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EDITED TRANSCRIPT

DBI.N - Designer Brands Inc Investor Day

EVENT DATE/TIME: APRIL 08, 2022 / 1:45PM GMT

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PRESENTATION

Christina S. Cheng - *Designer Brands Inc. - Senior Director of IR*

Welcome. So good morning, and welcome to the Designer Brands 2022 Investor Day. We are so excited for you to be here today, and we're going to walk you through our strategic goals over the next few years. My name is Jesse Miller. I'm Head of Investor Relations at Designer Brands.

Before we get started, I have to read a few disclosures. During this presentation, we will make certain forward-looking statements. Please take the time to read the disclaimer on the screen. Any statement that refers to expectations, projections, guidance or other characterizations of future events, including financial projections or future market conditions is a forward-looking statement based on our assumptions today. The results actually realized may differ materially based on risk factors included in our SEC filings or other factors not currently known to us.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. For more information about factors that may cause actual results to differ from forward-looking statements, please refer to our filings with the SEC.

So over the next few hours, you're going to hear from our talented team, all about our customers, our growth in Owned Brands, our partnerships with National top brands, our initiatives with supply chain and sourcing, our achievements with DE&I and then ultimately, how we're going to return shareholder value. We know you'll leave today feeling super excited and energized about our future as we are.

So with that, I'd like to welcome Roger to the stage to get us started.

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

Good morning, everybody. Yes, that is my walk-up song. Everybody always makes fun of me, but you got to realize, like doesn't that song gets you pumped up, or feel like I've got to. Especially coming off to getting a ring the bell like how awesome our team got to experience that. So amazing.

So thanks, everybody, for being here. So excited today for us to get to share with you the journey that we have been on and the success we've had, but also where we're going. And I really want to highlight, as Jesse said, this team because if you flash back to 2019 when we talked to you all about acquiring Camuto and how we were going to grow our company, it was really at that time, we were hoping that you guys would believe in our ability to deliver that.

Well we're here today to tell you we have delivered it, and we have an amazing future ahead of us. And these folks have gone so much as I know all of you know, through so much over the last 3 years to be where we are today just feels amazing. So I'm so proud to get to have our team tell our story to us.

So I want to take you back and talk a little bit about why we are here. This is our mission. We inspire self-expression. I know Steve, in particular, has heard me talk about this a bunch. Our team talks about it all the time but this is why we exist. Every single day, we do not sell shoes. We inspire people and the way in which we do that is through the shoes we put on our feet.

As an example, today, I wanted to play CEO. And I had to wear some Vince Camuto cognac dress shoes, just so everybody knows, this is the #1 shoe in the company. Thanks to Debbie and the whole team that has built out this Vince Camuto brand, and you're going to hear a ton about what we've done to build that brand. That is why we exist. That's why our organization is going to continue to thrive because we are living our mission every single day.

But I want to go back a little bit and sort of retrace some of our history. And I want you to think about 20-some years ago, when DSW came into existence, and we were the first company to create this massive assortment of product that we put on a selling floor. We had this open sell environment where you did not have to have an associate come up and help you put on the shoes. They were all there. We also had value. We had fashion at value. That was sort of piece #1 of everything we did.

The second big thing we did was we said we've got to grow our footprint. So we are now at over 700 physical locations through DSW and Shoe Company and thousands of locations that we support through our relationships with Nordstrom, Dillard's, Macy's and other retailers. So that's who we were. It was all about growth, growth, growth through store openings.

And it evolved into, let's launch a website, which I'm really proud of this year, we reached a milestone. We did $1 billion of digital demand. That's amazing and 15 years ago, I got the chance to go work in dot-com, we did $35 million that first year. So to see it go to that is just remarkable. That's how our business has had to evolve.

And then finally, the big thing we leaned into is loyalty. And you're going to hear a lot about loyalty today from Julie and our team. But we started our company with a punch program where when you came in and bought a shoe, like I have a pizza thing that does this still. You go ahead and click that. And man, after so many times, you earn dollars or free shoes. That's embedded in how we operate. It's how we breathe every single day as a retail operation. Loyalty, it's grounded in us.

All of those things over a 25-year period of time allowed us to become over $3 billion enterprise. But what we had talked to our Board about was the fact that we needed to evolve. So in 2016 and I'm lucky enough to have 3 of my Board members here today, we went to our Board and said, what we've spent 20-some years doing is not going to get us to next. We have to evolve our business model, primarily for 1 reason, the consumer is changing. Because -- I don't have my -- it's probably the first time in forever I don't have my phone on me, but think about how all of us -- our behaviors have changed, all because of technology.

And so as all of this was going on, we went to our Board and said, we've got to do something different and here's the reason why. From 2011 through 2017, 5 companies grew market share, let's just say, 5 groups of companies grew market share. DSW grew by 20 basis points. Why? Because we opened a ton of stores, like I think it was close to 300 doors in that period of time, right? Think about that. We invested $1 billion of cash in that window of time.

The other group, and I -- we don't sell to these folks, so I can say this, I think. This business was given. If you're an athletic player, think about like how can they not be growing market share? Everyone in their brother is wearing a sneaker, right? So that's your Finish Lines, Foot Lockers, Dick's, all of those folks, the Shoe Carnival, Famous Footwear. They should be growing share because consumers had evolved toward the athleisure product.

The other big one is our partner called Nordstrom. And the reason they grew the same -- very similar story to us. They opened stores, they leveraged omnichannel. They grew this concept called Nordstrom Rack. And they grabbed 1.5 percentage points. So I'm talking 20 basis points of DSW, and this is the amount of market share growth, okay? So that's how they did it.

The fourth one, this is the one that everybody -- every single -- not every call, most of our analysts are educated enough now at this point to know that Amazon is a beast. But this is the one everybody usually talks to us about like, how are you competing with Amazon? What are you doing to differentiate yourself from Amazon? That's the focus that everyone has. The reality is, there was this dirty little secret that no one wanted to talk about and that is the brands that we presented to consumers day in and day out. They were selling direct to consumers. Their market share went up in that time period, as you can see, by almost 12 full percentage points.

So these are our partners that are going to do that while we're investing $1 billion opening stores, they're going direct-to-consumer. Think about what the Swish did. They opened stores, they opened a website, they told people, we love you, but then they turned around and sold direct to consumer. Today, roughly 20% or 1 out of every 5 pairs of shoes are purchased direct from a brand.

So when we went to our Board and said, this thing DSW we have built is amazing, but it has to evolve or else -- we describe it as ice melting. You might be in 35-degree weather. You might be a Sears that's a glacier that takes 50 to 75 years to melt away or you could be a small company that in the middle of a pandemic evaporates immediately.

So we said we've got to do something different. So we scoured the market and we look at companies. Not a shame to say. We tried to buy Nine West, and we ended up creating a relationship with authentic brands coming out of that attempted acquisition, but we let them have it. We drove the price up, which was good for them. And if you ask Jamie, he'll tell you we cost them a lot of money.

But as we were looking at the market and where we could go buy something, Debbie Ferrée, who's just an amazing merchant has the best eye for product in our industry. We asked Debbie, where should we go? Who should we buy? And it kept coming back to Vince Camuto.

Like if you're not familiar with Camuto, I want you to understand, Vince Camuto was the head merchant for a brand called Nine West years ago. He built tons of brands. He built this brand and you might have heard of it called Tory Burch. Guess what, Tory did not design that flat with that [label on it] I see the Camuto team like great. I mean that was our team that did that work, right?

We built a brand called Jessica Simpson. Jessica is an amazing person. Her and Tina have done an amazing job with their brand but the Camuto Group designed and sourced their shoes. They also did a brand called Lucky. They've done every single shoe that was at Dillard's exclusive brands for years and years. That's who we needed to go get. Why? Because we had this foundation that we had invested for 25 years, building this infrastructure called DSW, that we could layer Camuto on top of to be able to go direct to consumer.

Why go direct to consumer? Because everyone is. And we had to change our model in a meaningful way. So that's why we acquired Camuto. So when you think about who we are today as a company and our results in the back half of 2021 and the start of spring this year are demonstrating this is who we are. We are brand builders, we own and control brands that we can take direct to consumers.

We also have the top 40 or 50 brands in the world that we are able to offer to consumers. And we have built differentiated experiences to ensure they don't want to pick up their ball and go play with someone else. And you're going to hear more and more stories about that today.

We are customer first. Everything we're going to do is through the lens of a customer. Why? Because we have that loyalty program that is so strong with so much data that can inform everything we do. And then finally, we're going to leverage that footprint that we have spent years of building and going direct to consumer with our infrastructure. And if you think about how that all plays out, the message we've been giving to our associates for the last year, 1.5 years is called CBS. It starts with the customer.

