount	**791**	432
Share-based compensation expense	**3,314**	3,575
Loss on disposal of property and equipment	**136**	284
Impairment charges for property, equipment and lease right-of-use assets	**1,194**	468
Provision for doubtful accounts	**117**	342
Deferred rent	**—**	(44)
Changes in operating assets and liabilities, net of acquired amounts:		
Receivables	**43,117**	26,652
Inventories	**38,492**	(11,264)
Prepaid expenses and other current and noncurrent assets	**(6,935)**	(3,407)
Trade accounts payable	**(27,315)**	(3,774)
Accrued expenses and other liabilities	**(27,836)**	6,443
Other, net	**(682)**	(325)
Net cash provided by operating activities	**49,910**	51,347
Investing Activities		
Purchases of property and equipment	**(18,443)**	(7,929)
Capitalized software	**(2,917)**	(1,434)
Net cash used for investing activities	**(21,360)**	(9,363)
Financing Activities		
Borrowings under revolving credit agreement	**84,000**	—
Repayments under revolving credit agreement	**(101,000)**	—
Dividends paid	**(2,947)**	(3,023)
Acquisition of treasury stock	**—**	(3,288)
Issuance of common stock under share-based plans, net	**(2,559)**	(3,122)
Other	**(394)**	—
Net cash used for financing activities	**(22,900)**	(9,433)
Effect of exchange rate changes on cash and cash equivalents	**(72)**	(117)
Increase in cash and cash equivalents	**5,578**	32,434
Cash and cash equivalents at beginning of period	**30,200**	64,047
Cash and cash equivalents at end of period	**$ 35,778**	$ 96,481

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited) *($ thousands, except number of shares and per share amounts)*	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Caleres, Inc. Shareholders' Equity	Non-controlling Interests	Total Equity
	Shares	Dollars						
BALANCE FEBRUARY 2, 2019	**41,886,562**	**$ 419**	**$ 145,889**	**$ (31,601)**	**$ 519,346**	**$ 634,053**	**$ 1,382**	**$ 635,435**
Net earnings					**9,083**	**9,083**	**2**	**9,085**
Foreign currency translation adjustment				**(970)**		**(970)**	**12**	**(958)**
Unrealized gain on derivative financial instruments, net of tax of $96				**303**		**303**		**303**
Pension and other postretirement benefits adjustments, net of tax of $138				**395**		**395**		**395**
Comprehensive (loss) income				**(272)**	**9,083**	**8,811**	**14**	**8,825**
Dividends ($0.07 per share)					**(2,947)**	**(2,947)**		**(2,947)**
Issuance of common stock under share-based plans, net	**347,283**	**3**	**(2,562)**			**(2,559)**		**(2,559)**
Cumulative-effect adjustment from adoption of ASC 842					**(13,436)**	**(13,436)**		**(13,436)**
Share-based compensation expense			**3,314**			**3,314**		**3,314**
BALANCE MAY 4, 2019	**42,233,845**	**$ 422**	**$ 146,641**	**$ (31,873)**	**$ 512,046**	**$ 627,236**	**$ 1,396**	**$ 628,632**
BALANCE FEBRUARY 3, 2018	43,031,689	$ 430	$ 136,460	$ (15,170)	$ 595,769	$ 717,489	$ 1,473	$ 718,962
Net earnings (loss)					17,212	17,212	(32)	17,180
Foreign currency translation adjustment				(808)		(808)	(8)	(816)
Unrealized loss on derivative financial instruments, net of tax of $122				(521)		(521)		(521)
Pension and other postretirement benefits adjustments, net of tax of $151				434		434		434
Comprehensive (loss) income				(895)	17,212	16,317	(40)	16,277
Dividends ($0.07 per share)					(3,023)	(3,023)		(3,023)
Acquisition of treasury stock	(100,000)	(2)			(3,286)	(3,288)		(3,288)
Issuance of common stock under share-based plans, net	256,005	4	(3,126)			(3,122)		(3,122)
Cumulative-effect adjustment from adoption of ASU 2016-16					(10,468)	(10,468)		(10,468)
Cumulative-effect adjustment from adoption of ASU 2014-09 (Topic 606)					(4,775)	(4,775)		(4,775)
Share-based compensation expense			3,575			3,575		3,575
BALANCE MAY 5, 2018	43,187,694	$ 432	$ 136,909	$ (16,065)	$ 591,429	$ 712,705	$ 1,433	$ 714,138

See notes to condensed consolidated financial statements.

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Note 1 Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the United States Securities and Exchange Commission ("SEC") and reflect all adjustments and accruals of a normal recurring nature, which management believes are necessary to present fairly the interim financial information of Caleres, Inc. ("the Company"). These statements, however, do not include all information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries, after the elimination of intercompany accounts and transactions.

The Company's business is seasonal in nature due to consumer spending patterns, with higher back-to-school and holiday season sales. Traditionally, the third fiscal quarter accounts for a substantial portion of the Company's earnings for the year. Interim results may not necessarily be indicative of results which may be expected for any other interim period or for the year as a whole.

Certain prior period amounts in the condensed consolidated financial statements have been reclassified to conform to the current period presentation. These reclassifications did not affect net earnings attributable to Caleres, Inc.

For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended February 2, 2019.

Note 2 Impact of New Accounting Pronouncements

Impact of Recently Adopted Accounting Pronouncements
In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which requires lessees to recognize most leases on the balance sheet. The FASB has subsequently issued ASUs with improvements to the guidance, including ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides entities with an additional transition method to adopt the new standard. The Company adopted Accounting Standards Codification ("ASC") Topic 842 ("ASC 842") in the first quarter of 2019 using the modified retrospective approach and the optional transition method permitted by ASU 2018-11. Upon adoption, the Company recorded an operating lease right-of-use asset of $729.2 million and lease liabilities of $791.7 million as of February 3, 2019. In addition, a cumulative-effect adjustment to retained earnings of $13.4 million, net of $4.7 million in deferred taxes, was recorded upon adoption. Prior period financial information in the condensed consolidated financial statements has not been adjusted and is presented under the guidance in ASC 840, *Leases*. The Company elected the package of practical expedients and the expedient to group lease and non-lease components as permitted within the ASU. The hindsight practical expedient was not elected. Refer to Note 10 to the condensed consolidated financial statements for additional information regarding ASC 842.

Impact of Prospective Accounting Pronouncements
In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, which significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The ASU replaces today's "incurred loss" model with an "expected credit loss" model that requires entities to estimate an expected lifetime credit loss on financial assets, including trade accounts receivable. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted beginning after December 15, 2018. The ASU's provisions will be applied as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which it is adopted. As credit losses from the Company's trade receivables have not historically been significant, the Company anticipates that the adoption of the ASU in the first quarter of 2020 will not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 modifies disclosure requirements on fair value measurements, removing and modifying certain disclosures, while adding other disclosures. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The adoption of ASU 2018-13 is not expected to have a material impact on the Company's financial statement disclosures.

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In August 2018, the FASB issued ASU 2018-14, *Compensation — Retirement Benefits — Defined Benefit Plans — General (Subtopic 715-20), Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans*. The guidance changes the disclosure requirements for employers that sponsor defined benefit pension or other postretirement benefit plans, eliminating the requirements for certain disclosures that are no longer considered cost beneficial and requiring new disclosures that the FASB considers pertinent. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The adoption of ASU 2018-14 is not expected to have a material impact on the Company's financial statement disclosures.

Note 3 Acquisitions

Acquisition of Blowfish, LLC

On July 6, 2018, the Company entered into a Membership Interest Purchase Agreement ("Purchase Agreement") with Blowfish, LLC ("Blowfish", or "Blowfish Malibu"), pursuant to which the Company acquired a controlling interest in Blowfish. The noncontrolling interest is subject to a mandatory purchase obligation after a three-year period based upon an earnings multiple formula, as specified in the Purchase Agreement. The aggregate purchase price is estimated to be $28.0 million, including approximately $9.0 million assigned to the mandatory purchase obligation, which will be paid upon settlement in 2021. The remaining $19.0 million (or $16.8 million, net of $2.2 million of cash received) was funded with cash. The estimate of the mandatory purchase obligation, which is recorded within other liabilities on the condensed consolidated balance sheets, is presented on a discounted basis and is subject to remeasurement based on the earnings formula specified in the Purchase Agreement. Accretion of the mandatory purchase obligation and any remeasurement adjustments will be recorded as interest expense. The operating results of Blowfish Malibu since July 6, 2018 have been included in the Company's condensed consolidated financial statements within the Brand Portfolio segment, with the elimination of sales and profit for sales to the Famous Footwear segment reflected in the Eliminations and Other category.

Blowfish Malibu, which was founded in 2005, designs and sells women's and children's footwear that captures the fresh youthful spirit and casual living that is distinctively Southern California. The footwear is marketed under the "Blowfish" and Blowfish Malibu" tradenames. The acquisition allows for continued expansion of the Company's overall business and provides additional exposure to the growing sneaker and casual lifestyle segment of the market.

The Company’s purchase price allocation contains uncertainties because it required management to make assumptions and to apply judgment to estimate the fair value of the acquired assets and liabilities. A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The judgments the Company used in estimating the fair values assigned to each class of the acquired assets and assumed liabilities could materially affect the results of its operations. Management estimated the fair value of the assets and liabilities based upon quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows (Level 3 fair value measurements). Unanticipated events or circumstances may occur, which could affect the accuracy of the Company’s fair value estimates, including assumptions regarding industry economic factors and business strategies. As of May 4, 2019, the purchase price allocation is complete.

During the thirteen weeks ended May 4, 2019, Blowfish Malibu contributed net sales of $19.3 million to the Brand Portfolio segment ($16.2 million on a consolidated basis, net of eliminations), and net earnings of $0.6 million.

Acquisition of Vionic

On October 18, 2018, the Company entered into an Equity and Asset Purchase Agreement (the "Agreement") with the equity holders of Vionic Group LLC and Vionic International LLC, and VCG Holdings Ltd., a Cayman Islands corporation (collectively, "Vionic"), pursuant to which the Company acquired all of the outstanding equity interests of Vionic Group LLC and Vionic International LLC and certain related intellectual property from VCG Holdings Ltd for $360.0 million plus adjustments for cash and indebtedness, as defined in the Agreement. The aggregate purchase price was $360.7 million (or $352.7 million, net of $8.0 million of cash received). The purchase was funded with borrowings from the Company's revolving credit agreement. The operating results of Vionic since October 18, 2018 have been included in the Company's condensed consolidated financial statements within the Brand Portfolio segment, with the elimination of sales and profit for sales to the Famous Footwear segment reflected in the Eliminations and Other category.

Vionic, which was founded in 1979, brings together style and science, combining innovative biomechanics with the most coveted trends. As pioneers in foot health with a global team of experts behind the dual gender brand, Vionic brings a fresh perspective to stylish, supportive footwear, offering a vast selection of active, casual and dress styles, sandals and slippers. The acquisition of Vionic allows the Company to continue to expand its portfolio of brands and gives it additional access to the growing contemporary comfort footwear category.

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The Brand Portfolio segment recognized $5.8 million ($4.3 million on an after-tax basis, or $0.10 per diluted share) in incremental cost of goods sold in the thirteen weeks ended May 4, 2019 related to the amortization of the inventory fair value adjustment required for purchase accounting. In addition, the Company incurred integration-related costs of $0.3 million ($0.2 million on an after-tax basis, or $0.01 per diluted share) in the thirteen weeks ended May 4, 2019, which were recorded as a component of restructuring and other special charges, net. Of the $0.3 million, $0.2 million is presented within the Eliminations and Other category and $0.1 million is presented in the Brand Portfolio segment.

Vionic contributed net sales of $54.8 million to the Brand Portfolio segment ($53.1 million on a consolidated basis, net of eliminations), and reported a net loss of approximately $1.3 million, primarily associated with the incremental cost of goods sold of $5.8 million related to the amortization of the inventory fair value adjustment required for purchase accounting. The net loss excludes the incremental interest expense associated with the acquisition.

Purchase Price Allocation

The assets and liabilities of Vionic were recorded at their estimated fair values, and the excess of the purchase price over the fair value of the assets acquired and liabilities assumed, including identified intangible assets, was recorded as goodwill. The Company has allocated the purchase price as of the acquisition date, October 18, 2018, as follows:

($ thousands)		October 18, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$	8,024
Receivables		32,319
Inventories		58,740
Prepaid expense and other current assets		3,618
Total current assets		102,701
Goodwill		150,413
Intangible assets		144,700
Property and equipment		6,864
Total assets	$	404,678
LIABILITIES AND EQUITY		
Current liabilities:		
Trade accounts payable	$	19,679
Other accrued expenses		20,768
Total current liabilities		40,447
Other liabilities		3,541
Total liabilities		43,988
Net assets	$	360,690

The allocation of the purchase price is based on certain preliminary valuations and analyses. Any subsequent changes in the estimated fair values assumed upon the finalization of more detailed analyses within the measurement period will change the allocation of the purchase price and will be adjusted during the period in which the amounts are determined. The Company's purchase price allocation required management to make assumptions and to apply judgment to estimate the fair value of the acquired assets and liabilities. A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The judgments the Company used in estimating the fair values assigned to each class of the acquired assets and assumed liabilities could materially affect the results of its operations. Management estimated the fair value of the assets and liabilities based upon quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows (Level 3 fair value measurements). Unanticipated events or circumstances may occur, which could affect the accuracy of the Company's fair value estimates, including assumptions regarding industry economic factors and business strategies. A third-party valuation specialist assisted the Company with its preliminary fair value estimates for inventory and intangible assets other than goodwill. The Company used all available information to make its best estimate of fair values at the acquisition date. The Company continues to evaluate certain contingent liabilities, but the purchase price allocation is substantially complete as of May 4, 2019.

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Goodwill and intangible assets reflected above were determined to meet the criteria for recognition apart from tangible assets acquired and liabilities assumed. The goodwill recognized, which is deductible for tax purposes, is primarily attributable to synergies and an assembled workforce. Refer to Note 9 to the consolidated financial statements for additional information regarding goodwill and intangible assets.

