



Shoe Carnival Inc. (SCVL)

Updated November 22nd, 2024 by Felix Martinez

Key Metrics

Current Price:	\$35	5 Year CAGR Estimate:	12.4%	Market Cap:	\$919 M
Fair Value Price:	\$40	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	01/05/25 ¹
% Fair Value:	87%	5 Year Valuation Multiple Estimate:	2.9%	Dividend Payment Date:	01/22/25
Dividend Yield:	1.6%	5 Year Price Target	\$58	Years Of Dividend Growth:	13
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Buy

Overview & Current Events

Shoe Carnival, Inc. is a leading U.S.-based retailer specializing in family footwear and accessories. Founded in 1978 and headquartered in Evansville, Indiana, the company operates a large network of stores, offering a wide variety of athletic, casual, and dress shoes for men, women, and children. Known for its unique in-store shopping experience, which often includes live product demonstrations and special promotions, Shoe Carnival differentiates itself from competitors through an engaging and customer-centric approach. With over 400 stores across the U.S. under the Shoe Carnival, Shoe Station, and Rogan's Shoes brands, the company has steadily expanded its market presence. In addition to its brick-and-mortar locations, Shoe Carnival has a growing e-commerce platform, supporting its omnichannel strategy to provide a seamless shopping experience across both physical and digital spaces. Shoe Carnival emphasizes value, offering competitively priced products from popular brands, and has built a reputation for maintaining a strong financial position.

On November 21st, 2024, Shoe Carnival reported third quarter Fiscal 2024 results. The company reported steady profitability and strategic progress. The company achieved GAAP EPS of \$0.70 and Adjusted EPS of \$0.71, meeting expectations despite challenges such as hurricanes and unseasonably warm weather delaying the winter boot season. While third-quarter net sales fell to \$306.9 million from \$319.9 million in 2023 due to a retail calendar shift, adjusted figures showed a 2.2% year-over-year increase. Year-to-date, net sales rose 4.9%, with strong Back-to-School sales and contributions from the Rogan's Shoes acquisition driving performance. The quarter showcased strategic initiatives, including store rebanner and integration of Rogan's Shoes. The rebanner strategy, which transformed seven Shoe Carnival stores into Shoe Station outlets, exceeded sales and profitability expectations, prompting plans to rebanner 25 more stores in fiscal 2025. The Rogan's acquisition added \$22.3 million in third-quarter net sales and contributed to year-to-date synergy achievements ahead of schedule. These moves align with the company's goal to solidify its position as the leading family footwear retailer in the U.S. Financially, the company maintained a robust position with no debt and \$91.1 million in cash and marketable securities, up \$20 million from the prior year. While full-year net sales guidance was adjusted to \$1.20–\$1.23 billion, reflecting calendar shifts, EPS guidance remained steady at \$2.55–\$2.75. Gross profit margins continued to exceed 35%, and operating cash flow reached \$58.1 million year-to-date. With disciplined cost management, growth investments, and a focus on profitability, Shoe Carnival demonstrated resilience and strategic progress in fiscal 2024.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$0.66	\$0.64	\$0.73	\$0.70	\$0.75	\$1.23	\$1.46	\$0.56	\$5.53	\$3.96	\$2.65	\$3.89
DPS	\$0.12	\$0.12	\$0.13	\$0.14	\$0.15	\$0.16	\$0.17	\$0.18	\$0.28	\$0.36	\$0.54	\$0.79
Shares²	39.6	38.8	36.0	32.4	30.2	28.9	28.1	28.2	27.5	27.2	27.1	26.0

¹ Ex-Dividend and Dividend Payment Date are Estimates

² Share count is in millions.

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Shoe Carnival's growth prospects are strong, driven by its strategic store expansion plan and focus on increasing profitability. The company aims to surpass 500 stores by 2028 through both organic growth and acquisitions, like its recent purchase of Rogan's Shoes. Additionally, its growing e-commerce platform and successful execution of long-term strategies to boost sales, especially in key categories like children's and athletic footwear, position Shoe Carnival well for continued market share gains and increased shareholder value. Over the past ten years, the company has grown earnings as a CAGR of 22%. However, it has slowed down to 16.6% over the past five years. We expect a growth rate of 8% over the next five years.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	19.7	16.2	19.2	18.1	15	13.1	30.9	7.7	5.8	10.7	13.0	15.0
Avg. Yld.	1.0%	1.0%	1.1%	1.1%	1.3%	0.9%	0.9%	0.8%	0.8%	1.3%	1.6%	1.4%

The company normally trades for about a 15.6x earnings. Right now, the company trades for 13.0x earnings which is low compared to over the past ten years average. Also, over the past five years the company traded hands for an average PE of 13.6x earnings. Thus, we think that the company has a fair value PE ratio of 15x earnings. At the current price, the stock is undervalued and had a valuation tailwind of 2.9% annually over the next five years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