We've got to know our customer. You're going to hear from Julie today to talk to you about our consumer, about our loyalty program, things we can do with the Vince Camuto brand, which is woven through everything we talk about today. You're going to hear from Sarah and Jim about what we have done to take Vince Camuto's brand and make it more than relevant and put it in front of over 28 million consumers that we have as an enterprise called Designer Brands.

And then you're going to hear from Bill and we're going to talk about speed. And Steve Madden does an amazing job. He's probably the best in our industry at the pace at which his organization moves. We should do as good if not better than Steve. Why? We have 28 million customers that can inform decisions we make on product we design and source for consumers that we know. That is the strategy. That's what you're going to hear about today. And what it results in are these 2 things. And for our folks on The Street, these are the 2 things today. We really, really want to make certain you walk away with as you message to potential investors or if you're an investor, is this what we're leaning into.

Number one, we are going to double the size of the brands we own and control. Today, what you're going to see is 1 example with Vince Camuto. We have 8 brands today in total that we are managing. What you're going to see with Vince is going to be applied to those 8 brands over the next couple of years, not doing all of them at once. Jared won't let me do that. We got to manage it in a way that ensures that it drives profitability for our organization.

The second thing is we are not looking to grow our national brands. We'd love to just maintain them. And so if we can grow them more aggressively, that's fantastic. But we just want to ensure that we maintain those relationships. And we believe the infrastructure we have built layered onto those big National Brands is a differentiator and you're going to hear again from Bill and the rest of the team about that today.

So if you think about how we have transformed this organization in 2019, we said, men, you got to believe in us. And it was clear based on what happened that day with the stock, nobody believed in us. Well, I will tell you today, you better believe in us because we've delivered it. And you're going to hear how that has all been integrated into what we're doing and how it impacts the next 4 to 5 years of our company.

And in that transformation, it's Owned Brands, it's what we do to support other brands. It's all the things we can leverage with data to be able to inform our decisions. It's everything we can possibly do to support those National Brands that they want to give us product. And I think this is something I want all of you to understand.

We're coming out of a pandemic, hopefully, knock on wood, who had inventory? We did. I think our inventory position was better than any other retailer coming out of this. Why? Because we narrowed our assortment from hundreds, Jim hates when I say this, from hundreds thousands, tens of thousands of labels that we were selling down to these top 50. And when you're doubling your business with people, they tend to give you product ahead of other people. That is why we went after that strategy.

And ultimately, what you're going to hear from Jared is this, as we are delivering it, and again, we have felt it in the back half of last year and as we're heading into 2022, the same experience, we drive top line. We drive margin expansion. We drive op income expansion and ultimately, we deliver significant amounts of cash for our shareholders. That is what you're going to hear today. You're going to hear it consistently throughout this team.

So next, I get the honor of introducing our, I would say, our first speaker. So actually, 15 years ago, I was the controller of DSW at the time, and I got to hire this person to be a financial analyst to DSW. Flash forward like a year. She said, I don't want to work with you anymore. I'm going to go work in marketing. And so Julie Roy left the finance team, went to marketing, took on loyalty and has just grown her career in a huge way and is now the Chief Marketing Officer of our organization. So I would love to introduce Julie Roy. Julie, please.

Julie Roy

For the record, that was not the walk-up song I chose. But I'll take it, I've got the brawn and the brains, I'll take it. Good morning, everyone. I'm Julie Roy, Chief Marketing Officer for DSW. And I'm thrilled to be here today to tell you more about our customer and how we're connecting with our customers in new and different ways to inspire self-expression and how that will enable us to grow our Owned Brands at a tremendous scale and pace.

But first, I must obviously call out my beautiful orange Vince Camuto shoes that are inspiring not only my self-expression, but hopefully, inspiring spring to Grace point because I think we're all ready for that, right?

So as Roger says, it all starts with our customer, whether that's DSW's customer, Vince Camuto's customer or the Shoe Company's customer up in Canada, it is customer first all the time. We know who you are. We know what shoes customers buy, the brands, the silhouettes and the styles and that enables us to perfect our assortment across National Brands as well as Owned Brands. We know what you want.

And we know what's important to customers in shoes, which enables us to design our owned Brand and the product to uniquely meet their needs at individual brand and target customer level. We design for you. And we know how shoes make customers feel what motivates them to buy, how they shop, what mediums they engage in and enables us to efficiently and effectively market to them. We meet you where you are.

At DSW, we have a long-standing history of rich customer data. Roger touched on this, right, given the strength and tenure of our loyalty program as well as our dominant position in the footwear category. And we have spent years perfecting the sciences and technique to harness this data, to understand our customer, engage with them where they are and meet them in the right channels with the right content that motivates and inspires.

And we're taking this experience and expertise that we've built, and we're now applying that along with our scalable infrastructure to grow our Owned Brands. We have the unique ability to intimately understand our customers at the individual brand and target their distinctive audiences.

So let me talk you through the power of what we've built at DSW, so you can understand how we're leveraging that to fuel our future growth. It all starts with capturing the target customers right. And with that at the highest level, we know customers' demographics from first-party and third-party data, right, gender, age, household income, presence of children. That's kind of the first level in understanding who they are.

Next, we understand their engagement in the footwear category, their footwear wallet size. When they're in the market for shoes, which enables us to capture the right customer at the right time. Diving deeper into category engagement. We know the brand and the silhouettes that they prefer, so we can meet the right customer with the right content. And we also understand their channel engagement so we can cater their journey across digital and physical touch points based on where they are and where they engage.

We also understand their interest and preferences outside of the footwear category, which enables a deeper understanding of who they are and what they want. And of course, we know where they're consuming their media, where they're spending their time, which enables us to efficiently market to them, augmenting our marketing mix based on the corresponding target audience.

And we know that their purchase motivators, what gets them to buy, what the messaging and content is needed to inspire and engage and get them to take action. And then lastly, we'll layer all of that with contextual considerations such as device type and time of day, which enables us to spend our marketing dollars more efficiently and allow them to work harder for us.

So this customer profile and activation is what we've been using and gives us the speed and scalability to leverage across each of our Owned Brands. But obviously, it looks different for each unique brand, right? So I'm going to walk you through an example of how this might manifest itself different for 2 of our key Owned Brands, Vince Camuto and Mix No. 6.

So let's start at the highest level, demographics. The Vince Camuto customer, while we are tremendously growing our men's business has predominantly been a female target customer, right? She's a working professional, mature in her career well above average household income. Whereas the Mix No. 6 customer is an older Gen Z or a younger millennial, either still in college or just starting their career, no kids, single and a little bit of a lower household income.

When we look at their category engagement, the Vince Camuto customers love shoes and they're shopping for them all the time. In fact she actually buy the new pair almost every single month, right? She is motivated by trend and style, but what's really important to her is also comfort and quality and fit. And because of that, she favors select brands that have earned her trust over time. Brands like Vince Camuto that give her that affordable luxury that she's looking for.

Meanwhile, the Mix No. 6 customer, they're all about the outfit and they address to impress, right? Their shoe closet is huge and spans sneakers, like Roger mentioned, to dress shoes, and they believe shoes make or break the outfit. But like I mentioned, they have a lower household income and a huge shoe closet, so they are much more price-sensitive. So they're looking for that must-have trend or style at an affordable price.

In terms of interest and preferences, the Vince Camuto customer when she's not working or shopping for shoes, she's cooking or brunching with her friends or planning her next vacation get away and the shoes she's going to take with her. Whereas the Mix No. 6 customer is more engaged in things like beauty and music and gaming.

In terms of media consumption, the Vince Camuto customer seeks her fashion inspiration from online, blogs and social platforms, particularly Instagram and Pinterest. Whereas the Mix No. 6 customer is primarily spending their time in TikTok and Snapchat and whatever dating app is trending at that time.

And then lastly, in terms of purchase motivators, the Vince Camuto customer wants that trendy yet sophisticated style, and she gets her validation from influencers, customer reviews, fit ratings that help get her over the hump to make that purchase. Whereas the Mix No. 6 customer is all about social validation, right? What's trending out there, what's cool, what's going to help them stand out as well as FOMO. You don't know a fear of missing out, it's a huge motivator for those younger consumer.

So as you can see, based on all we know about our customers, we're able to design and market to them in an effective way and meet them with what they demand. So we're meeting customers where they are with what they want. And we're seeing tremendous results with this. Both of these brands have -- are growing now at over 100% growth rates, over 100%. So it is working.

Speaking of engaging with customers and meeting them where they are, over the last few years, we have transformed how we show up to customers to meet them where we are. That has resulted in a significant reduction in promos and direct mail and instead has made way for more targeted effective marketing and digital touch points at the unique customer level like I just walked you through.

In addition, it has also led to us showing up in brand accretive ways that build buzz and make headlines. We have tremendous relationships with celebrities, influencers, media partners, editors that will continue to leverage as we grow our Owned Brands into the future.