Note 4 Revenues

Accounting Policy
Revenue is recognized when obligations under the terms of a contract with the consumer are satisfied. This generally occurs at the time of transfer of control of merchandise. The Company considers several control indicators in its assessment of the timing of the transfer of control, including significant risks and rewards of ownership, physical possession and the Company's right to receive payment. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring merchandise. The Company excludes sales and similar taxes collected from customers from the measurement of the transaction price for its retail sales.

Disaggregation of Revenues
The following table disaggregates revenue by segment and major source for the periods ended May 4, 2019 and May 5, 2018:

	Thirteen Weeks Ended May 4, 2019			
($ thousands)	Famous Footwear	Brand Portfolio	Eliminations and Other	Total
Retail stores	**$ 320,242**	**$ 36,650**	**$ —**	**$ 356,892**
Landed wholesale	**—**	**233,370**	**(15,461)**	**217,909**
First-cost wholesale	**—**	**14,771**	**—**	**14,771**
E-commerce	**31,781**	**53,046**	**—**	**84,827**
Licensing and royalty	**—**	**3,132**	**—**	**3,132**
Other [(1)]	**142**	**81**	**—**	**223**
Net sales	**$ 352,165**	**$ 341,050**	**$ (15,461)**	**$ 677,754**

	Thirteen Weeks Ended May 5, 2018			
($ thousands)	Famous Footwear	Brand Portfolio	Eliminations and Other	Total
Retail stores	$ 338,256	$ 42,784	$ —	$ 381,040
Landed wholesale	—	182,576	(14,766)	167,810
First-cost wholesale	—	13,405	—	13,405
E-commerce	25,014	40,950	—	65,964
Licensing and royalty	—	3,712	—	3,712
Other [(1)]	141	70	—	211
Net sales	$ 363,411	$ 283,497	$ (14,766)	$ 632,142

[(1)] Includes breakage revenue from unredeemed gift cards

Retail stores
The majority of the Company's revenue is generated from retail sales where control is transferred and revenue is recognized at the point of sale. Retail sales are recorded net of estimated returns and exclude sales tax. The Company carries a returns reserve and a corresponding return asset for expected returns of merchandise.

Retail sales to members of the Company's loyalty programs, including the Famously You Rewards program, include two performance obligations: the sale of merchandise and the delivery of points that may be redeemed for future purchases. The transaction price is allocated to the separate performance obligations based on the relative stand-alone selling price. The stand-

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alone selling price for the points is estimated using the retail value of the merchandise earned, adjusted for estimated breakage based upon historical redemption patterns. The revenue associated with the initial merchandise purchased is recognized immediately and the value assigned to the points is deferred until the points are redeemed, forfeited or expired.

Landed wholesale
Landed sales are wholesale sales in which the merchandise is shipped directly to the customer from the Company's warehouses. Many landed customers arrange their own transportation of merchandise and, with limited exceptions, control is transferred at the time of shipment.

First-cost wholesale
First-cost sales are wholesale sales in which the Company purchases merchandise from an international factory that manufactures the product. Revenue is recognized at the time the merchandise is delivered to the customer's designated freight forwarder and control is transferred to the customer.

E-commerce
The Company also generates revenue from sales on websites maintained by the Company that are shipped from the Company's distribution centers or retail stores directly to the consumer, picked up directly by the consumer from the Company's stores and e-commerce sales from our wholesale customers' websites that are fulfilled on a drop-ship basis (collectively referred to as "e-commerce"). The Company transfers control and recognizes revenue for merchandise sold that is shipped directly to an individual consumer upon delivery to the consumer.

Licensing and royalty
The Company has license agreements with third parties allowing them to sell the Company's branded product, or other merchandise that uses the Company's owned or licensed brand names. These license agreements provide the licensee access to the Company's symbolic intellectual property, and revenue is therefore recognized over the license term. For royalty contracts that do not have guaranteed minimums, the Company recognizes revenue as the licensee's sales occur. For royalty contracts that have guaranteed minimums, revenue for the guaranteed minimum is recognized on a straight-line basis during the term, until such time that the cumulative royalties exceed the total minimum guarantee. Up-front payments are recognized over the contractual term to which the guaranteed minimum relates.

Contract Balances
Revenue is recorded at the transaction price, net of estimates for variable consideration for which reserves are established, including returns, allowances and discounts. Variable consideration is estimated using the expected value method and given the large number of contracts with similar characteristics, the portfolio approach is applied to determine the variable consideration for each revenue stream. Reserves for projected returns are based on historical patterns and current expectations.

Information about significant contract balances from contracts with customers is as follows:

($ thousands)	May 4, 2019	May 5, 2018	February 2, 2019
Customer allowances and discounts	**$ 20,063**	$ 19,416	$ 25,090
Loyalty programs liability	**15,700**	14,920	14,637
Returns reserve	**16,621**	12,606	13,841
Gift card liability	**4,944**	4,661	5,426

Changes in contract balances with customers generally reflect differences in relative sales volume for the periods presented. In addition, during the thirteen weeks ended May 4, 2019, the loyalty programs liability increased $5.2 million due to points accrued for purchases and decreased $4.1 million due to expirations and redemptions. During the thirteen weeks ended May 5, 2018, the loyalty programs liability increased $6.4 million due to the adoption of Topic 606 and $5.9 million due to points accrued for purchases and decreased $5.5 million due to expirations and redemptions.

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Note 5 Earnings Per Share

The Company uses the two-class method to compute basic and diluted earnings per common share attributable to Caleres, Inc. shareholders. In periods of net loss, no effect is given to the Company's participating securities since they do not contractually participate in the losses of the Company. The following table sets forth the computation of basic and diluted earnings per common share attributable to Caleres, Inc. shareholders for the periods ended May 4, 2019 and May 5, 2018:

($ thousands, except per share amounts)	Thirteen Weeks Ended May 4, 2019	Thirteen Weeks Ended May 5, 2018
NUMERATOR		
Net earnings	**$ 9,085**	$ 17,180
Net (earnings) loss attributable to noncontrolling interests	**(2)**	32
Net earnings allocated to participating securities	**(283)**	(479)
Net earnings attributable to Caleres, Inc. after allocation of earnings to participating securities	**$ 8,800**	$ 16,733
DENOMINATOR		
Denominator for basic earnings per common share attributable to Caleres, Inc. shareholders	**40,741**	41,910
Dilutive effect of share-based awards	**60**	124
Denominator for diluted earnings per common share attributable to Caleres, Inc. shareholders	**40,801**	42,034
Basic earnings per common share attributable to Caleres, Inc. shareholders	**$ 0.22**	$ 0.40
Diluted earnings per common share attributable to Caleres, Inc. shareholders	**$ 0.22**	$ 0.40

Options to purchase 16,667 shares of common stock for the thirteen weeks ended May 4, 2019 were not included in the denominator for diluted earnings per common share attributable to Caleres, Inc. shareholders because the effect would be anti-dilutive. There were no options to purchase shares excluded from the denominator for the thirteen weeks ended May 5, 2018.

During the thirteen weeks ended May 4, 2019 and May 5, 2018, the Company repurchased zero and 100,000 shares, respectively, under the 2011 and 2018 publicly announced share repurchase programs, each of which permits repurchases of up to 2.5 million shares. As of May 4, 2019, the Company has repurchased a total of 2.7 million shares at an aggregate purchase price of $77.8 million.

Note 6 Restructuring and Other Initiatives

Vionic Integration-Related Costs

During the thirteen weeks ended May 4, 2019, the Company incurred integration-related costs associated with the acquisition of Vionic, primarily for severance, totaling $0.3 million ($0.2 million on an after-tax basis, or $0.01 per diluted share). Of the $0.3 million in costs, which are presented as restructuring and other special charges, net in the condensed consolidated statements of earnings, $0.2 million are reflected within the Eliminations and Other category and $0.1 million are included in the Brand Portfolio segment. As of May 4, 2019 restructuring reserves of $0.5 million were included in other accrued expenses on the condensed consolidated balance sheets. Refer to further discussion of the acquisition in Note 3 to the condensed consolidated financial statements.

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Carlos Brand Exit

The Company's license agreement to sell Carlos by Carlos Santana footwear expired in December 2018. In connection with the decision to exit the Carlos brand, the Company incurred restructuring-related costs of $1.9 million ($1.4 million on an after-tax basis, or $0.03 per diluted share) during the first quarter of 2019. Of these charges included in the Brand Portfolio segment, $1.3 million ($1.0 million on an after-tax basis or $0.02 per diluted share) primarily represents incremental inventory markdowns required to reduce the value of inventory to net realizable value and is presented in cost of goods sold on the statements of earnings and the remaining $0.6 million ($0.4 million on an after-tax basis, or $0.01 per diluted share) for severance and other related costs is presented in restructuring and other special charges.

Integration and Reorganization of Men's Brands

During the thirteen weeks ended May 5, 2018, the Company incurred integration and reorganization costs related to the men's business, primarily for severance and professional fees, totaling $1.8 million ($1.3 million on an after-tax basis, or $0.03 per diluted share). Of the $1.8 million in costs presented as restructuring and other special charges, net in the condensed consolidated statements of earnings for the thirteen weeks ended May 5, 2018, $1.6 million was reflected within the Brand Portfolio segment and $0.2 million was reflected within the Eliminations and Other category. As of May 5, 2018, restructuring reserves of $1.1 million were included in other accrued expenses on the condensed consolidated balance sheets.

Note 7 Business Segment Information

During the first quarter of 2019, the Company changed its segment presentation to present net sales of the Brand Portfolio segment inclusive of both external and intersegment sales, with the elimination of intersegment sales and profit from Brand Portfolio to Famous Footwear reflected within the Eliminations and Other category. This presentation reflects the independent business models of both Brand Portfolio and Famous Footwear, as well as growth in intersegment activity driven by recent acquisitions. Following is a summary of certain key financial measures for the Company's business segments for the periods ended May 4, 2019 and May 5, 2018:

($ thousands)	Famous Footwear	Brand Portfolio	Eliminations and Other	Total
Thirteen Weeks Ended May 4, 2019				
Net sales	**$ 352,165**	**$ 341,050**	**$ (15,461)**	**$ 677,754**
Intersegment sales [1]	**—**	**15,461**	**—**	**15,461**
Operating earnings (loss)	**10,813**	**12,929**	**(6,873)**	**16,869**
Segment assets	**998,606**	**1,355,842**	**138,622**	**2,493,070**
Thirteen Weeks Ended May 5, 2018				
Net sales	$ 363,411	$ 283,497	$ (14,766)	$ 632,142
Intersegment sales [1]	—	14,766	—	14,766
Operating earnings (loss)	21,857	11,627	(10,538)	22,946
Segment assets	555,448	745,460	201,158	1,502,066

(1) Included in net sales in the Brand Portfolio segment and eliminated in the Eliminations and Other category

The Eliminations and Other category includes corporate assets, administrative expenses and other costs and recoveries, which are not allocated to the operating segments, as well as the elimination of intersegment sales and profit.

Following is a reconciliation of operating earnings to earnings before income taxes:

	Thirteen Weeks Ended	
($ thousands)	May 4, 2019	May 5, 2018
Operating earnings	**$ 16,869**	$ 22,946
Interest expense, net	**(7,340)**	(3,683)
Other income, net	**2,619**	3,091
Earnings before income taxes	**$ 12,148**	$ 22,354

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Note 8 Inventories

The Company's net inventory balance was comprised of the following:

($ thousands)	May 4, 2019	May 5, 2018	February 2, 2019
Raw materials	**$ 18,618**	$ 15,554	$ 19,128
Work-in-process	**478**	708	745
Finished goods	**629,049**	563,640	663,298
Inventories, net	**$ 648,145**	$ 579,902	$ 683,171

Note 9 Goodwill and Intangible Assets

Goodwill and intangible assets were as follows:

($ thousands)	May 4, 2019	May 5, 2018	February 2, 2019
Intangible Assets			
Famous Footwear	**$ 2,800**	$ 2,800	$ 2,800
Brand Portfolio	**388,288**	285,988	388,288
Other	**—**	1,769	—
Total intangible assets	**391,088**	290,557	391,088
Accumulated amortization	**(86,987)**	(77,738)	(83,722)
Total intangible assets, net	**304,101**	212,819	307,366
Goodwill			
Brand Portfolio	**244,407**	127,081	242,531
Total goodwill	**244,407**	127,081	242,531
Goodwill and intangible assets, net	**$ 548,508**	$ 339,900	$ 549,897

As further described in Note 3 to the condensed consolidated financial statements, the Company acquired Vionic on October 18, 2018. The allocation of the purchase price resulted in incremental intangible assets of $144.7 million, consisting of trademarks and customer relationships of $112.4 million and $32.3 million, respectively, and incremental goodwill of $150.4 million. In addition, the Company acquired Blowfish Malibu on July 6, 2018. The allocation of the purchase price resulted in incremental intangible assets of $17.6 million, consisting of trademarks and customer relationships of $11.1 million and $6.5 million, respectively, and incremental goodwill of $5.0 million.

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The Company's intangible assets as of May 4, 2019, May 5, 2018 and February 2, 2019 were as follows:

($ thousands)				May 4, 2019			
	Estimated Useful Lives		Cost Basis		Accumulated Amortization		Net Carrying Value
Trademarks	**15-40 years**	**$**	**288,788**	**$**	**84,427**	**$**	**204,361**
Trademarks	**Indefinite**		**58,100**		**—**		**58,100**
Customer relationships	**15-16 years**		**44,200**		**2,560**		**41,640**
		$	**391,088**	**$**	**86,987**	**$**	**304,101**

				May 5, 2018			
	Estimated Useful Lives		Cost Basis		Accumulated Amortization		Net Carrying Value
Trademarks	15-40 years	$	165,288	$	77,219	$	88,069
Trademarks	Indefinite		118,100		—		118,100
Customer relationships	15 years		5,400		495		4,905
Software licenses	5 years		1,769		24		1,745
		$	290,557	$	77,738	$	212,819

				February 2, 2019					
	Estimated Useful Lives		Cost Basis		Accumulated Amortization		Impairment		Net Carrying Value
Trademarks	15-40 years	$	288,788	$	81,961	$	—	$	206,827
Trademarks	Indefinite		118,100		—		60,000		58,100
Customer relationships	15-16 years		44,200		1,761		—		42,439
		$	451,088	$	83,722	$	60,000	$	307,366

Amortization expense related to intangible assets was $3.3 million and $1.0 million for the thirteen weeks ended May 4, 2019 and May 5, 2018, respectively. The Company estimates that amortization expense related to intangible assets will be approximately $13.1 million in 2019, $12.8 million in 2020, $12.7 million in 2021, $12.5 million in 2022 and $12.2 million in 2023.