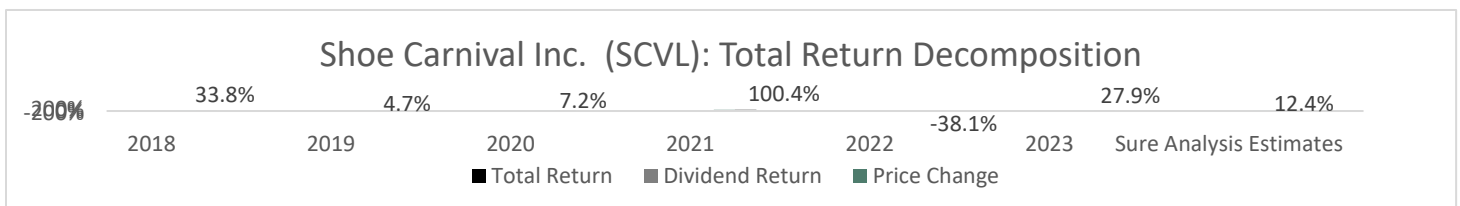
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	18.2%	18.8%	17.8%	20.0%	20.0%	13.0%	11.6%	32.1%	5.1%	9.1%	20%	20%

Shoe Carnival's competitive advantage lies in its unique in-store experience, broad product selection, and strong value proposition. The company offers a dynamic shopping environment with live promotions and special deals, enhancing customer engagement. Its extensive network of over 400 stores allows for significant market penetration, while its growing e-commerce platform complements its physical presence. Additionally, Shoe Carnival's focus on offering competitive pricing and a wide range of footwear for the entire family helps attract a broad customer base, setting it apart from other retailers in the family footwear sector. During the Great Recession of 2008 and 2009, Shoe Carnival faced decreased consumer spending but leveraged its value-oriented approach to manage the downturn effectively. The company's focus on affordable footwear and promotions helped it maintain a competitive edge despite challenging conditions. Strategic adjustments, such as inventory optimization and operational efficiencies, allowed Shoe Carnival to stabilize and recover as the economy improved. The company currently has a debt-to-equity ratio of 0.6 which is good. It also has an interest coverage of 207 times, which is excellent. Thus, the company has a great balance sheet.

Final Thoughts & Recommendation

Investing in Shoe Carnival carries several risks. First, the retail industry is highly competitive and sensitive to changes in consumer spending, which can affect sales and profitability. Second, fluctuations in economic conditions, such as recessions or shifts in consumer behavior, can impact financial performance. Finally, supply chain disruptions and rising costs for goods and operations may strain margins and affect overall profitability. However, we think that the company warrants a buy rating because of the next five year expected annual return of 12.4%.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	940	984	1,001	1,019	1,030	1,037	977	1,330	1,262	1,176
Gross Profit	274	291	289	296	309	312	280	527	468	421
Gross Margin	29.1%	29.5%	28.9%	29.1%	30.0%	30.1%	28.7%	39.6%	37.1%	35.8%
SG&A Exp.	232	244	251	259	259	258	258	319	322	328
D&A Exp.	20	23	24	24	22	17	16	19	23	29
Operating Profit	42	47	38	38	50	54	22	208	146	94
Operating Margin	4.5%	4.7%	3.8%	3.7%	4.8%	5.2%	2.2%	15.6%	11.6%	8.0%
Net Profit	26	29	24	19	38	43	16	155	110	73
Net Margin	2.7%	2.9%	2.3%	1.9%	3.7%	4.1%	1.6%	11.6%	8.7%	6.2%
Free Cash Flow	24	31	42	21	67	48	51	117	(27)	66
Income Tax	16	18	14	18	12	12	6	52	37	23

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	465	481	458	416	418	628	643	812	990	1,042
Cash & Equivalents	61	69	63	48	67	62	107	117	51	99
Accounts Receivable	3	2	4	6	1	3	7	14	3	3
Inventories	288	293	280	261	258	259	233	285	390	346
Goodwill & Int. Ass.							-	44	45	45
Total Liabilities	134	141	140	108	114	331	333	360	464	459
Accounts Payable	68	72	68	42	49	61	58	69	79	58
Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Shareholder's Equity	331	340	319	307	304	297	310	453	526	583
LTD/E Ratio	-	-	-	-	-	-	-	-	-	-

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.7%	6.1%	5.0%	4.3%	9.1%	8.2%	2.5%	21.3%	12.2%	7.2%
Return on Equity	7.9%	8.6%	7.1%	6.0%	12.5%	14.3%	5.3%	40.6%	22.5%	13.2%
ROIC	7.9%	8.6%	7.1%	6.0%	12.5%	14.3%	5.3%	40.6%	22.5%	13.2%
Shares Out.	39.6	38.8	36.0	32.4	30.2	28.9	28.1	28.2	27.5	27.2
Revenue/Share	23.75	25.32	27.77	31.40	33.22	35.29	34.28	46.52	45.38	42.90
FCF/Share	0.61	0.79	1.16	0.64	2.15	1.65	1.79	4.07	(0.97)	2.43

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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