And all of this has made us experts at attracting new customers. Even as the pandemic hit and customers were shopping in new ways and buying a new category, sneakers like Roger mentioned, we pivoted. We pivoted our assortments. We evolved our marketing. And with that, all of that has paid off with significantly improved margins and record-breaking customer acquisition, including aggressively growing new loyalty programs at Canada and Camuto.

Speaking of customer acquisition, we now enroll almost 7 million members annually across DBI. That's a 56% increase from where we were in 2017, inclusive of Canada and Camuto growth. That's 7 million additional members that we can understand and engage with as we grow our Owned Brands.

But in addition to customer acquisition and our strength there, we're experts at fostering loyalty and lifelong relationships with our customers. We have award-winning loyalty programs that drive 87% of our demand across nearly 30 million members. And what's more?

Over 30% of those 30 million members have been with us for 10 or more years. That demonstrates our consistent ability to engage and retain customers. So as we look to growing our Owned Brands, we have a unique advantage with this wealth of a customer base that provides tremendous accessibility and scalability to grow our Owned Brands. A loyalty program that is unrivaled in the footwear space.

And we know that customers that buy an Owned Brand spend 43% more at DSW, right? So not only does Owned Brands represent a great opportunity to grow and the accessibility of our existing customers. But when they buy it, it actually gets them to spend and engage more in DSW, so a win-win.

We have tremendously high customer satisfaction across all of our brands. Again, speaks to our ability to attract a new customer, engage and retain and keep them over the long term. And I have a few customer quotes that I want to share with you guys that demonstrate these lifelong relationships that we build with our customers.

First, on the DSW front, a customer says, ever since my daughter-in-law introduced me to DSW, that is the only shoe store I go to, and it's been over 10 years. So she's one of those 30% of customers. That speaks to the passion and brand loyalty that we create.

Another quote customer says, there is legitimately no other shoes place on earth that cares for you and gives back to others like DSW does. You're going to hear from Christina in a bit around our commitment to being difference makers and making a positive impact to the planet and its people.

And then lastly, Vince Camuto, a customer says, I bought Vince Camuto 10 years ago and the experience and quality then and now is the same. Thank you for the consistency in your brand. Vince is walking me from my 20s to marriage. It's poetic. Thank you for all the great date shoes and my I do shoes. This speaks to the heritage and the positioning around craftsmanship and quality for the Vince Camuto brand. And you'll hear more from Sarah in just a bit around how we're leaning into that to growing Vince Camuto in spring and beyond.

While we have tremendous strength, we're obviously always striving to be better, right, to continue to grow and enhance our abilities to better serve our customers and how that will support our future growth in brands. And with that, we have 3 key focus areas: the first is omni capabilities and experiences. So we're leveraging customer feedback and insights to constantly continually improve the digital experience. Removing friction and better enable us to meet our customer promise with scalable infrastructure across DSW, Camuto and Canada.

In addition, we're creating seamless experiences between digital and physical touch points to curate and bring brands to life. And you'll hear more about how we're doing that in the physical store environment in just a minute.

Second is all around personalized experiences, providing our improving the experience for our customers by enhancing product, marketing and fulfillment content to make it easier and cater the customer journey based on their unique needs and where they are.

And then lastly, of course, on the loyalty front, right? We're going to continue to build on the strength of our loyalty programs. We're going to ensure seamless loyalty experiences across digital and physical as well as launch new features and enhancements that faster that sense of community with our customers and build strong love across all of our brands. And these 3 key focuses will provide continued brand growth in the future.

So one of these customer-led omni experiences is our new physical store environment and how we better serve our customers, much like we're able to do digitally today. And with that, we've heard really 4 key themes over the years from our customers that we kept top of mind as we designed this new store experience that we call warehouse reimagined.

So the first, customers still want all the shoes, right? They come to DSW because of our breadth of assortment of must-have quality brands, must have styles. They're not willing to concede on that, right? So we are optimizing capacity to protect that offering and optimize capacity in a smaller physical footprint.

Second, customers are increasingly shopping by brand. They want to be told what's cool, what's trending. And so in this new store experience, we'll be curating shop-in-shops that enable us to feature some of our key National Brand partners in an elevated and exciting way. But also allows us to hero and amplify our Owned Brands like we've never been able to do before. Vince Camuto shop and shops across 500 DSW stores in North America, amazing.

Third, what we've heard from our customers, they love the vast choices and the curated experiences that they can get digitally. But they come to stores because they want that physical touch and that emotional escape. So in this new store experience we'll be integrating digital and physical, things like QR codes that provide customers access to the endless assortment online or give them the ability to look up additional product information to solidify their purchase. In addition, we'll be integrating the app, right? So customers can engage and shop and curate their experience by leveraging digital technology in the stores.

And then lastly, customers love the ease and convenience that the DSW shopping experience delivers. We've got to protect that, but we're going to enhance that through new expanded services and order pickup areas that make it even more convenient for our customers, which will further increase customer satisfaction and brand loyalty.

But -- so you're sick of hearing me talk about it. So it's time to watch a little video to bring it to life for each of you.

(presentation)

Julie Roy

Amazing, right? So you'll have the opportunity to learn more about that from Melissa Blandford and her amazing team in the showroom. So please check it out. This is just a little snippet, a cliff notes version. But this is how we meet customers where they are. Seamless integration between digital and physical. And this is how we provide them a DTC experience, leveraging our really strong retail physical footprint. And this is how we can partner with a few key National Brands to drive mutual growth for both of our businesses.

And with that, I'll turn it back over to Roger.

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

Thank you, Julie. Great job, Julie. So you can see how we can leverage all of this customer data to create experiences that we really, really do believe that no one can compete with. When you have nearly 30 million consumers that you can engage, you have a team that knows how to design and the team that knows how to source products. And you can story-tell it digitally and in a physical plant. The combination of that for our Owned Brands, but also you saw Adidas on there. We're working with those big national players to go build out those kind of shop-in-shops and digital experiences across every single thing we do. So -- so excited that is the C pillar.

And now we're going to talk about the brand pillar. And at the end of the day, it's all about product, right? But we're going to leverage information we have about our consumer to drive our brands. And I'm really excited to have Jim and Sarah come up and talk to you specifically about what we're doing with Vince Camuto. And Sarah is going to walk you through an example of -- I told the team a little nervous sharing all of this, like it's everything. We are taking you into our marketing room. And we're going to show you everything we are doing to support the Vince brand across every single touch point with the consumer in every single way we can engage a consumer.

So with that, I want to bring up Jim and Sarah. Please give it up for Jim and Sarah. And I told Jim, if he would dance to that, I would give him something.

James S. Weinberg - *Designer Brands Inc. - EVP & Chief Merchandising Officer*

And I told him, no, that was never happening. Thank you, Roger. Sarah and I are going to show you how we build brands at Designer Brands. When we acquired the Camuto organization, they were master brand builders and through our integration with the Camuto Group we are now brand builders as a whole.

And you've seen this slide already, but it's really important because what we're going to show you is how we are going to double our Owned Brand sales by 2026. We will double our Owned Brand sales. Owned Brand sales will represent 1/3 of DBI sales by that point, while at the same time maintaining our national brand sales. Sarah?

Sarah Rosen

Thank you. So I'm going to talk to you a little bit about all the work that we're doing on behalf of the Vince Camuto brand. We've done so much work on behalf of this brand to launch it this season and it's really exciting. Brand building always requires you to first start with [branding] yourself in exactly who you are and what you stand for and what sets you apart.

Vince Camuto celebrates style and confidence and most importantly, the value in self-expression. And what's more is Vince Camuto as a brand has always celebrated and honored the really intimate and personal relationship that a customer has with their wardrobe choices. We know that these kinds of fashion customers value these choices because the emotion that they enjoy between their memories and these style choices are paramount.

What you can see here is an image from our spring campaign. This image is emotional. It's evocative. It's empowering. This is the kind of imagery that you can expect to see more from Vince Camuto. It's so elevated and it's captivating. This is the kind of content that we know the customer engages with. It's what she wants to see more of. But more importantly, this kind of image and this kind of sentiment ensures the customer knows that we're here to take her on a journey.

And also as brand builders, we know the power of an incredibly strong brand message. Our strong brand message such as ours, which is invincible for the spring season, allows the customer to know immediately, what we stand for, what we want them to get out of their experience with Vince Camuto, not just in terms of our product but also in terms of our messaging. We want our customers to always be met with amazing imagery, be drawn in, be met with our message and immediately register the reason why they choose Vince Camuto.

So as I mentioned, you can see our spring message is INVINCIBLE. This is an evolution. We are on a journey as a brand but also with our customer. In the fall season, we had a message, its time. That message was meant to start motivating the customer, the customer energize in them to get out, think differently, imagine the possibilities that they could see.