As a result of its annual goodwill impairment testing in the fourth quarter of 2018, the Company determined that the carrying value of the Allen Edmonds reporting unit exceeded its fair value and recorded $38.0 million in impairment charges. The Company recorded no goodwill impairment charges in the thirteen weeks ended May 4, 2019 or May 5, 2018.

Indefinite-lived intangible assets are tested for impairment as of the first day of the fourth quarter of each fiscal year unless events or circumstances indicate an interim test is required. The indefinite-lived intangible asset impairment review in the fourth quarter of 2018 resulted in $60.0 million in impairment charges associated with the Allen Edmonds trademark. The Company recorded no impairment charges in the thirteen weeks ended May 4, 2019 or May 5, 2018.

Note 10 Leases

The Company leases all of its retail locations, a manufacturing facility, and certain office locations, distribution centers and equipment. At contract inception, leases are evaluated and classified as either operating or finance leases. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company's leases that are classified as operating leases have lease terms and renewal options as follows:

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	Lease Term	Renewal Options
Retail stores	5-10 years	Approximately 45% have options of varying periods
Manufacturing facility	8 years	None
Office facilities and distribution centers	10-15 years	5-20 years
Equipment	1 - 6 years	None

As further discussed in Note 2 to the condensed consolidated financial statements, during the first quarter of 2019, the Company adopted ASC 842 using the modified retrospective transition method. Prior period financial information in the condensed consolidated financial statements has not been adjusted and is presented in compliance with ASC 840. The Company elected the package of practical expedients and the expedient to account for lease and non-lease components as a single component for the entire population of operating lease assets. The Company did not elect the hindsight practical expedient to reevaluate the lease term of existing contracts.

Lease right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term. The majority of the Company's leases do not provide an implicit rate and therefore, the Company uses an incremental borrowing rate based on information available at the commencement date to determine the present value of future payments. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Variable lease payments are expensed as incurred.

The following is a summary of lease assets and liabilities on the condensed consolidated balance sheet at May 4, 2019:

($ thousands)		May 4, 2019
Lease Classification		
Lease right-of-use assets	**$**	**735,282**
Current lease obligations		**(136,005)**
Noncurrent lease obligations		**(662,750)**
Net balance sheet impact	**$**	**(63,473)**

The weighted-average lease term and discount rate as of May 4, 2019 were as follows:

	May 4, 2019
Weighted-average remaining lease term (in years)	**7.1**
Weighted-average discount rate	**4.1%**

As of May 4, 2019, the Company has entered into lease commitments for seven retail locations for which the leases have not yet commenced. The Company anticipates that the leases for five retail locations will begin in the next two fiscal quarters. Upon commencement, right-of-use assets and lease liabilities of approximately $4.1 million will be recorded on the condensed consolidated balance sheets. Leases for two retail locations are expected to begin in the next fiscal year, resulting in right-of-use assets and lease liabilities of approximately $2.9 million.

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The components of lease expense for the thirteen weeks ended May 4, 2019 were as follows:

		Thirteen Weeks Ended
($ thousands)		May 4, 2019
Operating lease expense	$	**46,461**
Variable lease expense		**12,184**
Short-term lease expense		**1,115**
Sublease income		**(73)**
Total lease expense	$	**59,687**

Future minimum rent payments under noncancelable leases with an initial term of one year or more at May 4, 2019 were as follows:

($ thousands)		
Remainder of 2019	$	**135,036**
2020		**159,990**
2021		**135,705**
2022		**113,185**
2023		**94,496**
2024		**73,946**
Thereafter		**168,164**
Total minimum lease payments (1)	$	**880,522**
Less imputed interest		**(81,767)**
Present value of lease obligations	$	**798,755**

(1) Minimum lease payments have not been reduced by minimum sublease rental income of $0.5 million due in the future under noncancelable sublease agreements.

Supplemental cash flow information related to leases is as follows:

		Thirteen Weeks Ended
($ thousands)		May 4, 2019
Cash paid for lease liabilities	$	**46,511**
Cash received from sublease income		**73**

Note 11 Long-term and Short-term Financing Arrangements

Credit Agreement

The Company maintains a revolving credit facility for working capital needs. On December 18, 2014, the Company and certain of its subsidiaries (the "Loan Parties") entered into a Fourth Amended and Restated Credit Agreement ("the Former Credit Agreement"), which was further amended on July 20, 2015 to release all of the Company's subsidiaries that were borrowers under or that guaranteed the Former Credit Agreement other than Sidney Rich Associates, Inc. and BG Retail, LLC. Allen Edmonds and Vionic were joined to the Agreement as guarantors on December 13, 2016 and October 31, 2018, respectively. After giving effect to the joinders, the Company is the lead borrower, and Sidney Rich Associates, Inc., BG Retail, LLC, Allen Edmonds and Vionic are each co-borrowers and guarantors under the Former Credit Agreement. On January 18, 2019, the Loan Parties entered into a Third Amendment to Fourth Amended and Restated Credit Agreement (as so amended, the "Credit Agreement") to extend the maturity date to January 18, 2024 and change the borrowing capacity under the Former Credit Agreement from an aggregate amount of up to $600.0 million to an aggregate amount of up to $500.0 million, with the option to increase by up to $250.0 million. The Credit Amendment also reduces upfront and unused borrowing fees, provides for less restrictive covenants and offers more flexibility.

Borrowing availability under the Credit Agreement is limited to the lesser of the total commitments and the borrowing base ("Loan Cap"), which is based on stated percentages of the sum of eligible accounts receivable, eligible inventory and eligible credit card receivables, as defined, less applicable reserves. Under the Credit Agreement, the Loan Parties' obligations are secured by a first-priority security interest in all accounts receivable, inventory and certain other collateral.

Interest on borrowings is at variable rates based on the London Interbank Offered Rate ("LIBOR") or the prime rate, as defined in the Credit Agreement, plus a spread. The interest rate and fees for letters of credit vary based upon the level of excess availability

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under the Credit Agreement. There is an unused line fee payable on the unused portion under the facility and a letter of credit fee payable on the outstanding face amount under letters of credit.

The Credit Agreement limits the Company's ability to create, incur, assume or permit to exist additional indebtedness and liens, make investments or specified payments, give guarantees, pay dividends, make capital expenditures and merge or acquire or sell assets. In addition, certain additional covenants would be triggered if excess availability were to fall below specified levels, including fixed charge coverage ratio requirements. Furthermore, if excess availability falls below the greater of 10.0% of the lesser of the Loan Cap and $40.0 million for three consecutive business days or an event of default occurs, the collateral agent may assume dominion and control over the Company's cash (a "cash dominion event") until such event of default is cured or waived or the excess availability exceeds such amount for 30 consecutive days, provided that a cash dominion event shall be deemed continuing (even if an event of default is no longer continuing and/or excess availability exceeds the required amount for 30 consecutive business days) after a cash dominion event has occurred and been discontinued on two occasions in any 12-month period.

The Credit Agreement contains customary events of default, including, without limitation, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to similar obligations, certain events of bankruptcy and insolvency, judgment defaults and the failure of any guaranty or security document supporting the agreement to be in full force and effect. In addition, if the excess availability falls below the greater of (i) 10.0% of the lesser of the Loan Cap and (ii) $40.0 million, and the fixed charge coverage ratio is less than 1.0 to 1.0, the Company would be in default under the Credit Agreement. The Credit Agreement also contains certain other covenants and restrictions. The Company was in compliance with all covenants and restrictions under the Credit Agreement as of May 4, 2019.

At May 4, 2019, the Company had $318.0 million borrowings outstanding and $10.5 million in letters of credit outstanding under the Credit Agreement. Total additional borrowing availability was $171.5 million at May 4, 2019.

$200 Million Senior Notes
On July 27, 2015, the Company issued $200.0 million aggregate principal amount of 6.25% Senior Notes due 2023 (the "Senior Notes"). The Senior Notes are guaranteed on a senior unsecured basis by each of the Company's subsidiaries that is a borrower or guarantor under the Credit Agreement. Interest on the Senior Notes is payable on February 15 and August 15 of each year. The Senior Notes will mature on August 15, 2023. The Company may redeem all or a part of the Senior Notes at the redemption prices (expressed as a percentage of principal amount) set forth below plus accrued and unpaid interest, and Additional Interest (as defined in the Senior Notes indenture), if redeemed during the 12-month period beginning on August 15 of the years indicated below:

Year	Percentage
2019	103.125%
2020	101.563%
2021 and thereafter	100.000%

If the Company experiences specific kinds of changes of control, it would be required to offer to purchase the Senior Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest and Additional Interest, if any, to, but not including, the date of repurchase.

The Senior Notes also contain certain other covenants and restrictions that limit certain activities including, among other things, levels of indebtedness, payments of dividends, the guarantee or pledge of assets, certain investments, common stock repurchases, mergers and acquisitions and sales of assets. As of May 4, 2019, the Company was in compliance with all covenants and restrictions relating to the Senior Notes.

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Note 12 Shareholders' Equity

Accumulated Other Comprehensive Loss

The following table sets forth the changes in accumulated other comprehensive loss (OCL) by component for the periods ended May 4, 2019 and May 5, 2018:

($ thousands)	Foreign Currency Translation	Pension and Other Postretirement Transactions (1)	Derivative Financial Instrument Transactions (2)	Accumulated Other Comprehensive (Loss) Income
Balance at February 2, 2019	**$ 62**	**$ (31,055)**	**$ (608)**	**$ (31,601)**
Other comprehensive (loss) income before reclassifications	**(970)**	**—**	**169**	**(801)**
Reclassifications:				
Amounts reclassified from accumulated other comprehensive loss	**—**	**533**	**171**	**704**
Tax benefit	**—**	**(138)**	**(37)**	**(175)**
Net reclassifications	**—**	**395**	**134**	**529**
Other comprehensive (loss) income	**(970)**	**395**	**303**	**(272)**
Balance at May 4, 2019	**$ (908)**	**$ (30,660)**	**$ (305)**	**$ (31,873)**
Balance at February 3, 2018	$ 1,235	$ (17,172)	$ 767	$ (15,170)
Other comprehensive loss before reclassifications	(808)	—	(408)	(1,216)
Reclassifications:				
Amounts reclassified from accumulated other comprehensive loss	—	585	(145)	440
Tax (benefit) provision	—	(151)	32	(119)
Net reclassifications	—	434	(113)	321
Other comprehensive (loss) income	(808)	434	(521)	(895)
Balance at May 5, 2018	$ 427	$ (16,738)	$ 246	$ (16,065)

(1) Amounts reclassified are included in other income, net. Refer to Note 14 to the condensed consolidated financial statements for additional information related to pension and other postretirement benefits.

(2) Amounts reclassified are included in net sales, costs of goods sold, selling and administrative expenses and interest expense, net. Refer to Note 15 and Note 16 to the condensed consolidated financial statements for additional information related to derivative financial instruments.

Note 13 Share-Based Compensation

The Company recognized share-based compensation expense of $3.3 million and $3.6 million during the thirteen weeks ended May 4, 2019 and May 5, 2018, respectively. The Company issued 347,283 and 256,005 shares of common stock during the thirteen weeks ended May 4, 2019 and May 5, 2018, respectively, for restricted stock grants, stock performance awards issued to employees, stock options exercised and common and restricted stock grants issued to non-employee directors, net of forfeitures and shares withheld to satisfy the tax withholding requirement.

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Restricted Stock
The following table summarizes restricted stock activity for the periods ended May 4, 2019 and May 5, 2018:

	Thirteen Weeks Ended May 4, 2019			Thirteen Weeks Ended May 5, 2018	
	Total Number of Restricted Shares	Weighted- Average Grant Date Fair Value		Total Number of Restricted Shares	Weighted- Average Grant Date Fair Value
February 2, 2019	**1,249,223**	**$ 29.17**	February 3, 2018	1,174,801	$ 27.92
Granted	**397,550**	**23.42**	Granted	294,691	31.77
Forfeited	**(21,425)**	**29.51**	Forfeited	(16,550)	27.47
Vested	**(204,920)**	**30.06**	Vested	(208,610)	28.15
May 4, 2019	**1,420,428**	**$ 27.43**	May 5, 2018	1,244,332	$ 28.80

All 397,550 restricted shares granted during the thirteen weeks ended May 4, 2019, have a graded-vesting term of three years. Of the 294,691 restricted shares granted during the thirteen weeks ended May 5, 2018, 285,191 shares have a graded-vesting term of three years and 9,500 shares have a cliff-vesting term of four years. Share-based compensation expense for cliff-vesting grants is recognized on a straight-line basis over the vesting period and expense for graded-vesting grants is recognized ratably over the respective vesting periods.

Performance Share Awards
During the thirteen weeks ended May 4, 2019 and May 5, 2018, the Company granted performance share awards for a targeted 180,000 and 155,000 shares, respectively, with a weighted-average grant date fair value of $23.42 and $31.84, respectively. Vesting of performance-based awards is dependent upon the financial performance of the Company and the attainment of certain financial goals during the three-year period following the grant. At the end of the vesting period, the employee will have earned an amount of shares or units between 0% and 200% of the targeted award, depending on the achievement of the specified financial goals for the service period. Compensation expense is recognized based on the fair value of the award and the anticipated number of shares or units to be awarded for each tranche in accordance with the vesting schedule of the units over the three-year service period.

Stock Options
The following table summarizes stock option activity for the periods ended May 4, 2019 and May 5, 2018:

	Thirteen Weeks Ended May 4, 2019			Thirteen Weeks Ended May 5, 2018	
	Total Number of Stock Options	Weighted- Average Grant Date Fair Value		Total Number of Stock Options	Weighted- Average Grant Date Fair Value
February 2, 2019	**42,667**	**$ 8.64**	February 3, 2018	81,042	$ 6.28
Granted	—	—	Granted	—	—
Exercised	—	—	Exercised	(16,500)	4.02
Forfeited	—	—	Forfeited	—	—
Expired	—	—	Expired	(2,500)	5.71
May 4, 2019	**42,667**	**$ 8.64**	May 5, 2018	62,042	$ 6.90

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Restricted Stock Units for Non-Employee Directors
Equity-based grants may be made to non-employee directors in the form of restricted stock units ("RSUs") payable in cash or common stock at no cost to the non-employee director. The RSUs earn dividend equivalents at the same rate as dividends on the Company's common stock. The dividend equivalents, which vest immediately, are automatically re-invested in additional RSUs. Expense related to the initial grant of RSUs is recognized ratably over the vesting period based upon the fair value of the RSUs. The RSUs payable in cash are remeasured at the end of each period. Expense for the dividend equivalents is recognized at fair value when the dividend equivalents are granted. The Company granted 1,114 and 781 RSUs for dividend equivalents during the thirteen weeks ended May 4, 2019 and May 5, 2018, respectively, with weighted-average grant date fair values of $25.08 and $33.10, respectively.

Note 14 Retirement and Other Benefit Plans

The following table sets forth the components of net periodic benefit income for the Company, including domestic and Canadian plans:

	Pension Benefits		Other Postretirement Benefits	
	Thirteen Weeks Ended		Thirteen Weeks Ended	
($ thousands)	May 4, 2019	May 5, 2018	May 4, 2019	May 5, 2018
Service cost	**$ 1,854**	$ 2,382	**$ —**	$ —
Interest cost	**3,725**	3,541	**15**	15
Expected return on assets	**(6,892)**	(7,232)	**—**	—
Amortization of:				
Actuarial loss (gain)	**928**	1,013	**(30)**	(30)
Prior service income	**(365)**	(398)	**—**	—
Total net periodic benefit income	**$ (750)**	$ (694)	**$ (15)**	$ (15)

The non-service cost components of net periodic benefit income are included in other income, net in the condensed consolidated statements of earnings. Service cost is included in selling and administrative expenses.

Note 15 Risk Management and Derivatives

In the normal course of business, the Company's financial results are impacted by currency rate movements in foreign currency denominated assets, liabilities and cash flows as it makes a portion of its purchases and sales in local currencies. The Company has established policies and business practices that are intended to mitigate a portion of the effect of these exposures. The Company uses derivative financial instruments, primarily forward contracts, to manage its currency exposures. These derivative financial instruments are viewed as risk management tools and are not used for trading or speculative purposes. Derivatives entered into by the Company are designated as cash flow hedges of forecasted foreign currency transactions.

Derivative financial instruments expose the Company to credit and market risk. The market risk associated with these instruments resulting from currency exchange movements is expected to offset the market risk of the underlying transactions being hedged. The Company does not believe there is a significant risk of loss in the event of non-performance by the counterparties associated with these instruments because these transactions are executed with major international financial institutions and have varying maturities through May 2020. Credit risk is managed through the continuous monitoring of exposures to such counterparties.

The Company's hedging strategy uses forward contracts as cash flow hedging instruments, which are recorded in the Company's condensed consolidated balance sheets at fair value. The effective portion of gains and losses resulting from changes in the fair value of these hedge instruments are deferred in accumulated other comprehensive loss and reclassified to earnings in the period that the hedged transaction is recognized in earnings.

As of May 4, 2019, May 5, 2018 and February 2, 2019, the Company had forward contracts maturing at various dates through May 2020, May 2019 and January 2020, respectively. The contract amounts in the following table represent the net notional amount of all purchase and sale contracts of a foreign currency.

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(U.S. $ equivalent in thousands)	May 4, 2019	May 5, 2018	February 2, 2019
Financial Instruments			
Euro	**$ 12,134**	$ 17,180	$ 13,383
U.S. dollars (purchased by the Company's Canadian division with Canadian dollars)	**13,230**	14,828	15,196
Chinese yuan	**2,858**	12,520	4,507
New Taiwanese dollars	**469**	514	461
Other currencies	**376**	422	382
Total financial instruments	**$ 29,067**	$ 45,464	$ 33,929

The classification and fair values of derivative instruments designated as hedging instruments included within the condensed consolidated balance sheets as of May 4, 2019, May 5, 2018 and February 2, 2019 are as follows:

	Asset Derivatives		Liability Derivatives	
($ thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign Exchange Forward Contracts				
May 4, 2019	**Prepaid expenses and other current assets**	**$ 183**	**Other accrued expenses**	**$ 459**
May 5, 2018	Prepaid expenses and other current assets	591	Other accrued expenses	392
February 2, 2019	Prepaid expenses and other current assets	159	Other accrued expenses	745

For the thirteen weeks ended May 4, 2019 and May 5, 2018, the effect of derivative instruments in cash flow hedging relationships on the condensed consolidated statements of earnings was as follows:

	Thirteen Weeks Ended		Thirteen Weeks Ended	
($ thousands)	May 4, 2019		May 5, 2018	
Foreign Exchange Forward Contracts: Income Statement Classification (Losses) Gains - Realized	(Loss) Gain Recognized in OCL on Derivatives	Loss Reclassified from Accumulated OCL into Earnings	Loss Recognized in OCL on Derivatives	(Loss) Gain Reclassified from Accumulated OCL into Earnings
Net sales	**$ (99)**	**$ —**	$ (25)	$ —
Cost of goods sold	**289**	**(22)**	(402)	(92)
Selling and administrative expenses	**35**	**(149)**	(72)	237
Interest expense, net	**—**	**—**	—	—

All gains and losses currently included within accumulated other comprehensive loss associated with the Company's foreign exchange forward contracts are expected to be reclassified into net earnings within the next 12 months. Additional information related to the Company's derivative financial instruments are disclosed within Note 16 to the condensed consolidated financial statements.

Note 16 Fair Value Measurements

Fair Value Hierarchy

Fair value measurement disclosure requirements specify a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources ("observable inputs") or reflect the Company's own assumptions of market participant valuation ("unobservable inputs"). In accordance with the fair value guidance, the inputs to valuation techniques used to measure fair value are categorized into three levels based on the reliability of the inputs as follows:

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- Level 1 – Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and
- Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

In determining fair value, the Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company also considers counterparty credit risk in its assessment of fair value. Classification of the financial or non-financial asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Measurement of Fair Value
The Company measures fair value as an exit price, the price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date, using the procedures described below for all financial and non-financial assets and liabilities measured at fair value.

Money Market Funds
The Company has cash equivalents consisting of short-term money market funds backed by U.S. Treasury securities. The primary objective of these investing activities is to preserve the Company's capital for the purpose of funding operations and it does not enter into money market funds for trading or speculative purposes. The fair value is based on unadjusted quoted market prices for the funds in active markets with sufficient volume and frequency (Level 1).

Non-Qualified Deferred Compensation Plan Assets and Liabilities
The Company maintains a non-qualified deferred compensation plan (the "Deferred Compensation Plan") for the benefit of certain management employees. The investment funds offered to the participants generally correspond to the funds offered in the Company's 401(k) plan, and the account balance fluctuates with the investment returns on those funds. The Deferred Compensation Plan permits the deferral of up to 50% of base salary and 100% of compensation received under the Company's annual incentive plan. The deferrals are held in a separate trust, which has been established by the Company to administer the Deferred Compensation Plan. The assets of the trust are subject to the claims of the Company's creditors in the event that the Company becomes insolvent. Consequently, the trust qualifies as a grantor trust for income tax purposes (i.e., a "Rabbi Trust"). The liabilities of the Deferred Compensation Plan are presented in other accrued expenses and the assets held by the trust are classified within prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets. Changes in deferred compensation plan assets and liabilities are charged to selling and administrative expenses. The fair value is based on unadjusted quoted market prices for the funds in active markets with sufficient volume and frequency (Level 1).

Deferred Compensation Plan for Non-Employee Directors
Non-employee directors are eligible to participate in a deferred compensation plan with deferred amounts valued as if invested in the Company's common stock through the use of phantom stock units ("PSUs"). Under the plan, each participating director's account is credited with the number of PSUs equal to the number of shares of the Company's common stock that the participant could purchase or receive with the amount of the deferred compensation, based upon the average of the high and low prices of the Company's common stock on the last trading day of the fiscal quarter when the cash compensation was earned. Dividend equivalents are paid on PSUs at the same rate as dividends on the Company's common stock and are re-invested in additional PSUs at the next fiscal quarter-end. The liabilities of the plan are based on the fair value of the outstanding PSUs and are presented in other accrued expenses (current portion) or other liabilities in the accompanying condensed consolidated balance sheets. Gains and losses resulting from changes in the fair value of the PSUs are presented in selling and administrative expenses in the Company's condensed consolidated statements of earnings. The fair value of each PSU is based on an unadjusted quoted market price for the Company's common stock in an active market with sufficient volume and frequency on each measurement date (Level 1).

Restricted Stock Units for Non-Employee Directors
Under the Company's incentive compensation plans, cash-equivalent restricted stock units ("RSUs") of the Company were previously granted at no cost to non-employee directors. These cash-equivalent RSUs are subject to a vesting requirement (usually one year), earn dividend-equivalent units, and are settled in cash on the date the director terminates service or such earlier date as a director may elect, subject to restrictions, based on the then current fair value of the Company's common stock. The fair value of each cash-equivalent RSU is based on an unadjusted quoted market price for the Company's common stock in an active market with sufficient volume and frequency on each measurement date (Level 1). Additional information related to RSUs for non-employee directors is disclosed in Note 13 to the condensed consolidated financial statements.

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Derivative Financial Instruments
The Company uses derivative financial instruments, primarily foreign exchange contracts, to reduce its exposure to market risks from changes in foreign exchange rates. These foreign exchange contracts are measured at fair value using quoted forward foreign exchange prices from counterparties corroborated by market-based pricing (Level 2). Additional information related to the Company's derivative financial instruments is disclosed in Note 15 to the condensed consolidated financial statements.

Mandatory Purchase Obligation
The Company recorded a mandatory purchase obligation of the noncontrolling interest in conjunction with the acquisition of Blowfish Malibu in July of 2018. The fair value of the mandatory purchase obligation is based on the earnings formula specified in the Purchase Agreement (Level 3). Accretion of the mandatory purchase obligation and any fair value adjustments are recorded as interest expense. During the thirteen weeks ended May 4, 2019, accretion of $0.1 million was recorded. The earnings projections and discount rate utilized in the estimate of the fair value of the mandatory purchase obligation require management judgment and are the assumptions to which the fair value calculation is the most sensitive. Refer to further discussion of the mandatory purchase obligation in Note 3 to the condensed consolidated financial statements.

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis at May 4, 2019, May 5, 2018 and February 2, 2019. The Company did not have any transfers between Level 1, Level 2 or Level 3 during the thirteen weeks ended May 4, 2019 or May 5, 2018.

		Fair Value Measurements		
($ thousands)	Total	Level 1	Level 2	Level 3
Asset (Liability)				
May 4, 2019:				
Cash equivalents – money market funds	**$ 4,500**	**$ 4,500**	**$ —**	**$ —**
Non-qualified deferred compensation plan assets	**7,865**	**7,865**	**—**	**—**
Non-qualified deferred compensation plan liabilities	**(7,865)**	**(7,865)**	**—**	**—**
Deferred compensation plan liabilities for non-employee directors	**(2,173)**	**(2,173)**	**—**	**—**
Restricted stock units for non-employee directors	**(4,013)**	**(4,013)**	**—**	**—**
Derivative financial instruments, net	**(276)**	**—**	**(276)**	**—**
Mandatory purchase obligation - Blowfish Malibu	**(9,353)**	**—**	**—**	**(9,353)**
May 5, 2018:				
Cash equivalents – money market funds	$ 76,335	$ 76,335	$ —	$ —
Non-qualified deferred compensation plan assets	6,898	6,898	—	—
Non-qualified deferred compensation plan liabilities	(6,898)	(6,898)	—	—
Deferred compensation plan liabilities for non-employee directors	(2,563)	(2,563)	—	—
Restricted stock units for non-employee directors	(5,011)	(5,011)	—	—
Derivative financial instruments, net	199	—	199	—
February 2, 2019:				
Cash equivalents – money market funds	$ 4,582	$ 4,582	$ —	$ —
Non-qualified deferred compensation plan assets	7,270	7,270	—	—
Non-qualified deferred compensation plan liabilities	(7,270)	(7,270)	—	—
Deferred compensation plan liabilities for non-employee directors	(2,364)	(2,364)	—	—
Restricted stock units for non-employee directors	(4,419)	(4,419)	—	—
Derivative financial instruments, net	(586)	—	(586)	—
Mandatory purchase obligation - Blowfish Malibu	(9,245)	—	—	(9,245)

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Impairment Charges
The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers important that could trigger an impairment review include underperformance relative to historical or projected future operating results, a significant change in the manner of the use of the asset, or a negative industry or economic trend. When the Company determines that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more of the aforementioned factors, impairment is measured based on a projected discounted cash flow method. Certain factors, such as estimated store sales and expenses, used for this nonrecurring fair value measurement are considered Level 3 inputs as defined by FASB ASC Topic 820, *Fair Value Measurement*. Long-lived assets held and used with a carrying amount of $685.0 million and $105.4 million at May 4, 2019 and May 5, 2018, respectively, were assessed for indicators of impairment and written down to their fair value. This assessment resulted in the following impairment charges, primarily for leasehold improvements, furniture and fixtures in the Company's retail stores and operating lease right-of-use assets, which were included in selling and administrative expenses for the respective periods.