So as we bring this customer on a journey of the spring season, and we evolve our experience with them. Our journey is inviting the customer to think of the road ahead, we don't want them to focus on the past, we want them to take the wheel and take charge, believe in themselves, believe that they can achieve anything to feel invincible.

And in a digital-first world, we understand that storytelling is paramount. We must give the customer continuous immersion into what we stand for. So what you can see here on the screen is a sort of relatively small array of the wide arsenal of imagery that we bring to the customer every single day. And what's most important for you to take away from this imagery here is that it allows us to truly transport the customer. Our content is incredibly immersive. It's awe inspiring.

When you look at the imagery on the screen, the diversity of environment, the directional styling, the really emotional positioning, we celebrate the hardware, the color. All of this comes together and ensures that we can message to the customer daily. We have diversified messaging, we can talk to them about trends, we can encourage them to travel. This kind of content informs what you will get from Vince Camuto, what you are getting from Vince Camuto. And this is the kind of content that the customer wants more of.

But a strong message and incredible product is not all. In brand building, it's important that everything we do is informed by our brand pillars and what we stand for. And at Vince Camuto, you heard me say, what we stand for includes style, confidence, self-expression. We also have an amazing heritage and how that all comes together ensures that we give our customer daily, highly sophisticated captivating encouraging immersive content always. So what you're about to see is a little bit about how that comes together and a kind of sentiment that our customer gets every single time they are met with Vince Camuto.

(presentation)

Sarah Rosen

So I hope you all enjoyed that. It's incredibly captivating and it's encouraging, right? So this kind of emotion, this informs everything that you will see from Vince Camuto. And as we think more about the work that informs the storytelling and the experience we give our customer, it's all rooted in a very specific formula. What you see here is the formula that is expressly in support of what matters to our brand. For Vince Camuto, that starts with content that is rooted in 4 elements.

The first is our value proposition. Vince Camuto has always stood for the best possible design style and craft. We are known for this. The second element of content that is part of the equation is an authentic story. This authentic story sets us apart from every other contemporary brand out there. This story allows us to get even more creative with the work that we're doing, because we have so much history to tell and we have so many stories to tell about where we're going.

The third is our campaign message. Earlier we shared that our spring theme is INVINCIBLE. This is an incredibly motivating theme, this allows us to tell endless stories that we know the customer will appreciate that they'll value and they'll want to see more because it makes them feel good.

The fourth is our brand mission which is to inspire everybody to express their best self one shoe at a time. It's how these 4 elements of content work together that ensure that we are not only bringing the customer interesting content, inspiring content and -- but it's a useful content. It's content that they want to run with and make them feel like they can accomplish anything.

All of this works together in support of our brand vision which is to ultimately become the world's most beloved footwear brand.

I'm going to take you through a little bit more of what I mean by elements of content and a formula. Again, this is specific to Vince Camuto. So it's precious.

The first demonstration I have here is content and support of craft quality and style. What I ask you to take away when you're looking on screen, these are examples of our actual emails. This is part of our launch content. The imagery features our campaign, which is incredibly elevated, it's immersive. Again, we're taking the customer on a journey. But we're also doing that alongside really instructional useful, insightful content macro shots of product detail.

We're [heroing] in on what we want them to know they're getting from Vince Camuto, which is detailed hardware trend that matters. Also, we share imagery of how we're crafting this product. We want the customer to know that we believe in what we have to offer them, and they should, too, and we're proud to show it.

And thirdly, you'll also see content that celebrates our process. We know that a customer of affordable luxury really wants to be part of the process, they appreciate that proximity because they really value the art and the science and they want to be a part of it.

So what you can see here in this content is we offer the customers the opportunity to see the sketch of our product, how that materializes after it's produced and how it shows up in the campaign. All of this ensures that Vince Camuto has not only trend messaging and seasonal considerations but it's really useful, it's intelligent, it's sophisticated and its clever.

The second element of our formula includes content and support of our heritage. We were founded by Vince Camuto. He was notorious for his passion and his commitment to give the customer the best possible product that was out there. He scoured the world searching materials and constructions and he always delivered the best and what's more, it was always accessible.

So this is a heritage that we want to introduce the customer to and we're going to do more of because we want them to know that they should feel confident in Vince Camuto and confident in their investment in Vince Camuto. And in addition, in support of our heritage.

We also offer the customer insight into the global inspiration that inspires the work that we do. It inspired Vince and our design team is taking that through in their work today. What goes into our product is incredibly special. We take great care to deliver the best and we want the customer to understand how that happens.

And thirdly, we also understand that a fashion customer really wants things that they can find nowhere else. They want to be taken care of. So we have exclusive styles, really coveted styles that you can only get on vincecomuto.com.

Because we know that as we're building this brand love, the customer finds themselves on Vince Camuto and we're giving them that intimate experience. The best thing we could possibly then do is appeal to exactly what we know they want, which is highly coveted styles in a limited edition that surprise and delight them and make their day just a little bit better when they have them on.

Our third element of content is in support of our aspirations. This starts with our incredibly immersive imagery. But on top of the imagery adjacent to that is really clever sophisticated copy. We want the customer to quite literally read our message and feel empowered, feel better, feel that they can accomplish anything. We know this kind of messaging engages the customer and it continues to ensure that they open that e-mail.

And in addition, we engaged the customer through a robust arsenal video content and behind-the-scenes content. As I shared earlier, we know this customer specifically want to be part of the process. They want to understand how it happens, and they want to feel close to the brands that they choose for their moments, whether they be occasion or every day.

And in addition, this great robust of content also allows us to inform a really healthy media strategy. So we'll talk more about that in a bit.

And our fourth element of content is our content in support of self-expression. Earlier, you heard me say that our mission is to inspire everyone to express their best self one shoe at a time. So for Vince Camuto, what we do to elevate this and to enhance the customers' consideration is we have a really wide range of influencers that we work with that represent incredibly distinct sensibilities.

This is really important because we are a brand with a ton to offer, and we want to make sure the customers constantly met with different ways to consider how to style -- and in addition, as we develop and we offer the customer different trend considerations and new offerings, we also meet them with incredibly authoritative messaging in support of trend and new styles we're developing. We want them to know that we believe in what we're offering them and that they should give it a try because they'll never know how they feel until they do it.

And thirdly, we do have styles for every occasion, be it casual or formal. We also introduced content that is specifically treated in celebration of occasion and every day because we want the customer to truly be encouraged for anything that they've got going on, be it work or be it travel. And this kind of conversation encourages the customer to not only love Vince Camuto, enhance their brand loyalty, but also puts us in a better position to build our brand tribe.

We want brand [trialists] who understand that Vince Camuto has something for every occasion, and we want them to be our champions. So you just heard me talk about the formula. The components of the content that inform what we stand for and what we want the customer to know when they're met with us. The next piece of our strategy is meeting the customer where they are.

You heard Julie talk about the fact that we have all the data to know exactly where the customer is spending their time. For Vince Camuto, we know that, that informs a video-first strategy. Our customer seeks inspiration that's incredibly a motive. So that lends itself really well to a video-first strategy that ensures that the Vince Camuto brand is showing up better and first within streaming platforms, within YouTube, across lifestyle sites, TikTok, Instagram, podcast and more.

It's this really healthy media mix that also allows us to, coupled with all of that content that we're producing show up dynamically across all platforms. And this is allowing us to reach more audiences at scale and tell our brand story daily.

And as we work to drive our message and meet the customer wherever they're spending time, the next piece of the work that we do involves really curating and personalizing the experience that we give to our customers as well as their brand fans that are part of our community. For Vince Camuto, and particularly, right now, that's a highly aspirational experience.

Our content will see tons of color, tons of focus on the detail, styling movement. We've also introduced new content templates that are incredibly interactive such as live selling, Q&As. Earlier, you heard me say that the customer really values a really close relationship with the brand. So we know the Vince Camuto customer wants to participate in a conversation.

We also want them to know we truly and authentically want them to use their voice sartorially and literally. So we use our social community in order to have that dialogue to test and react and see what trends they're interested in. And that kind of conversation ultimately guides the rest of the work that we're doing. And this kind of conversation within our social community is distinct across all platforms.

We want our customer and our fans to know that when they are participating in a conversation with us, it will look different, and we're speaking to them in different ways based on where we know that they're spending their time. All of this boosts our brand love and also gives our customer and our fan the confidence that when they engage with Vince Camuto, but there's a real purpose in it because we're listening and we're reacting. And then this kind of detail and data ultimately informs all the other work that we're doing. Some of that you'll see later in this presentation.