	Thirteen Weeks Ended	
($ thousands)	May 4, 2019	May 5, 2018
Impairment Charges		
Famous Footwear	**$ 400**	$ 150
Brand Portfolio	**794**	318
Total impairment charges	**$ 1,194**	$ 468

Fair Value of the Company's Other Financial Instruments
The fair values of cash and cash equivalents (excluding money market funds discussed above), receivables and trade accounts payable approximate their carrying values due to the short-term nature of these instruments.

The carrying amounts and fair values of the Company's other financial instruments subject to fair value disclosures are as follows:

	May 4, 2019		May 5, 2018		February 2, 2019	
($ thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Borrowings under revolving credit agreement	**$ 318,000**	**$ 318,000**	$ —	$ —	$ 335,000	$ 335,000
Long-term debt	**198,046**	**208,000**	197,587	209,500	197,932	205,500
Total debt	**$ 516,046**	**$ 526,000**	$ 197,587	$ 209,500	$ 532,932	$ 540,500

The fair value of borrowings under the revolving credit agreement approximates its carrying value due to its short-term nature (Level 1). The fair value of the Company's long-term debt was based upon quoted prices in an inactive market as of the end of the respective periods (Level 2).

Note 17 Income Taxes

The Company's consolidated effective tax rates were 25.2% and 23.1% for the thirteen weeks ended May 4, 2019 and May 5, 2018, respectively. The Company's effective tax rate was impacted by a discrete tax provision of $0.1 million in the thirteen weeks ended May 4, 2019 related to share-based compensation, compared to discrete tax benefits of $0.5 million in the thirteen weeks ended May 5, 2018. If these discrete taxes had not been recognized during the thirteen weeks ended May 4, 2019 and May 5, 2018, the Company's effective tax rate would have been 24.3% and 25.4%, respectively.

As of May 4, 2019, no deferred taxes have been provided on the accumulated unremitted earnings of the Company's foreign subsidiaries that are not subject to United States income tax, beyond the amounts recorded for the one-time transition tax for the mandatory deemed repatriation of cumulative foreign earnings, as required by the Tax Cuts and Jobs Act. The Company periodically evaluates its foreign investment opportunities and plans, as well as its foreign working capital needs, to determine the level of investment required and, accordingly, determines the level of foreign earnings that is considered indefinitely reinvested. Based upon that evaluation, earnings of the Company's foreign subsidiaries that are not otherwise subject to United States taxation are considered to be indefinitely reinvested, and accordingly, deferred taxes have not been provided. If changes occur in future investment opportunities and plans, those changes will be reflected when known and may result in providing residual United States

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deferred taxes on unremitted foreign earnings. Due to the complexity of the hypothetical calculation, it is not practicable to estimate the amount of the deferred tax liability associated with these unremitted foreign earnings.

Note 18 Commitments and Contingencies

Environmental Remediation

Prior operations included numerous manufacturing and other facilities for which the Company may have responsibility under various environmental laws for the remediation of conditions that may be identified in the future. The Company is involved in environmental remediation and ongoing compliance activities at several sites and has been notified that it is or may be a potentially responsible party at several other sites.

Redfield

The Company is remediating, under the oversight of Colorado authorities, the groundwater and indoor air at its owned facility in Colorado (the “Redfield site” or, when referring to remediation activities at or under the facility, the “on-site remediation”) and residential neighborhoods adjacent to and near the property (the “off-site remediation”) that have been affected by solvents previously used at the facility. The on-site remediation calls for the operation of a pump and treat system (which prevents migration of contaminated groundwater off the property) as the final remedy for the site, subject to monitoring and periodic review of the on-site conditions and other remedial technologies that may be developed in the future. In 2016, the Company submitted a revised plan to address on-site conditions, including direct treatment of source areas, and received approval from the oversight authorities to begin implementing the revised plan.

As the treatment of the on-site source areas progresses, the Company expects to convert the pump and treat system to a passive treatment barrier system. Off-site groundwater concentrations have been reducing over time since installation of the pump and treat system in 2000 and injection of clean water beginning in 2003. However, localized areas of contaminated bedrock just beyond the property line continue to impact off-site groundwater. The modified work plan for addressing this condition includes converting the off-site bioremediation system into a monitoring well network and employing different remediation methods in these recalcitrant areas. In accordance with the work plan, a pilot test was conducted of certain groundwater remediation methods and the results of that test were used to develop more detailed plans for remedial activities in the off-site areas, which were approved by the authorities and are being implemented in a phased manner. The results of groundwater monitoring are being used to evaluate the effectiveness of these activities. The Company continues to implement the expanded remedy work plan that was approved by the oversight authorities in 2015. Based on the progress of the direct remedial action of on-site conditions, the Company has submitted a request to the oversight authorities for permission to convert the perimeter pump and treat active remediation system to a passive one.

The cumulative expenditures for both on-site and off-site remediation through May 4, 2019 were $30.6 million. The Company has recovered a portion of these expenditures from insurers and other third parties. The reserve for the anticipated future remediation activities at May 4, 2019 is $9.7 million, of which $9.0 million is recorded within other liabilities and $0.7 million is recorded within other accrued expenses. Of the total $9.7 million reserve, $5.1 million is for off-site remediation and $4.6 million is for on-site remediation. The liability for the on-site remediation was discounted at 4.8%. On an undiscounted basis, the on-site remediation liability would be $14.0 million as of May 4, 2019. The Company expects to spend approximately $0.5 million in the next fiscal year, $0.1 million in each of the following four years and $13.1 million in the aggregate thereafter related to the on-site remediation.

Other

Various federal and state authorities have identified the Company as a potentially responsible party for remediation at certain other sites. However, the Company does not currently believe that its liability for such sites, if any, would be material.

The Company continues to evaluate its remediation plans in conjunction with its environmental consultants and records its best estimate of remediation liabilities. However, future actions and the associated costs are subject to oversight and approval of various governmental authorities. Accordingly, the ultimate costs may vary, and it is possible costs may exceed the recorded amounts.

Litigation

The Company is involved in legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such ordinary course of business proceedings and litigation currently pending is not expected to have a material adverse effect on the Company’s results of operations or financial position. Legal costs associated with litigation are generally expensed as incurred.

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Note 19 Financial Information for the Company and its Subsidiaries

The Company issued senior notes, which are fully and unconditionally and jointly and severally guaranteed by all of its existing and future subsidiaries that are guarantors under the Company's revolving credit facility ("Credit Agreement"). The following tables present the condensed consolidating financial information for each of Caleres, Inc. (“Parent”), the Guarantors, and subsidiaries of the Parent that are not Guarantors (the “Non-Guarantors”), together with consolidating eliminations, as of and for the periods indicated. Guarantors are 100% owned by the Parent. On October 31, 2018, Vionic was joined to the Credit Agreement as a guarantor. After giving effect to the joinder, the Company is the lead borrower, and Sidney Rich Associates, Inc., BG Retail, LLC, Allen Edmonds and Vionic are each co-borrowers and guarantors under the Credit Agreement.

The condensed consolidating financial statements have been prepared using the equity method of accounting in accordance with the requirements for presentation of such information. Management believes that the information, presented in lieu of complete financial statements for each of the Guarantors, provides meaningful information to allow investors to determine the nature of the assets held by, and operations and cash flows of, each of the consolidated groups.

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UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET

MAY 4, 2019

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Assets					
Current assets					
Cash and cash equivalents	$ 6,812	$ 14,703	$ 14,263	$ —	$ 35,778
Receivables, net	91,170	39,619	17,698	—	148,487
Inventories, net	124,703	492,630	30,812	—	648,145
Prepaid expenses and other current assets	31,046	18,077	6,586	(807)	54,902
Intercompany receivable – current	314	76	8,800	(9,190)	—
Total current assets	254,045	565,105	78,159	(9,997)	887,312
Other assets	73,066	11,793	852	—	85,711
Goodwill and intangible assets, net	108,328	331,689	108,491	—	548,508
Lease right-of-use assets	130,006	572,551	32,725	—	735,282
Property and equipment, net	75,763	149,955	10,539	—	236,257
Investment in subsidiaries	1,503,973	—	(25,376)	(1,478,597)	—
Intercompany receivable – noncurrent	586,453	620,752	775,061	(1,982,266)	—
Total assets	$ 2,731,634	$ 2,251,845	$ 980,451	$ (3,470,860)	$ 2,493,070
Liabilities and Equity					
Current liabilities					
Borrowings under revolving credit agreement	$ 318,000	$ —	$ —	$ —	$ 318,000
Trade accounts payable	83,559	183,057	22,455	—	289,071
Lease obligations	11,096	118,041	6,868	—	136,005
Other accrued expenses	65,845	83,503	19,683	(807)	168,224
Intercompany payable – current	4,669	—	4,521	(9,190)	—
Total current liabilities	483,169	384,601	53,527	(9,997)	911,300
Other liabilities					
Noncurrent lease obligations	$ 132,565	$ 497,527	$ 32,658	$ —	$ 662,750
Long-term debt	198,046	—	—	—	198,046
Other liabilities	88,358	2,848	1,136	—	92,342
Intercompany payable – noncurrent	1,202,260	113,338	666,668	(1,982,266)	—
Total other liabilities	1,621,229	613,713	700,462	(1,982,266)	953,138
Equity					
Caleres, Inc. shareholders’ equity	627,236	1,253,531	225,066	(1,478,597)	627,236
Noncontrolling interests	—	—	1,396	—	1,396
Total equity	627,236	1,253,531	226,462	(1,478,597)	628,632
Total liabilities and equity	$ 2,731,634	$ 2,251,845	$ 980,451	$ (3,470,860)	$ 2,493,070

Source: CALERES INC, 10-Q, June 13, 2019 Powered by Morningstar® Document Research℠

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UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRTEEN WEEKS ENDED MAY 4, 2019

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$ 191,404	$ 488,321	$ 52,426	$ (54,397)	$ 677,754
Cost of goods sold	129,259	289,541	27,095	(47,977)	397,918
Gross profit	62,145	198,780	25,331	(6,420)	279,836
Selling and administrative expenses	55,941	194,585	18,005	(6,420)	262,111
Restructuring and other special charges, net	856	—	—	—	856
Operating earnings	5,348	4,195	7,326	—	16,869
Interest (expense) income	(7,339)	(22)	21	—	(7,340)
Other income (expense)	2,637	—	(18)	—	2,619
Intercompany interest income (expense)	2,841	(2,817)	(24)	—	—
Earnings before income taxes	3,487	1,356	7,305	—	12,148
Income tax provision	(1,312)	(355)	(1,396)	—	(3,063)
Equity in earnings (loss) of subsidiaries, net of tax	6,908	—	(538)	(6,370)	—
Net earnings	9,083	1,001	5,371	(6,370)	9,085
Less: Net earnings attributable to noncontrolling interests	—	—	2	—	2
Net earnings attributable to Caleres, Inc.	$ 9,083	$ 1,001	$ 5,369	$ (6,370)	$ 9,083
Comprehensive income	$ 8,811	$ 923	$ 4,570	$ (5,479)	$ 8,825
Less: Comprehensive income attributable to noncontrolling interests	—	—	14	—	14
Comprehensive income attributable to Caleres, Inc.	$ 8,811	$ 923	$ 4,556	$ (5,479)	$ 8,811

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UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THIRTEEN WEEKS ENDED MAY 4, 2019

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net cash (used for) provided by operating activities	$ (5,419)	$ 47,435	$ 7,894	$ —	$ 49,910
Investing activities					
Purchases of property and equipment	(14,787)	(2,833)	(823)	—	(18,443)
Capitalized software	(2,911)	(6)	—	—	(2,917)
Intercompany investing	(120)	120	—	—	—
Net cash used for investing activities	(17,818)	(2,719)	(823)	—	(21,360)
Financing activities					
Borrowings under revolving credit agreement	84,000	—	—	—	84,000
Repayments under revolving credit agreement	(101,000)	—	—	—	(101,000)
Dividends paid	(2,947)	—	—	—	(2,947)
Issuance of common stock under share-based plans, net	(2,559)	—	—	—	(2,559)
Other	(394)	—	—	—	(394)
Intercompany financing	52,947	(39,161)	(13,786)	—	—
Net cash provided by (used for) financing activities	30,047	(39,161)	(13,786)	—	(22,900)
Effect of exchange rate changes on cash and cash equivalents	—	—	(72)	—	(72)
Increase (decrease) in cash and cash equivalents	6,810	5,555	(6,787)	—	5,578
Cash and cash equivalents at beginning of period	2	9,148	21,050	—	30,200
Cash and cash equivalents at end of period	$ 6,812	$ 14,703	$ 14,263	$ —	$ 35,778

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UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET

MAY 5, 2018

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Assets					
Current assets					
Cash and cash equivalents	$ 41,795	$ 10,011	$ 44,675	$ —	$ 96,481
Receivables, net	113,763	2,721	9,075	—	125,559
Inventories, net	110,242	441,144	28,516	—	579,902
Prepaid expenses and other current assets	28,677	31,669	6,632	(4,593)	62,385
Intercompany receivable – current	919	339	14,444	(15,702)	—
Total current assets	295,396	485,884	103,342	(20,295)	864,327
Other assets	75,242	12,937	762	—	88,941
Goodwill and intangible assets, net	112,298	40,937	186,665	—	339,900
Property and equipment, net	36,178	160,903	11,817	—	208,898
Investment in subsidiaries	1,341,505	—	(24,043)	(1,317,462)	—
Intercompany receivable – noncurrent	783,315	536,213	708,992	(2,028,520)	—
Total assets	$ 2,643,934	$ 1,236,874	$ 987,535	$ (3,366,277)	$ 1,502,066
Liabilities and Equity					
Current liabilities					
Trade accounts payable	$ 99,013	$ 150,288	$ 19,616	$ —	$ 268,917
Other accrued expenses	67,588	85,180	20,571	(4,593)	168,746
Intercompany payable – current	5,467	—	10,235	(15,702)	—
Total current liabilities	172,068	235,468	50,422	(20,295)	437,663
Other liabilities					
Long-term debt	197,587	—	—	—	197,587
Other liabilities	102,303	40,200	10,175	—	152,678
Intercompany payable – noncurrent	1,459,271	91,100	478,149	(2,028,520)	—
Total other liabilities	1,759,161	131,300	488,324	(2,028,520)	350,265
Equity					
Caleres, Inc. shareholders' equity	712,705	870,106	447,356	(1,317,462)	712,705
Noncontrolling interests	—	—	1,433	—	1,433
Total equity	712,705	870,106	448,789	(1,317,462)	714,138
Total liabilities and equity	$ 2,643,934	$ 1,236,874	$ 987,535	$ (3,366,277)	$ 1,502,066

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UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRTEEN WEEKS ENDED MAY 5, 2018

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$ 199,260	$ 445,695	$ 37,392	$ (50,205)	$ 632,142
Cost of goods sold	134,594	247,799	17,867	(43,039)	357,221
Gross profit	64,666	197,896	19,525	(7,166)	274,921
Selling and administrative expenses	66,342	177,886	13,135	(7,166)	250,197
Restructuring and other special charges, net	525	1,253	—	—	1,778
Operating (loss) earnings	(2,201)	18,757	6,390	—	22,946
Interest (expense) income	(3,819)	(12)	148	—	(3,683)
Other income (expense)	3,120	—	(29)	—	3,091
Intercompany interest income (expense)	2,768	(2,799)	31	—	—
(Loss) earnings before income taxes	(132)	15,946	6,540	—	22,354
Income tax provision	(952)	(3,302)	(920)	—	(5,174)
Equity in earnings (loss) of subsidiaries, net of tax	18,296	—	(478)	(17,818)	—
Net earnings	17,212	12,644	5,142	(17,818)	17,180
Less: Net loss attributable to noncontrolling interests	—	—	(32)	—	(32)
Net earnings attributable to Caleres, Inc.	$ 17,212	$ 12,644	$ 5,174	$ (17,818)	$ 17,212
Comprehensive income	$ 16,325	$ 12,626	$ 4,995	$ (17,661)	$ 16,285
Less: Comprehensive loss attributable to noncontrolling interests	—	—	(40)	—	(40)
Comprehensive income attributable to Caleres, Inc.	$ 16,325	$ 12,626	$ 5,035	$ (17,661)	$ 16,325

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THIRTEEN WEEKS ENDED MAY 5, 2018

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net cash provided by operating activities	$ 5,799	$ 38,599	$ 6,949	$ —	$ 51,347
Investing activities					
Purchases of property and equipment	(3,095)	(4,334)	(500)	—	(7,929)
Capitalized software	(1,248)	(186)	—	—	(1,434)
Intercompany investing	286	(286)	—	—	—
Net cash used for investing activities	(4,057)	(4,806)	(500)	—	(9,363)
Financing activities					
Dividends paid	(3,023)	—	—	—	(3,023)
Acquisition of treasury stock	(3,288)	—	—	—	(3,288)
Issuance of common stock under share-based plans, net	(3,122)	—	—	—	(3,122)
Intercompany financing	23,397	(23,782)	385	—	—
Net cash provided by (used for) financing activities	13,964	(23,782)	385	—	(9,433)
Effect of exchange rate changes on cash and cash equivalents	—	—	(117)	—	(117)
Increase in cash and cash equivalents	15,706	10,011	6,717	—	32,434
Cash and cash equivalents at beginning of period	26,089	—	37,958	—	64,047
Cash and cash equivalents at end of period	$ 41,795	$ 10,011	$ 44,675	$ —	$ 96,481

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CONDENSED CONSOLIDATING BALANCE SHEET

FEBRUARY 2, 2019

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Assets					
Current assets					
Cash and cash equivalents	$ 2	$ 9,148	$ 21,050	$ —	$ 30,200
Receivables, net	130,684	32,319	28,719	—	191,722
Inventories, net	175,697	470,610	36,864	—	683,171
Prepaid expenses and other current assets	31,195	32,556	7,603	—	71,354
Intercompany receivable – current	190	42	15,279	(15,511)	—
Total current assets	337,768	544,675	109,515	(15,511)	976,447
Other assets	68,707	11,824	909	—	81,440
Goodwill and intangible assets, net	108,884	331,810	109,203	—	549,897
Property and equipment, net	62,608	157,270	10,906	—	230,784
Investment in subsidiaries	1,499,209	—	(24,838)	(1,474,371)	—
Intercompany receivable – noncurrent	597,515	578,821	762,281	(1,938,617)	—
Total assets	$ 2,674,691	$ 1,624,400	$ 967,976	$ (3,428,499)	$ 1,838,568
Liabilities and Equity					
Current liabilities					
Borrowings under revolving credit agreement	$ 335,000	$ —	$ —	$ —	$ 335,000
Trade accounts payable	146,400	130,670	39,228	—	316,298
Other accrued expenses	95,498	86,015	20,525	—	202,038
Intercompany payable – current	10,781	—	4,730	(15,511)	—
Total current liabilities	587,679	216,685	64,483	(15,511)	$ 853,336
Other liabilities					
Long-term debt	197,932	—	—	—	197,932
Other liabilities	105,689	41,149	5,027	—	151,865
Intercompany payable – noncurrent	1,149,338	115,114	674,165	(1,938,617)	—
Total other liabilities	1,452,959	156,263	679,192	(1,938,617)	349,797
Equity					
Caleres, Inc. shareholders' equity	634,053	1,251,452	222,919	(1,474,371)	634,053
Noncontrolling interests	—	—	1,382	—	1,382
Total equity	634,053	1,251,452	224,301	(1,474,371)	635,435
Total liabilities and equity	$ 2,674,691	$ 1,624,400	$ 967,976	$ (3,428,499)	$ 1,838,568

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OVERVIEW

Financial Highlights

The following is a summary of the financial highlights for the first quarter of 2019:

- Consolidated net sales increased $45.7 million in the first quarter of 2019, driven by our 2018 acquisitions of Vionic and Blowfish Malibu, which contributed net sales of $54.8 million and $19.3 million to the Brand Portfolio segment ($53.1 million and $16.2 million on a consolidated basis, net of eliminations), respectively, for the first quarter of 2019. Our Famous Footwear segment experienced an $11.2 million, or 3.1%, decline in sales.
- Consolidated gross profit increased $4.9 million, or 1.8%, to $279.8 million for the first quarter of 2019, compared to $274.9 million for the first quarter of 2018.
- Consolidated operating earnings decreased $6.0 million, or 26.5%, to $16.9 million in the first quarter of 2019, compared to $22.9 million in the first quarter of 2018.
- Consolidated net earnings attributable to Caleres, Inc. were $9.1 million, or $0.22 per diluted share, in the first quarter of 2019, compared to $17.2 million, or $0.40 per diluted share, in the first quarter of 2018.

The following items should be considered in evaluating the comparability of our first quarter results in 2019 and 2018:

- Acquisition of Vionic – In October 2018, we acquired Vionic, a growing brand with strong consumer loyalty and a complementary fit to the other brands within our Brand Portfolio segment. Vionic contributed $54.8 million to our Brand Portfolio net sales ($53.1 million on a consolidated basis, net of eliminations) for the first quarter of 2019. We incurred acquisition and integration-related charges of $6.1 million during the first quarter of 2019, including incremental cost of goods sold of $5.8 million ($4.3 million on an after-tax basis, or $0.10 per diluted share) related to the amortization of the inventory adjustment required for purchase accounting and integration-related costs of $0.3 million ($0.2 million on an after-tax basis, or $0.01 per diluted share) during the first quarter of 2019, which are presented as restructuring and other special charges, net. Refer to Notes 3 and 6 to the condensed consolidated financial statements for additional information related to these costs.
- Acquisition of Blowfish Malibu – In July 2018, we acquired a controlling interest in Blowfish Malibu, which gives us additional access to the growing sneaker and casual lifestyle segment of the market. Blowfish contributed $19.3 million to our Brand Portfolio net sales ($16.2 million on a consolidated basis, net of eliminations) for the first quarter of 2019.
- Carlos brand exit – In connection with the decision to exit our Carlos brand, we incurred restructuring-related costs of $1.9 million ($1.4 million on an after-tax basis, or $0.03 per diluted share) during the first quarter of 2019. Of these charges, $1.3 million primarily represents incremental inventory markdowns required to reduce the value of inventory to net realizable value and is presented in cost of goods sold on the statements of earnings and the remaining $0.6 million for severance and other related costs is presented in restructuring and other special charges. Refer to Note 6 to the consolidated financial statements for further discussion.
- We adopted ASU 2016-02, *Leases (Topic 842),* during the first quarter of 2019 using the modified retrospective transition method. Therefore, prior period financial information in the condensed consolidated financial statements has not been adjusted and is presented under the guidance in ASC 840. As a result of the adoption of the ASU, we recorded an operating lease right-of-use asset of $729.2 million and lease liabilities of $791.7 million as of February 3, 2019. Refer to Note 10 to the condensed consolidated financial statements for additional information on the adoption of this ASU.
- During the first quarter of 2019, we changed our segment presentation to present net sales of the Brand Portfolio segment inclusive of both external and intersegment sales, with the elimination of intersegment sales and profit from Brand Portfolio to Famous Footwear reflected within the Eliminations and Other category. This presentation reflects the independent business models of both Brand Portfolio and Famous Footwear, as well as growth in intersegment activity driven by the acquisitions of Vionic and Blowfish Malibu. Prior period information has been recast to conform to the current presentation.

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Recent Developments

On May 10, 2019, tariffs of up to 25% were proposed on various categories of U.S. imports from China, including footwear. Although we have increased the sourcing of our footwear from other countries in recent years, a significant amount of our footwear is sourced from China. If the proposed tariffs are ultimately imposed on footwear, our product costs will increase, which may in turn adversely impact our gross margins if we are unable to pass along the higher costs to the consumer.

Following are the consolidated results and the results by segment:

CONSOLIDATED RESULTS

	Thirteen Weeks Ended					
	May 4, 2019			May 5, 2018		
($ millions)			% of Net Sales			% of Net Sales
Net sales	**$**	**677.8**	**100.0 %**	$	632.1	100.0 %
Cost of goods sold		**398.0**	**58.7 %**		357.2	56.5 %
Gross profit		**279.8**	**41.3 %**		274.9	43.5 %
Selling and administrative expenses		**262.1**	**38.7 %**		250.2	39.6 %
Restructuring and other special charges, net		**0.8**	**0.1 %**		1.8	0.3 %
Operating earnings		**16.9**	**2.5 %**		22.9	3.6 %
Interest expense, net		**(7.4)**	**(1.1)%**		(3.6)	(0.6)%
Other income, net		**2.6**	**0.4 %**		3.1	0.5 %
Earnings before income taxes		**12.1**	**1.8 %**		22.4	3.5 %
Income tax provision		**(3.0)**	**(0.5)%**		(5.2)	(0.8)%
Net earnings		**9.1**	**1.3 %**		17.2	2.7 %
Net earnings (loss) attributable to noncontrolling interests		**0.0**	**0.0 %**		(0.0)	(0.0)%
Net earnings attributable to Caleres, Inc.	**$**	**9.1**	**1.3 %**	$	17.2	2.7 %

Net Sales

Net sales increased $45.7 million, or 7.2%, to $677.8 million for the first quarter of 2019, compared to $632.1 million for the first quarter of 2018. Our Brand Portfolio segment reported a $57.6 million, or 20.3%, increase in net sales driven by net sales of our Vionic and Blowfish Malibu brands, which were acquired in October and July 2018, respectively. We also experienced higher net sales of our Franco Sarto brand, partially offset by lower sales of our Allen Edmonds and Dr. Scholl's brands. Our Famous Footwear segment reported an $11.2 million, or 3.1%, decrease in net sales, driven by a decrease in our store base, which resulted in a $7.5 million decrease in sales from new and closed stores, and a 1.0% decline in same-store sales. Net sales at Famous Footwear were impacted by a difficult retail environment, especially early in the quarter. We experienced a slower start to the sandal selling season, despite increased promotional activity.

Same-store sales changes are calculated by comparing the sales in stores that have been open at least 13 months to the comparable retail calendar weeks in the prior year. Relocated stores are treated as new stores, and closed stores are excluded from the calculation. Sales change from new and closed stores, net reflects the change in net sales due to stores that have been opened or closed during the period and are therefore excluded from the same-store sales calculation. E-commerce sales on websites that function as an extension of a retail chain are included in the same-store sales calculation.

Gross Profit

Gross profit increased $4.9 million, or 1.8%, to $279.8 million for the first quarter of 2019, compared to $274.9 million for the first quarter of 2018, driven by sales growth from our recent acquisitions. As a percentage of net sales, gross profit decreased to 41.3% for the first quarter of 2019, compared to 43.5% for the first quarter of 2018, reflecting the promotional retail environment and a higher mix of e-commerce sales. Our e-commerce sales generally result in lower margins than traditional retail sales as a result of the incremental shipping and handling required. We also launched a new loyalty program at Famous Footwear during the first quarter of 2019, which resulted in an increase of net sales but at a lower margin rate. Cost of goods sold for the first quarter of 2019 also includes $5.8 million related to the amortization of the inventory adjustment required by purchase accounting for our acquisition of Vionic in October 2018. Retail and wholesale net sales were 59% and 41%, respectively, in the first quarter of 2019 compared to 69% and 31% in the first quarter of 2018.

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We classify certain warehousing, distribution, sourcing and other inventory procurement costs in selling and administrative expenses. Accordingly, our gross profit and selling and administrative expense rates, as a percentage of net sales, may not be comparable to other companies.

Selling and Administrative Expenses

Selling and administrative expenses increased $11.9 million, or 4.8%, to $262.1 million for the first quarter of 2019, compared to $250.2 million for the first quarter of 2018. The increase was driven by additional costs associated with our recently acquired Vionic and Blowfish Malibu brands, including higher amortization expense on the intangible assets, partially offset by lower expenses associated with cash and stock-based incentive compensation plans and lower store rent and facilities expenses associated with a smaller store base. As a percentage of net sales, selling and administrative expenses decreased to 38.7% for the first quarter of 2019, from 39.6% for the first quarter of 2018, reflecting better leveraging of our expense base over higher net sales.