The next phase of the work that we do is within influencer marketing. You heard me share earlier that influencer marketing is a core part of our content development and brand storytelling program because we celebrate self-expression. We work with over 100 influencers monthly. Influencers at different tiers whose content is incredibly elevated. They also represent different spheres of influence. They have their own INVINCIBLE stories. We tap into these influencers to not offer only a distinct style point of view, but also to drive that conversation authentically about what it means to feel INVINCIBLE. How do we feel INVINCIBLE. We want to hear from our partners, we want to hear from our fans, and we rely on these influencers to help us engage and mobilize.

We want to continue to drive this conversation and ensure that everybody is aware that at Vince Camuto, what we want to do is continue to have an evolved conversation. And one other thing is that within our influencer marketing program. We are also taking great care to ensure that we are working with partners whose content is specifically rooted in either video, occasion, environment, movement. And we do this across different platforms for YouTube, TikTok, IG reels.

So what you're seeing from our influencer partners is specifically rooted in where they are experts at generating content -- and then we take it a step further. -- we want our audiences to know that we are here to continue to inspire them in new and in different ways. And through our celebrity program, and we are harnessing the power of celebrities in an effort to appeal to new audiences.

We also recognize that sometimes people are hesitant to consider something new, but they might be more inclined when doing so through the lens of a celebrity who they relate to or who has an INVINCIBLE story that they relate to. So it's through these kinds of programs that we appeal to different customers. We generate content. We drive that conversation. And we also leverage audiences at even greater scale.

And as we work with these partners to drive engagement and consideration, we also have the benefit of these relationships organically with these celebrities to put Vince Camuto in the position of other stories, cultural lifestyle conversations that are happening. What I mean by this is we might partner with a celebrity, one such as Camila who's on the screen.

We knew she was dropping an album and so we got her [word room] in advance. So we could participate in her own INVINCIBLE moment and that great story she was enjoying. Likewise, we had the opportunity to address somebody who is going to the Grammy. So you win an award and Vince Camuto got to be part of that story and share in that INVINCIBLE moment.

And what's more, in addition to developing content and driving conversation around what it means to feel invincible. We also bring our customers as well as our VIPs and tastemakers an opportunity to experience what the brand means to us, what our mission in to us, what INVINCIBLE means to us.

Experiential gifting quite literally offers an experience and experience creates memories. And there is no greater benefit and reward to a brand and to be part of someone's memory, a memory they cherish, a memory that makes them feel good. So for the spring season in support of our INVINCIBLE theme, we've created a partnership with Crosley on Spotify, a record player that features an INVINCIBLE playlist.

We've partnered with a celebrity DJ, who has curated a playlist of over 85 songs. That's probably 5 hours of INVINCIBLE energy. And that, coupled with product allows us to offer our audiences a chance to feel something to feel invincible to get motivated and also to perceive a greater equity in the Vince Camuto brand because it's not just about the product, but it's also about our mission.

Dynamic experiences for brands are paramount. -- it's important and that you offer multidimensional experiences on behalf of your brand. Vince Camuto never wants to offer a customer that's just transactional because of our mission. We stand for so much more. We want to give rich experiences and we're doing just that in actually happening right now, we've got a pop-up, which is our first ever Vince Camuto experience. It's over the course of 3 days.

And with this pop-up, we are giving people the opportunity to immerse themselves in our mission, immerse themselves in our brands and what self-expression means to us, what confidence means to us, what feeling INVINCIBLE means to. So what you'll see in this pop up, and I invite you to come because it's going on through Saturday, is an opportunity for people to walk in to feel like they've entered our campaign, the mood of it, the energy that to touch product to have a tactical experience with what we have to offer and understand the richness of it.

And some of the activations that are happening on site include an LED runway where customers and guests will have a chance to walk a runway and feel the energy and the excitement that comes from walking on a runway with our campaign video in the background.

And in addition, we have an artist on site who's creating T-shirts with our INVINCIBLE message. We also have a great scent bar, so our guests have a chance to touch different fragrance notes and get the sensibility of what would be like to create their own INVINCIBLE fragrance. There's so much happening on site. And what we are bringing to the customer is a wide range of diverse experiences that continue to immerse them and establish that perceived value of Vince Camuto that is better than the rest.

James S. Weinberg - *Designer Brands Inc. - EVP & Chief Merchandising Officer*

I think there's ways we bring this content to life unlike anyone else. We bring all this amazing content, not only to light on the vincecamuto.com site but on dsw.com. dsw.ca, as well as [ShoeCo]. Now one else has the ability to bring content to life the way we do. And we take it one step further.

Roger mentioned, we have a store fleet of over 700 stores. We have 700 stores that we can bring this brand to life in shop-in-shops and front entrances, no one can bring a brand to life the way we can.

Sarah Rosen

And in support of bringing brands to life, we also have the benefit of an incredibly strong relationship with select wholesale partners that are supporting our campaign message are an INVINCIBLE theme. So we'll see that consistency. And this relationship with select partners is part of the DBI growth strategy. So what we benefit from, and you can see some of the manner in which we'll show up at Dillards and Nordstrom is that accelerated brand conversation and brand visibility.

So what we've just walked you through is the Vince Camuto playbook. And there were just pieces. There's actually so much more that's going on. But the important thing to note is that this is specific to Vince Camuto, but there's a playbook for all brands.

James S. Weinberg - *Designer Brands Inc. - EVP & Chief Merchandising Officer*

Oops, okay. That's okay. So what I want you to remember is this is the playbook for all our own brands. We have an amazing portfolio of 8 owned brands. They go from the spectrum of fashion brands to classic brands for moderate price points to better price points. Remember what Julie told you, we have what they want, and we know how to design for them because no one has knowledge across 28 million consumers like we do.

Sarah Rosen

So great brand building always starts with product and design. At DBI, we had the customer intelligence. We had all that rich data that Julie talked to you about. But what DBI didn't have before was the design infrastructure. And so now with the best-in-class design infrastructure, coupled with the customer and the data, coupled with the marketing teams that we have, we have the ability to build the best beloved brands.

James S. Weinberg - *Designer Brands Inc. - EVP & Chief Merchandising Officer*

And I've always said, it's all about the product. But through our integration with the Camuto Group, one of the things we realized was we needed leaders, leaders who had built brands before, and we've assembled that leadership team to support the cadre of amazing designers that we have.

But the other thing that we got from the integration with the Camuto Group is a passion for quality. Sarah talked to you about the passion for quality from the Vince Camuto brand. We're bringing that same passion across all our own brands. And when you think about it, where does that get you? We have amazing brands, great leadership, great quality. Where that's gotten us is our own brands have gross margins 8 points, 18 points higher than our national brand average.

I want you to think about a few things. Like I said, product is the most important thing. But we walked you through how we're marketing our Vince Camuto brand. Marketing is also critical, and we're taking that same playbook for Vince Camuto and bringing it across for all our own brands. All our own brands have separate photo shoots. All our own brands have separate social campaigns. All our own brands have separate influencer campaigns.

And for the brands that are exclusive to DSW, we're actually co-creating product with our influencers to bring those brands to life in an even greater way than we did before. And all of these efforts will lead us to that own brands by 2026 will be 1/3 of DBI's volume, 1/3.

We have ways to bring brands to life like no one else. We have great product. We have great leadership. We have amazing quality. But we also have an infrastructure that digitally that we can bring brands to life, tell these amazing brand stories like Sarah showed you, take all that rich content and bring it to life in front of 28 million consumers, not just on dsw.com but on dsw.ca as well as Shoe Company. No one has the ability to bring our brand to life the way we do. This is the organization that we have now built.

In addition to our digital footprint, Roger mentioned, we also have 700 stores that we can bring brands to life through shop-in-shops. We showed you the warehouse reimagine video, where we are bringing brands to life in a new way. But we're doing it right now. This image is an image of our Vince Camuto shop in our 34th Street store. No one has the ability to bring brands to life the way we do.

So bear with me for a minute, I want to take you on an example of how this all comes together. So like Julie said, we have vast amounts of customer data. And through that data, we saw that our GenX consumer was looking for something that we didn't have in our assortment. And what they were looking for was a comfort brand that had fashion elements to it. We couldn't find it from our National Brands either.

So we studied the data. And the other thing we saw was that brands that had rich heritages was what our GenX consumer was looking for. So we started doing more research. And one of the brands we came across was the Hush Puppies brand. The Hush Puppies brand has far rich heritage, but it really wasn't gaining traction in the United States.

But one of the things we did discover is huge brand awareness. The Hush Puppies brand is controlled by the Wolverine group. We have an amazing relationship with them. So we went to them and we said, hey, we're interested in forming a partnership with you, taking that same playbook that Sarah talked to you about and applying it to this brand. So what we agreed to is that we're going to have an exclusive brand, Hush Puppies.