Restructuring and Other Special Charges, Net

Restructuring and other special charges of $0.8 million ($0.6 million on an after-tax basis, or $0.02 per diluted share) were incurred in the first quarter of 2019 associated with the exit of our Carlos brand and integration-related costs for Vionic. For the first quarter of 2018, we incurred restructuring and other special charges of $1.8 million ($1.3 million on an after-tax basis, or $0.03 per diluted share) for the integration and reorganization of our men's brands. Refer to Note 6 to the condensed consolidated financial statements for additional information related to these charges.

Operating Earnings

Operating earnings decreased $6.0 million, or 26.5%, to $16.9 million for the first quarter of 2019, compared to $22.9 million for the first quarter of 2018, primarily reflecting lower sales and gross margins at Famous Footwear and higher selling and administrative expenses, partially offset by the earnings contribution associated with our newly acquired brands. As a percentage of net sales, operating earnings decreased to 2.5% for the first quarter of 2019, compared to 3.6% for the first quarter of 2018.

Interest Expense, Net

Interest expense, net increased $3.8 million, or 105.6%, to $7.4 million for the first quarter of 2019, compared to $3.6 million for the first quarter of 2018, primarily due to higher average borrowings under our revolving credit agreement, which was used to fund the acquisition of Vionic in October 2018.

Other Income, Net

Other income, net decreased $0.5 million, or 15.3%, to $2.6 million for the first quarter of 2019, compared to $3.1 million for the first quarter of 2018, driven by lower expected return on assets for our domestic pension plan. Refer to Note 14 to the condensed consolidated financial statements for additional information related to our retirement plans.

Income Tax Provision

Our effective tax rate can vary considerably from period to period, depending on a number of factors. Our consolidated effective tax rate was 25.2% for the first quarter of 2019, compared to 23.1% for the first quarter of 2018. Our effective tax rate was impacted by a discrete tax provision of $0.1 million in the first quarter of 2019 related to share-based compensation, compared to discrete tax benefits of $0.5 million in the first quarter of 2018. If these discrete taxes had not been recognized during the first quarter of 2019 and 2018, our effective tax rate would have been 24.3% and 25.4%, respectively.

Net Earnings Attributable to Caleres, Inc.

Net earnings attributable to Caleres, Inc. were $9.1 million in the first quarter 2019 compared to net earnings of $17.2 million for the first quarter 2018 as a result of the factors described above.

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FAMOUS FOOTWEAR

($ millions, except sales per square foot)	Thirteen Weeks Ended					
	May 4, 2019			May 5, 2018		
			% of Net Sales			% of Net Sales
Operating Results						
Net sales	**$**	**352.2**	**100.0%**	$	363.4	100.0%
Cost of goods sold		**199.5**	**56.6%**		198.2	54.5%
Gross profit		**152.7**	**43.4%**		165.2	45.5%
Selling and administrative expenses		**141.9**	**40.3%**		143.3	39.5%
Operating earnings	**$**	**10.8**	**3.1%**	$	21.9	6.0%
Key Metrics						
Same-store sales % change		**(1.0)%**			(0.8)%	
Same-store sales $ change	**$**	**(3.4)**		$	(2.7)	
Sales change from new and closed stores, net	**$**	**(7.5)**		$	(0.6)	
Impact of changes in Canadian exchange rate on sales	**$**	**(0.3)**		$	0.2	
Sales per square foot, excluding e-commerce (thirteen weeks ended)	**$**	**49**		$	50	
Sales per square foot, excluding e-commerce (trailing twelve months)	**$**	**219**		$	222	
Square footage (thousand sq. ft.)		**6,503**			6,712	
Stores opened		**4**			2	
Stores closed		**11**			15	
Ending stores		**985**			1,013	

Net Sales

Net sales decreased $11.2 million, or 3.1%, to $352.2 million for the first quarter of 2019, compared to $363.4 million for the first quarter of 2018. The sales decrease was driven by a decrease in our store base, which resulted in a $7.5 million decrease in sales from new and closed stores, and a 1.0% decline in same-store sales. Sales at Famous Footwear were impacted by a difficult retail environment, especially early in the quarter. We experienced a slower start to the sandal selling season, despite increased promotional activity. During the first quarter of 2019, we opened four stores and closed 11 stores, resulting in 985 stores and total square footage of 6.5 million at the end of the first quarter of 2019, compared to 1,013 stores and total square footage of 6.7 million at the end of the first quarter of 2018. On a trailing twelve-month basis, sales per square foot, excluding e-commerce, decreased 1.0% to $219 for the twelve months ended May 4, 2019, compared to $222 for the twelve months ended May 5, 2018. During the first quarter of 2019, we introduced our new customer loyalty program, "Famously You Rewards", which drove an increase in sales to members. Sales to our customer loyalty program members continue to account for a majority of the segment's sales, with approximately 80% of our net sales made to program members in the first quarter of 2019, compared to 76% in the first quarter of 2018.

Gross Profit

Gross profit decreased $12.5 million, or 7.6%, to $152.7 million for the first quarter of 2019, compared to $165.2 million for the first quarter of 2018, reflecting lower net sales and a lower gross profit rate. As a percentage of net sales, our gross profit decreased to 43.4% for the first quarter of 2019, compared to 45.5% for the first quarter of 2018, reflecting the promotional retail environment and higher freight expenses attributable to strong growth in e-commerce sales. We expect the trend toward a higher mix of e-commerce sales to continue. In addition, we launched our Famously You Rewards ("Rewards") program in the first quarter of 2019, which offers free shipping to members. The new Rewards program resulted in an increase in net sales to members but at a lower margin rate.

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Selling and Administrative Expenses
Selling and administrative expenses decreased $1.4 million, or 1.0%, to $141.9 million for the first quarter of 2019, compared to $143.3 million for the first quarter of 2018. The decrease was driven by lower rent and facilities expense attributable to our smaller store base, partially offset by the incremental expenses associated with the launch of our new Rewards program. As a percentage of net sales, selling and administrative expenses increased to 40.3% for the first quarter of 2019, compared to 39.5% for the first quarter of 2018.

Operating Earnings
Operating earnings decreased $11.1 million, or 51.0%, to $10.8 million for the first quarter of 2019, compared to $21.9 million for the first quarter of 2018, reflecting the factors described above. As a percentage of net sales, operating earnings decreased to 3.1% for the first quarter of 2019, compared to 6.0% for the first quarter of 2018.

BRAND PORTFOLIO

	Thirteen Weeks Ended					
	May 4, 2019			May 5, 2018		
($ millions, except sales per square foot)			% of Net Sales			% of Net Sales
Operating Results						
Net sales	**$**	**341.1**	**100.0%**	$	283.5	100.0%
Cost of goods sold		**214.2**	**62.8%**		174.6	61.6%
Gross profit		**126.9**	**37.2%**		108.9	38.4%
Selling and administrative expenses		**113.4**	**33.2%**		95.7	33.7%
Restructuring and other special charges, net		**0.6**	**0.2%**		1.6	0.6%
Operating earnings	**$**	**12.9**	**3.8%**	$	11.6	4.1%
Key Metrics						
Direct-to-consumer (% of net sales) (1)		**26%**			30%	
Wholesale/retail sales mix (%)		**81%/19%**			73%/27%	
Change in wholesale net sales ($) (2)	**$**	**64.3**		$	(0.1)	
Unfilled order position at end of period	**$**	**376.4**		$	311.0	
Same-store sales % change		**(8.6)%**			(1.0)%	
Same-store sales $ change	**$**	**(5.5)**		$	(0.5)	
Sales change from new and closed stores, net	**$**	**(0.8)**		$	3.9	
Impact of changes in Canadian exchange rate on retail sales	**$**	**(0.4)**		$	0.4	
Sales per square foot, excluding e-commerce (thirteen weeks ended)	**$**	**93**		$	104	
Sales per square foot, excluding e-commerce (trailing twelve months)	**$**	**408**		$	440	
Square footage (thousands sq. ft.)		**397**			405	
Stores opened		**2**			4	
Stores closed		**1**			5	
Ending stores		**230**			235	

(1) Direct-to-consumer includes sales of our retail stores and e-commerce sites.

(2) The first quarter of 2019 wholesale net sales change includes sales from our acquired Vionic and Blowfish Malibu brands of $54.8 million and $19.3 million, respectively.

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Net Sales
Net sales increased $57.6 million, or 20.3%, to $341.1 million for the first quarter of 2019, compared to $283.5 million for the first quarter of 2018 driven by net sales from acquisitions of Vionic in October 2018 and Blowfish Malibu in July 2018, which contributed $54.8 million and $19.3 million, respectively, to our net sales growth in the first quarter of 2019. We experienced lower net sales of our Allen Edmonds brand, as planned, as well as lower Dr. Scholl's sales, partially offset by higher net sales of our Franco Sarto brand. Sales were negatively impacted by a slower start to the spring sandal season as well as a difficult retail environment. However, e-commerce sales continue to grow as a percentage of the business. During the first quarter of 2019, we opened two stores and closed one store, resulting in a total of 230 stores and total square footage of 0.4 million at the end of the first quarter of 2019, compared to 235 stores and total square footage of 0.4 million at the end of the first quarter of 2018. On a trailing twelve-month basis, sales per square foot, excluding e-commerce sales, decreased to $408 for the twelve months ended May 4, 2019, compared to $440 for the twelve months ended May 5, 2018.

Our unfilled order position for our wholesale sales increased $65.4 million, or 21.0%, to $376.4 million at May 4, 2019, compared to $311.0 million at May 5, 2018. The increase in our backlog order levels reflects the acquisitions of Blowfish Malibu and Vionic in 2018.

Gross Profit
Gross profit increased $18.0 million, or 16.5%, to $126.9 million for the first quarter of 2019, compared to $108.9 million for the first quarter of 2018, primarily reflecting net sales growth from the Vionic acquisition, partially offset by the incremental cost of goods sold related to purchase accounting inventory adjustments and incremental markdowns related to the Carlos brand exit. As a percentage of net sales, our gross profit decreased to 37.2% for the first quarter of 2019, compared to 38.4% for the first quarter of 2018, reflecting higher inventory markdowns and sales allowances.

Selling and Administrative Expenses
Selling and administrative expenses increased $17.7 million, or 18.5%, to $113.4 million for the first quarter of 2019, compared to $95.7 million for the first quarter of 2018, reflecting increased expenses from our Vionic acquisition, primarily employee compensation. As a percentage of net sales, selling and administrative expenses decreased to 33.2% for the first quarter of 2019, compared to 33.7% for the first quarter of 2018, reflecting the leveraging of our expenses over higher net sales.

Restructuring and Other Special Charges, Net
Restructuring and other special charges of $0.6 million in the first quarter of 2019 were related to Vionic integration and business exits. In the first quarter of 2018, restructuring and other special charges of $1.6 million were incurred related to the integration and reorganization of our men's business. Refer to Note 6 to the condensed consolidated financial statements for additional information related to these charges.

Operating Earnings
Operating earnings increased $1.3 million, or 11.2%, to $12.9 million for the first quarter of 2019, compared to $11.6 million for the first quarter of 2018, driven by higher sales volume, partially offset by an increase in selling and administrative expenses. As a percentage of net sales, operating earnings decreased to 3.8% for the first quarter of 2019, compared to 4.1% in the first quarter of 2018.

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ELIMINATIONS AND OTHER

	Thirteen Weeks Ended					
	May 4, 2019			May 5, 2018		
($ millions)			% of Net Sales			% of Net Sales
Operating Results						
Net sales	**$**	**(15.5)**	**100.0 %**	$	(14.8)	100.0 %
Cost of goods sold		**(15.8)**	**101.8 %**		(15.7)	105.8 %
Gross profit		**0.3**	**(1.8)%**		0.9	(5.8)%
Selling and administrative expenses		**6.9**	**(44.7)%**		11.2	(75.9)%
Restructuring and other special charges, net		**0.2**	**(1.6)%**		0.2	(1.3)%
Operating loss	**$**	**(6.8)**	**44.5 %**	$	(10.5)	71.4 %

The Eliminations and Other category includes the elimination of intersegment sales and profit, unallocated corporate administrative expenses, and other costs and recoveries. The net sales decrease of $0.7 million reflects a higher sales elimination for sales from Brand Portfolio to Famous Footwear, principally due to our recent acquisitions, both of which sell product to our Famous Footwear division. Selling and administrative expenses of $6.9 million were incurred for the first quarter 2019, compared to $11.2 million for the first quarter 2018. The decrease reflects lower warehouse costs attributable to duplicate costs incurred in the first quarter of last year associated with the transition to our new leased distribution center in Chino, California, as well as lower expenses for our cash and share-based incentive compensation plans.

LIQUIDITY AND CAPITAL RESOURCES

Borrowings

($ millions)		May 4, 2019		May 5, 2018		February 2, 2019
Borrowings under revolving credit agreement	**$**	**318.0**	$	—	$	335.0
Long-term debt		**198.0**		197.6		197.9
Total debt	**$**	**516.0**	$	197.6	$	532.9

Total debt obligations at May 4, 2019 increased $318.4 to $516.0 million, compared to $197.6 million at May 5, 2018. The increase from May 5, 2018 to May 4, 2019 reflects borrowings under our revolving credit agreement to fund the acquisition of Vionic in October 2018. The $16.9 million decrease in debt from February 2, 2019 includes $17.0 million of repayments under our revolving credit agreement. Net interest expense for the first quarter of 2019 increased $3.8 million to $7.4 million, compared to $3.6 million for the first quarter of 2018 as a result of higher average borrowings under our revolving credit agreement.

Credit Agreement

As further discussed in Note 11 to the condensed consolidated financial statements, the Company maintains a revolving credit facility for working capital needs that provides for borrowing capacity of up to $500.0 million, with an option to increase by up to $250.0 million.

At May 4, 2019, we had $318.0 million in borrowings and $10.5 million in letters of credit outstanding under the Credit Agreement. Total borrowing availability was $171.5 million at May 4, 2019. We were in compliance with all covenants and restrictions under the Credit Agreement as of May 4, 2019. We anticipate incremental interest expense going forward until the borrowings to fund the acquisition of Vionic have been paid off.

We were in compliance with all covenants and restrictions under the Credit Agreement as of May 4, 2019. Refer to further discussion regarding the Credit Agreement in Note 11 to the consolidated financial statements.

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$200 Million Senior Notes
On July 27, 2015, we issued $200.0 million aggregate principal amount of Senior Notes due in 2023 (the "Senior Notes"). Our Senior Notes are guaranteed on a senior unsecured basis by each of the subsidiaries of Caleres, Inc. that is an obligor under the Credit Agreement and bear interest at 6.25%, which is payable on February 15 and August 15 of each year. The Senior Notes mature on August 15, 2023. We may redeem some or all of the Senior Notes at various redemption prices.

The Senior Notes also contain covenants and restrictions that limit certain activities including, among other things, levels of indebtedness, payments of dividends, the guarantee or pledge of assets, certain investments, common stock repurchases, mergers and acquisitions and sales of assets. As of May 4, 2019, we were in compliance with all covenants and restrictions relating to the Senior Notes.

Working Capital and Cash Flow

	Thirteen Weeks Ended		
($ millions)	May 4, 2019	May 5, 2018	Change
Net cash provided by operating activities	**$ 49.9**	$ 51.3	$ (1.4)
Net cash used for investing activities	**(21.3)**	(9.4)	(11.9)
Net cash used for financing activities	**(22.9)**	(9.4)	(13.5)
Effect of exchange rate changes on cash and cash equivalents	**(0.1)**	(0.1)	—
Increase in cash and cash equivalents	**$ 5.6**	$ 32.4	$ (26.8)

Reasons for the major variances in cash provided (used) in the table above are as follows:

Cash provided by operating activities was $1.4 million lower in the three months ended May 4, 2019 as compared to the three months ended May 5, 2018, primarily reflecting the following factors:

- A decrease in accrued expenses and other liabilities in the three months ended May 4, 2019 compared to an increase in the comparable period in 2018;
- A larger decrease in trade accounts payables in the three months ended May 4, 2019 compared to the comparable period in 2018; and
- A decrease in net earnings, partially offset by;
- A decrease in inventory in the three months ended May 4, 2019 compared to an increase in the comparable period in 2018, and
- A larger decrease in receivables in the three months ended May 4, 2019 compared to the comparable period in 2018.

Cash used for investing activities was $11.9 million higher in the three months ended May 4, 2019 as compared to the three months ended May 5, 2018, primarily due to higher purchases of property and equipment in the three months ended May 4, 2019. For fiscal 2019, we expect purchases of property and equipment and capitalized software of approximately $55 million.

Cash used for financing activities was $13.5 million higher in the three months ended May 4, 2019 as compared to the three months ended May 5, 2018, primarily due to repayments on our revolving credit agreement. In addition, we did not repurchase any shares under our stock repurchase program during the three months ended May 4, 2019 compared to $3.3 million in the three months ended May 5, 2018.

A summary of key financial data and ratios at the dates indicated is as follows:

	May 4, 2019	May 5, 2018	February 2, 2019
Working capital *($ millions)* (1)	**$ (24.0)**	$ 426.7	$ 123.1
Current ratio (2)	**0.97:1**	1.97:1	1.14:1
Debt-to-capital ratio (3)	**45.1%**	21.7%	45.6%

(1) Working capital has been computed as total current assets less total current liabilities. The deficit as of May 4, 2019 includes $136.0 million of operating lease obligations as a result of the adoption of ASC 842, as further discussed in Note 2 and Note 10 to the condensed consolidated financial statements.

(2) The current ratio has been computed by dividing total current assets by total current liabilities. The current ratio as of May 4, 2019 includes $136.0 million of operating lease obligations.

(3) The debt-to-capital ratio has been computed by dividing total debt by total capitalization. Total debt is defined as long-term debt and borrowings under the revolving credit agreement. Total capitalization is defined as total debt and total equity.

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Working capital at May 4, 2019 was a deficit of $24.0 million, which was $450.7 million and $147.1 million lower than at May 5, 2018 and February 2, 2019, respectively. Our current ratio was 0.97 to 1 as of May 4, 2019, compared to 1.97 to 1 at May 5, 2018 and 1.14:1 at February 2, 2019. The decrease in both working capital and the current ratio from May 5, 2018 and February 2, 2019 primarily reflects the impact of the adoption of ASC 842 on the balance sheet, including the addition of current operating lease obligations of $136.0 million, as further discussed in Note 2 to the condensed consolidated balance sheets, and higher borrowings under our revolving credit agreement to fund the acquisition of Vionic in October 2018. A significant portion of the purchase price of Vionic is attributed to noncurrent assets, such as tradenames, goodwill and other intangibles that are excluded from working capital. Our debt-to-capital ratio was 45.1% as of May 4, 2019, compared to 21.7% as of May 5, 2018 and 45.6% at February 2, 2019. The increase in our debt-to-capital ratio from May 5, 2018 reflects higher borrowings under our revolving credit agreement.

At May 4, 2019, we had $35.8 million of cash and cash equivalents. Approximately half of this balance represents the accumulated unremitted earnings of our foreign subsidiaries.

We declared and paid dividends of $0.07 per share in both the first quarter of 2019 and 2018. The declaration and payment of any future dividend is 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. However, we presently expect that dividends will continue to be paid.

CONTRACTUAL OBLIGATIONS

Our contractual obligations primarily consist of purchase obligations, operating and finance lease commitments, long-term debt, interest on long-term debt, minimum license commitments, financial instruments, mandatory purchase obligation associated with the acquisition of Blowfish Malibu, one-time transition tax for the mandatory deemed repatriation of cumulative foreign earnings, obligations for our supplemental executive retirement plan and other postretirement benefits and obligations.

Except for changes within the normal course of business (primarily changes in purchase obligations, which fluctuate throughout the year as a result of the seasonal nature of our operations, changes in borrowings under our revolving credit agreement and changes in operating lease commitments as a result of new stores, store closures and lease renewals), there have been no other significant changes to the contractual obligations identified in our Annual Report on Form 10-K for the year ended February 2, 2019.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

No material changes have occurred related to critical accounting policies and estimates since the end of the most recent fiscal year other than the adoption of ASC 842, as further described in Note 10 to the condensed consolidated financial statements. For further information on the Company's critical accounting policies and estimates, see Part II, Item 7 of our Annual Report on Form 10-K for the year ended February 2, 2019.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Recently issued accounting pronouncements and their impact on the Company are described in Note 2 to the condensed consolidated financial statements.

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FORWARD-LOOKING STATEMENTS

This Form 10-Q 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) imposition of tariffs; (vi) the ability to accurately forecast sales and manage inventory levels; (vii) cybersecurity threats or other major disruption to the Company's information technology systems; (viii) customer concentration and increased consolidation in the retail industry; (ix) transitional challenges with acquisitions; (x) a disruption in the Company's distribution centers; (xi) foreign currency fluctuations; (xii) changes to tax laws, policies and treaties; (xiii) the ability to recruit and retain senior management and other key associates; (xiv) compliance with applicable laws and standards with respect to labor, trade and product safety issues; (xv) the ability to secure/exit leases on favorable terms; (xvi) the ability to maintain relationships with current suppliers; and (xvii) the ability to attract, retain and maintain good relationships with licensors and protect intellectual property rights. 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 Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended February 2, 2019, 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.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

No material changes have taken place in the quantitative and qualitative information about market risk since the end of the most recent fiscal year. For further information, see Part II, Item 7A of the Company's Annual Report on Form 10-K for the year ended February 2, 2019.

ITEM 4 CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

It is the Chief Executive Officer's and Chief Financial Officer's ultimate responsibility to ensure we maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures include mandatory communication of material events, automated accounting processing and reporting, management review of monthly, quarterly and annual results, an established system of internal controls and internal control reviews by our internal auditors.

A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to errors or fraud may occur and not be detected. Our disclosure controls and procedures are designed to provide a reasonable level of assurance that their objectives are achieved. As of May 4, 2019, management of the Company, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded our disclosure controls and procedures were effective at the reasonable assurance level.

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On July 6, 2018, we acquired Blowfish Malibu. In addition, on October 18, 2018, we acquired Vionic. As a result of these acquisitions, we are in the process of reviewing the internal control structures of Blowfish Malibu and Vionic and, if necessary, will make appropriate internal control enhancements as we integrate the acquired businesses. Based on the evaluation of internal control over financial reporting, the Chief Executive Officer and Chief Financial Officer have concluded that there have been no changes in the Company's internal controls over financial reporting during the quarter ended May 4, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

We are involved in legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such ordinary course of business proceedings and litigation currently pending will not have a material adverse effect on our results of operations or financial position. All legal costs associated with litigation are expensed as incurred.

Information regarding Legal Proceedings is set forth within Note 18 to the condensed consolidated financial statements and incorporated by reference herein.

ITEM 1A RISK FACTORS

Except as disclosed below, there have been no material changes that have occurred related to our risk factors since the end of the most recent fiscal year. For further information, see Part I, Item 1A of our Annual Report on Form 10-K for the year ended February 2, 2019.

The imposition of tariffs on our products may result in higher costs and decreased gross profits.

Recent international events have introduced greater uncertainty with respect to trade wars and tariffs, which may affect trade between the United States and other countries, particularly with China. We rely primarily on foreign sourcing for our footwear through third-party manufacturing facilities located outside the United States, with approximately 60% of our footwear sourced from manufacturing facilities in China. On May 10, 2019, tariffs of up to 25% were proposed on various categories of U.S. imports from China, including footwear. If the proposed tariffs are ultimately imposed on footwear, our product costs will increase, which may in turn adversely impact our gross margins if we are unable to pass along the higher costs to the consumer.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information relating to our repurchases of common stock during the first quarter of 2019:

Fiscal Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (1)	Total Number Purchased as Part of Publicly Announced Program (2)	Maximum Number of Shares that May Yet be Purchased Under the Program (2)
February 3, 2019 - March 2, 2019	3,819	$ 29.17	—	2,257,851
March 3, 2019 - April 6, 2019	88,840	27.18	—	2,257,851
April 7, 2019 - May 4, 2019	1,212	26.95	—	2,257,851
Total	93,871	$ 27.26	—	2,257,851

(1) Includes shares purchased as part of our publicly announced stock repurchase program and shares that were tendered by employees related to certain share-based awards. The employee shares were tendered in satisfaction of the exercise price of stock options and/or to satisfy tax withholding amounts for non-qualified stock options, restricted stock and stock performance awards.

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(2) On August 25, 2011, the Board of Directors approved a stock repurchase program ("2011 Program") authorizing the repurchase of up to 2,500,000 shares of our outstanding common stock and on December 14, 2018, the Board of Directors approved a stock repurchase program ("2018 Program") authorizing the repurchase of an additional 2,500,000 shares of our outstanding common stock. We can use the repurchase programs to repurchase shares on the open market or in private transactions from time to time, depending on market conditions. The repurchase programs do not have an expiration date. During the thirteen weeks ended May 5, 2018, we repurchased 100,000 shares of common stock under the 2011 Program. The Company repurchased no shares under the repurchase programs during the thirteen weeks ended May 4, 2019. As of May 4, 2019, there were 2,257,851 shares authorized to be repurchased under the repurchase programs. Our repurchases of common stock are limited under our debt agreements. Subsequent to quarter-end, the Company has repurchased 780,060 shares for an aggregate price of $15.1 million.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 OTHER INFORMATION

None.

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ITEM 6 EXHIBITS

Exhibit No.		
3.1		Restated Certificate of Incorporation of Caleres, Inc. (the “Company”) incorporated herein by reference to Exhibit 3.1 to the Company's Form 8-K filed June 1, 2015.
3.2		Bylaws of the Company as amended through March 14, 2019, incorporated herein by reference to Exhibit 3.1 to the Company’s Form 8-K filed March 20, 2019.
31.1	†	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	†	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	†	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	†	XBRL Instance Document
101.SCH	†	XBRL Taxonomy Extension Schema Document
101.CAL	†	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	†	XBRL Taxonomy Presentation Linkbase Document
101.DEF	†	XBRL Taxonomy Definition Linkbase Document

† Denotes exhibit is filed with this Form 10-Q.

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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.

CALERES, INC.

Date: June 12, 2019

/s/ Kenneth H. Hannah

Kenneth H. Hannah
Senior Vice President and Chief Financial Officer
on behalf of the Registrant and as the
Principal Financial Officer

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Exhibit 31.1

CERTIFICATIONS

I, Diane M. Sullivan, certify that:

1. I have reviewed this report on Form 10-Q of Caleres, Inc. (the "registrant");

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 the 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.

/s/ Diane M. Sullivan

Diane M. Sullivan

Chief Executive Officer, President and
Chairman of the Board of Directors

Caleres, Inc.

June 12, 2019

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Exhibit 31.2

CERTIFICATIONS

I, Kenneth H. Hannah, certify that:

1. I have reviewed this report on Form 10-Q of Caleres, Inc. (the "registrant");

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 the 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.

/s/ Kenneth H. Hannah

Kenneth H. Hannah
Senior Vice President and Chief Financial Officer
Caleres, Inc.
June 12, 2019

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Exhibit 32.1

Certification Pursuant to
18 U.S.C. §1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Caleres, Inc. (the "Registrant") on Form 10-Q for the quarter ended May 4, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Diane M. Sullivan, Chief Executive Officer, President and Chairman of the Board of Directors of the Registrant, and Kenneth H. Hannah, Senior Vice President and Chief Financial Officer of the Registrant, certify, to the best of our knowledge, pursuant to 18 U.S.C. §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 Registrant.

/s/ Diane M. Sullivan

Diane M. Sullivan
Chief Executive Officer, President and Chairman of the Board of Directors
Caleres, Inc.
June 12, 2019

/s/ Kenneth H. Hannah

Kenneth H. Hannah
Senior Vice President and Chief Financial Officer
Caleres, Inc.
June 12, 2019

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