But what I want you to remember is we're tweaking the brand plan that Sarah brought you through in some slightly different ways. So the brand will be available not only on dsw.com.ca as well as ShoeCo, but we're expanding the reach, the brand will also available on hushpuppys.com.

So we reached an agreement, and we worked together as one team, taking all that rich customer information of what our GenX consumer was looking for. And taking that information, we designed the brand together. Same playbook that we talked about, just with a slight tweak to it. We've co-created marketing assets. We're going to show up to the customer when we relaunch this brand in 3 weeks on March 4 in a unified manner.

We have taken our infrastructure, and we're going to show up digitally across all the platforms that I talked to you about in the U.S., in Canada, but also on hushpuppies.com. And the second tweak to our relationship is that all DTC players have an issue with returns. We're taking hushpuppies.com returns through our whole footprint of 700 stores. That is the power of what we have built.

So we -- what I want you to remember from all of this. We will double our own brand sales by 2026, while at the same time maintaining our national brand sales. So I want to spend a minute talking about our national brand sales. Roger talked about it. You saw how we're bringing the Adidas brand to life in our Warehouse Reimagined.

We have an amazing assortment of national brands, and they are that. They're truly brands. They are brands that spend millions of dollars on marketing. And because of those efforts, they are brands that are highly coveted by our consumers. Think about brands like BIRKENSTOCK, Ugg, Adidas, New Balance, Crocs, [Cohan]. But Roger mentioned this as well because this is important. We are more meaningful to those national brands than we ever were in the past.

Roger jokes with me all the time and we have thousands of brands, we've eliminated undifferentiated brands so that we're more meaningful to those brands than we ever were before. When customers come in our stores, they see a vast array of product from those brands in ways that we never did in the past.

We're also partnering with these National Brands in ways that we never did before. We're sharing all this rich data with them. What makes us unique, how customers engage with us differently than they engage with those brands. We're not only sharing customer data, but we're sharing marketing effect of this data. We never partnered with people this way in the past.

We also know that National Brands are growing their own DTC businesses. Roger showed you the slide of how they've taken almost 12 points in market share. So we've created win-win strategies with them. We've had very transparent conversations with them about how they -- we can grow together. They want to grow and we want to grow. But we've also shown them how we have a unique proposition that they don't have that we can reach consumers that they can't reach.

And it's through these transparent conversations that we feel like we've made huge strides in ensuring that these national brand partners stick with us -- we have an infrastructure that no one else has. We have 3 million consumers that they can't reach on their own. We reach customers on our social channels, on our digital channels that they can't reach.

We have a footprint that we can unleash the power of our brands, not only for our own brands, but for our national brands. Look at how amazing this Crocs shop-in-shop and OOFOS shop-in-shop looks in one of our stores. In addition, we are alleviating the pain point for some of our National Brand partners that we're taking returns in our stores. We've created a model for our select national brand partners that is not easily replicated and is not easily replicated by themselves.

So what I want you to take away from this? Our assortment is better balanced than it's ever been before between National and Owned Brands. Our assortment is better balanced because we spent the last few years building out our prowess in athletic. Our assortment is better balanced because we now have far more what the customers want than we ever did in the past.

But most importantly, we have demonstrated and delivered upon that we can pivot our assortments better than anyone else can in the industry. When athletic is in vogue, we pivot our assortments to athletic. When fashion is invoked, we pivot our assortments back to athletic. No one else has the footprint both digitally and physically to be able to pivot the way we can. We've built an organization to unleash the power of our portfolio. We will maintain our National Brand sales while doubling our own brand sales.

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

So I'm hoping you're now seeing how -- so we have this whole customer file, all the things we're doing with our customer. And then how we're building brands and that example, again, I can't emphasize enough that Vince Camuto example is being applied to the other 7 brands that we own and control. That is how we win. That is how we double the Owned Brands business.

And I want to emphasize for all of my financial friends in here, the data point that he gave you, and Jared is going to show you in the LRP, 18 percentage points more gross margin, 18. Our years at Victoria's Secret and Bath & Body Works working at the Limited, that's the kind of margins we generated in specialty retail. We are doing that in footwear. I will tell you, that's not something you see across the industry. That's why we are so excited because we have this infrastructure that we're layering on.

All the things we're talking about. This is not futuristic stuff, these are things we are doing today to deliver you saw with our back half of the year earnings and what we're planning for this year and over the next several years.

So next, I want to turn it over to Bill, we're going to talk about speed. And the whole speed pillar is about leveraging this infrastructure to move faster than we ever have before. But it's really -- it's faster, it's cheaper and it's at an equal or better quality than anyone else out in the marketplace. And that's what I'm so excited for Bill to share with you.

And just to -- let me introduce Bill. Bill joined the company 16 years ago. Started as our legal counsel, but has managed every discipline in our company when we acquired our business up in Canada, Bill went up and actually completed the acquisition, but then ran the company and stayed up there for a year, turn that over to Mary Turner.

He ran our DSW business. He's now taking on sourcing and supply chain and all the other functions. So there isn't any one, anyone in our company better suited to oversee how all of this stuff comes together than Bill Jordan.

So please give it up for Bill Jordan.

William L. Jordan - *Designer Brands Inc. - President*

All right. Thanks, Roger. I want to start out by saying and sharing, I love shoes. I've been in the shoe business a long time. It's a fun category, it's where we're going to be. And I appreciate the power of shoes, right, how they make you feel, how they inspire self-expression. So today, I'm wearing a pair of this Vince Camuto wing tips, and I want to tell you, I feel INVINCIBLE.

Today, we're sharing our plan. You've heard it a number of times, but I'm going to repeat it and I'll repeat it at the end. We're going to double our Owned Brands over the next 5 years while maintaining sales of our National Brands. We got it? Great. I'm here to really tell you how we're going to do some of that stuff. It's not the sexy pictures. It's the day-to-day and it's the infrastructure.

So 2 things I want to focus on today, sourcing and supply chain. In sourcing, we have built a world-class organization that will deliver a product at a shorter time frame and at a lesser cost, faster, cheaper. In the supply chain, we're going to allow National Brands to use our best-in-class DTC infrastructure to reach their customers. So we'll take these in turn. First, on sourcing. We're going to double our Owned Brands over the next 5 years, guess what, we got to have a great sourcing organization.

In 2018, we acquired the Camuto Group and with it, a sourcing organization. Since that acquisition and especially exiting COVID, we have really focused on making this a world-class organization. We've added talent across the business. We've added talent in the United States, in China, in Brazil. And that China -- that experience has -- those new folks have a combination of extensive footwear experience but also in other categories. And I think what's important about that is this new talent thinks and acts differently, which in today's global market and environment is so necessary for success.

As Roger said, we are known at the Camuto Group for building high-quality shoes. That's why we bought the Camuto Group. It is the best out there from a sourcing organization. That's not going to change. What we are going to focus on over the next couple of years are these 4 things: speed, country diversification, sustainability and cost. I'm going to go through each of these in turn.

Speed really has 2 components that I really want to focus on. The first is the product to market process, PDAM process, where we make shoes from design to put it in front of a customer. Making shoes takes time. It is not a quick process. And historically, quite frankly, we've been a little bit slower than others. So we've really focused in thinking and looking at our process and all the steps that we have and we have taken 2 months out of the production process.

That allows us to be closer to the time the customer makes a decision, which makes our trend decisions more right, it's probably not the right way to say it, better. And if we get it right, more often, we get that trend right more often, we're going to sell more shoes and we're going to save money because we've taken time out of the process.

The second part about speed is what I like to call test and learn. So we can take a design, and we can send it to a factory overseas and have 200 to 300 pair made in a very short period of time. We air freight that product into the U.S., and we put it into one of our 500 stores that are in our digital channels, and we read it for 2 weeks, just 2 weeks.

At the end of 2 weeks, we know whether or not that is going to be a good seller. If it is a good seller, we can be back in stock in a meaningful way, customer-facing in 70 to 90 days. So think about that. If in November, we test the sandal in warm weather location and we see a hit, we can be in stock at the end of February in a meaningful way in a product that we know customers want. Marrying our sourcing organization with our retail organization is something people don't have out there and is a competitive advantage.

Next, I want to talk about country diversification. One thing we've learned over the last few years is that global events can affect sourcing and supply chain. We've had COVID, wars, tariffs -- all these things have had meaningful impact on the footwear industry over the last few years.

In 2021, we sourced 80% of the goods that we make out of China. Well, in 2021, that ended up being a really good thing because of what happened in other parts of the world. The reality is we don't want to be that invested into one country. So our commitment is that we will drop that to 50% of our production out of China by 2024 and be able to source every category of good that we make in at least 2 countries.

By doing that, we'll diversify and limit our risk, but we'll also open up speed and cost opportunities for us as we figure out how to get better and faster with other places. Talk about sustainability, we are a leader in the footwear space. And therefore, we have a responsibility to be a leader around sustainability.

We are taking steps to reduce -- to ensure that our packaging and products are made in a much more sustainable way. A couple of things I'd like to highlight that we're working on. We've partnered with FDRA, and we are working with other footwear retailers and manufacturers across the world to reduce waste in the footwear making process.

We've engaged a firm Salterbaxter to complete a comprehensive sustainability assessment for our business so that we can have a plan for the next several years about how we are going to change not only our business, but the footwear business.

We're employing 3D technology to reduce the number of samples that we have in the production process. Reducing the number of samples is great for the environment. And quite frankly, it's good for our bottom line, too. We're really committed to a sustainable future and we're going to have Christina up here to talk about -- more about that in a little while.

Finally, as it relates to sourcing, we're focused on cost, right? We are committing to a 10% reduction in cost between 2021 and 2024 on the goods that we produce. And you say, Bill, how are you going to reduce cost by 10%. There are 3 levers that we're pulling. The first is scale. As we make more shoes, we can leverage our fixed costs. That will help. Second, it's about processes that we have put in place to be faster and cheaper in how we make and design shoes. It will save us money.

And the third is talent. We've got a great bench and people who are working on this, and we've added to our bench in material and costing resources. So we've got people who are thinking about this all the time. I have a lot of confidence that we're going to achieve that 10% because I'm already seeing the results. Our fall 2022 on order shows that we are making the steps that we said we were going to do when we started laying out this plan.

Now I want to turn to supply chain, a lot of supply chain questions going on in the world today. But supply chain has been a strength of designer brands for many, many years. And if you need a proof point in the fall of 2021, when it was hard to get goods, we had the goods. We are continuing to improve our supply chain all the time for our customers, but also for our National Brand partners.

We have 4 focuses here that we're really driving towards. We're going to achieve 2- to 3-day delivery and same-day delivery in key markets. We're going to extend our supply chain network to some of our National Brands. We're going to share inventory availability with key brands and we're going to continue to utilize our stores as an important part of our supply chain.

So let me talk about these. I'm going to start with 2- to 3-day delivery. This plan is already in the works. We've already taken a lot of steps, but I want to stress something very important. We're doing all of these things, and I'm going to talk about now without substantial additional capital expenditures and while decreasing costs. Not a lot of upfront cost and we're going to decrease costs faster and cheaper. That's what this is about.

The key to getting product faster to the customer is not about building more buildings. It's about where you place inventory -- the closer you place inventory to a customer, the faster it gets there and typically cheaper as well. So what are we doing? We've got 5 things to bring this to life. First is we are consolidating our fulfillment centers to one on the East Coast. We have more customers in the Northeast than any other part of the country.

So moving that inventory closer to the customer is going to result in faster delivery to that customer and at a lesser expense. At the same time, that consolidation will allow us to decrease -- eliminate the fixed cost of running multiple facilities that were new to our bottom line.

Second, an OMS upgrade, not sexy, order management system. This is the technology we use to say, where do we ship an item from to a customer? It's the brains of the supply chain operation, and we're going to continue to build on that.

Third, regional carriers. It's not just 2 guys anymore, FedEx and UPS. There are a plethora of people popping up all over the country that are hungry for business and we're partnering with them. In 2021, we started using multiple regional carriers, and we are seeing much faster delivery times.

Number four, hub facilities. So what we are doing is we're setting up essentially many DCs or FCs across the country that are housed, that are stocked with key items that we're buying in depth, looking at them closer to the customer. Again, closer to the customer means faster delivery times. We opened 4 of these hub facilities in 2021, and we saw a tremendous improvement in our speed to customer.

And last, we know we need a facility on the West Coast to help us get to those customers in a faster time frame. We're going to do this in an asset-light way, meaning we're going to partner with a third-party logistics provider so that we're not spending the CapEx to do that. Again, I want to stress that all of these things are in progress right now. And they are going to result in a net savings to our company and faster service.

So now I want to talk about our brand partners and how our National Brand partners can lean into us. We're one of the largest footwear retailers in the U.S., and we have scale and we have a supply chain that is focused on footwear. So we intend to offer a key brands the ability to utilize that supply chain infrastructure.

And today, we do that through traditional wholesale methods where we buy product from a national brand and then we use our DTC network of stores and delivery hubs to get the product to the customer. Well, in the future, we want to offer 3PL services to; the key brands so that we can deliver their goods faster and cheaper. We're going to allow those key brands to tap into our infrastructure and let us help them deliver that last mile.

We've got the scale, we've got the infrastructure, and we're good at this. This is going to help the national brands win, and it's a great way of showing how we are a good partner to those brands. Of everything I'm going to talk about today, this is the thing I am most excited about and it's sharing inventory availability. So we plan to work with our national partners, we are working with our national partners to do something that nobody in footwear and quite frankly, I think retail is doing today.

Brands are going to be able to see what inventory we have on hand by location so that if a customer is shopping a brand.com, they can see the inventory in a local DSW store. And if that customer wants to pick that shoe up today, they'll have the ability to do that. Likewise, if a brand has a style that they are out of stock on, but we have it within our network, we're going to have the ability to ship that product directly to their customer. That's increased sales for them, that's using everybody's inventory more efficiently and it's a great customer experience. This also applies to returns in a meaningful way.

And we know that returns is a huge, huge, huge pain point for customers. In the footwear space, most digital return -- most product bought online that needs to be returned is done through return shipping. Let's take it to FedEx, let's take it to UPS, let's take it to the post office, and we all know that's a hassle.

And you have to remember, in the footwear space -- more than 25% of purchases made online are returned. This is a category that has a high, high, high return rate. So we're already doing this. vincecamuto.com, we take -- if you shop on vincecamuto.com and you need to make a return, you can make that return into a DSW store. In 2021, almost half of all returns from this vincecamuto.com were made at a DSW store.

You know what that tells me? People really want this, it's a benefit to them. They like it. Can I tell you another statistic, 25% of the time a customer makes a return to a DSW store, they make a purchase while they're in their store. I can tell you that when somebody sends a package back for a return, it's less than 1% of the time, they make a purchase.

So how does this all work? Customer buys shoe brand.com. They return it to a DSW store. We take that shoe and we put it in our inventory at that store and we sell that shoe at that store. We eliminate the reverse logistics associated with returns. It's magic. The brand doesn't have to deal with the pain and the cost of dealing with that return. There's no return shipping fees back to the distribution center. There's no processing fees once they get there, and there's no shipping fee to the next customer who's going to reorder that shoe.

And by the way, 25% of the time have to do that process again. The brand turns a return into a sale. I mean who doesn't want to partner with us on that. So in May, as Jim said, May 4, he said March, May 4. We are turning that service on for Hush Puppies. So that if you buy a product at hushpuppies.com, you can return it to a DSW store, and hopefully, while you're there, make another purchase.

This is the beginning of a new business model that I don't think anybody else in retail and definitely not in footwear has the ability to do because of our ability to take those returns and offer them to a customer and liquidate them on the spot.

Finally, I'll talk about our store fleet. Stores are a competitive advantage to us and a very important piece of our supply chain. There's a trend in the industry right now. Brands are opening up their own stores. And we can offer a store solution to our brand partners without that capital expenditure and without the hassles of running a store.

We're really good at running footwear source. Let us take it over for you. As Roger said, we have over 500 stores within 20 driving minutes of 70% of the U.S. population. We're everywhere. And these stores give us tremendous capabilities. The first is direct-to-consumer capabilities. Number one thing you do, you walk into a store and you buy a pair of shoes. But you can also now order a pair of shoes online and pick them up in a store.

We can also use that store as a place to ship product from. We've got that product that's close in close to where you live, that will get that product to that customer faster. Second, they can be brand shops and Jim showed some pictures of some Vince Camuto brand shops. This is a place where we can feature our key brands and partners and bring their stories to life and help their brand image.

And finally, it's a return center. Let's make returns easy for customers. If we can do that, we're going to win. So over the next 3 years, we're going to optimize our fleet. And as part of that process, we're going to reduce our square footage by about 14%. And that's going to get done through a couple of different ways. First, there'll be a minimal number, very small number of store closures.

The real way we're going to do this is we're going to reduce the square footage of many of our existing stores. And the great thing is we've got this Warehouse Imagined prototype that Julie shared with you. The great thing about that is we can put it in less space but not lose the capacity that we need to offer that full assortment of footwear at that spot.

This will help keep our expense base in check, while allowing us to have a -- continue to have a national footprint within 20 minutes of a majority of the population.

So to summarize, we're going to double our own -- the sales of our Owned Brands over the next 5 years, while maintaining sales of our National Brands. And 2 things that we're doing to really drive that. We've got a sourcing organization who's going to deliver product in a faster time frame and at a cheaper cost. And we're going to allow national brands the ability to use our best-in-class infrastructure to service their customers.

With that, we'll turn it back over to Roger.

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

So I hope now you can see how all of these pieces are connected in that what you're experiencing right now, that is the vision we had back in 2018 to bring these companies together. All these things we're talking about, this is not talking about things we're going to do in the future. This is happening now. And I think the example of what we're doing with Hush Puppies, what we've done with Vince Camuto, what we're going to do with Adidas, what we're going to do with Brooks, what we're going to do with New Balance, those are the partners that we are going to lean into.

And for us to do that, you can't do that for 700 different labels. That's why we've narrowed our assortment. We will be more relevant to national brands than any other footwear retail partner they could have. That is how we maintain those National Brands. And we hope we grow it, but we don't want to have to rely upon that because we know our own brands can really, really drive our business.

So that is the summary of CBS. And we've got 2 things left, and I know they are the 2 most exciting things that all of you are here for today. The next one is everything we need to do to make the world a better place. We could do all of those things. But at the end of the day, there's so much more we can do to inspire self-expression for all.

And so I want Christina to come up and share with you all of the things that she is helping us lead as an organization. So please give it up for Christina.

Christina Jackson

Good morning. Good morning. My name is Christina Jackson, and I am the proud leader of Diversity, Equity and Inclusion at Designer Brands.

So you've heard about the ways that we've transformed from a traditional retailer into a builder of brands. And as Roger mentioned, we are committed to doing these things and delivering results in a responsible way. Ways that will improve the well-being of our planet, will empower people, will promote diversity, equity and inclusion, support our communities and really help to create a sustainable world.

To do this, we are putting our money where our mouth is and have been organizing ourselves to really make progress on our environmental, our social and our governance goals. In fact, we are already moving the needle by removing barriers, inspiring self-expression and leveraging diversity, equity and inclusion as catalysts to achieve even greater results, particularly in Board diversity and gender representation. As you can see, we have been recognized by multiple organizations for the success we've had walking the walk.

But we aren't finished yet. We are building on our success so far to further integrate DEI into DBI's DNA, both internally and externally in ways that will help our associates, our customers and our planet. We will ensure that current and future talent mirrors our communities, we will conserve resources and support the underserved. We will review and update our policies, practices and procedures on a regular basis to really drive equity, and we will develop our leaders to really consistently and intentionally set the tone from the top.

The good news is we're already doing it. I'm sure you already heard and reviewed the press release about our Pensole partnership, right? We're doing it because the future is now. Our Pensole partnership is the largest action-oriented investment we've made to date to advance diversity, equity and inclusion. This commitment is for longer than a moment, for much more than a month and is going to literally change the face of the footwear industry for generations to come.

We recognized as brand builders that there is a lack of representation of black designers in the footwear industry. And so we decided to go to the root cause to really change the face of the footwear industry and remove barriers by partnering with legendary footwear designer and President of HBCU, Pensole Lewis College of Business & Design, Dr. D'Wayne Edwards. Together, we will stand up the first black owned footwear factory in the United States.

The footwear industry really needs more diversity. And so our partnership is a new business model that will really empower the customer to influence the industry toward that goal. Another area where we are making a real and tangible impact is with our Soles4Souls partnership. This partnership fits so perfectly into our ethos and into our mission. And it really supports our ESG efforts on 2 major fronts.

First, we have collected over 6 million pairs of shoes since May of 2018 that came from our customers as well as from our own inventory. And as a result, have made dramatic impacts on our environment. As you can see, saving approximately 180 million pounds of carbon dioxide emissions and saving a little more than 7.5 million pounds of textiles from landfills.

Next, we have empowered people who are in dire need. By helping to create micro businesses, we have been able to give 8,500 -- actually a little more than 8,500 families, full year of food, shelter and education that they would not have otherwise had. This is so powerful and it really resonates strongly with our customers, with our associates and our mission.

So as you can see, we are not just talking the talk. We are walking the walk, investing where it makes sense, where we can actually make a difference. And it starts at the top. Our leadership team is committed to making an impact. Progress has already been posted. We know there is so much more to tackle. At DBI, we are not only excited for the challenge, we are ready.

Thank you.

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

Isn't she amazing? Not only is she an amazing presenter, you need to know how committed she is to our company. So last Saturday, Christina became, sorry, Ms. Jackson because she got married, and last Saturday, but yet she still came here. This is like her honeymoon hanging out with all of us, right?

So next what I want to do is to just wrap up everything we've talked about. So you have -- you can see hopefully, the CBS pillars, you see what we're doing along the ESG front. And at the end of the day, many people care about what's the financial outcome. And believe me, we are all very passionate about that. But I hope you see the energy, the excitement, the things we have done to merge these companies and the results that we're now generating.

And Jared is going to walk you through what that looks like today in the future. But I think to give you a sense of how it is working financially. So today, we were able to announce we increased our earnings guidance for the year. We reinstated a dividend, and we're actively buying back shares. I don't know today if we are at the stock of 6%. But like there isn't more to demonstrate that not only do we believe in what it is we've done, but it is working and driving results.

And so Jared is going to walk you through what the LRP looks like. And after Jared's done, we'll take a quick break and go into some Q&A. So please give it up for Mr. Jared Poff.

Jared A. Poff - *Designer Brands Inc. - Executive VP & CFO*

Well, this is the Wall Street crowd. So I figured everyone wants to know, let's make lots of money. But, no, this has been very exciting. It's been very exciting for me as we've wanted to be telling you guys this story, all the work that we've been doing over the last 2 years, while the world was kind of not spending for a while. And to be able to stand in front of you, show you the work that's been done. And then as Roger said, the tangible things that are happening because of that is just really exciting.

So let me go back a moment. So anyways, before we do that though, I do want to reiterate, I hope the message is getting through, which is, we truly have a world-class design business, coupled with an already in-place DTC infrastructure and very strong relationships with top National Brands.

That really is a model like no one else in footwear. And you'll hear me say that a few times, but we really do believe that. And it all is already in place and together here at DBI. So I'm going to walk you through the financials and the numbers here in just a moment, but it's way more than just the numbers I'm excited about. I'm excited about the work that's already been done to deliver these results.

Our integrations are behind us. Our heavy lifting, our capital investments are behind us, and that infrastructure is operating at a very high level already today, as you heard. We are now focused on growth and that's led by our Owned Brands and partnering with top brands in a win-win way that is unique to DBI.

So if we look here -- and this is the very near term. But if we look here, we're presenting to you today, different than in 2019, when we had just made the Camuto acquisition and the Canadian acquisition, we're talking to you from a position of growth. If you remember over the last few quarters, we've been talking about the growth of fiscal '21 over 2020. That was the first time in a long time we've been able to say we've had year-over-year growth.

We gave fiscal '22 guidance that was year-over-year growth, again, both in revenue and in bottom line, and you just heard, we upgraded that even today. So 2 years in a row of year-over-year growth, and I'm going to show you the next 5 years, we expect that to continue. And we expect that to continue from things that are absolutely achievable, absolutely sustainable and absolutely within our own control.

Obviously, the last time we spoke to you, we had an LRP and the world stopped spending right when we were launching our first ever collection of Camuto-produced product. But that time that we spent over the last 2 years really has had allowed us to do some of the things that we already knew we had to do and that we're accelerating.

We were able to make some of those foundational changes that allowed us to capture athletic market share and allowed us to change our approach to marketing, to get rid of those broad-based promotions and really focus on targeted digital customer acquisition as we partnered with our National Brands in a different way. And as Julie mentioned, that has resulted in a reduction of our promotions of over 60% in promotional markdowns. That is a foundational change that is with us to stay.

We also were able to focus on the acquisitions and the things that we needed to do to integrate both the Canadian and the Camuto acquisitions and truly make us into 1 DBI. All along the way, in 2021, we set multiple records, which we were very happy to announce that all of our various quarterly earnings calls of all-time highs across almost every line of the P&L. Again, most of those were because of the foundational changes that have been made, and therefore, we expect them to continue going forward.

And most importantly, you heard us talk about in Q4, we were able to turn our engines back on to our Owned Brand growth, and we saw a tremendous year-over-year growth of our Owned Brands as those categories came back in fashion and really customers started demanding in a big way and continue to that fashion and seasonal business.

So this is a little bit of a different look of revenue, and this is really specific on revenue growth over the next 5 years, but this is how we are looking at the business internally. We will continue for the time being to report in our external segments, although I do want to get away from that eventually. But this is how we're looking at it internally.

And in the appendix of this deck, which you'll have, there is a reconciliation of revenues cut this way to the way that -- the way that we publicly reported it, and we'll continue to provide that every quarter go forward. But this really highlights where we're seeing the growth come from on the top line.

First and foremost, and hopefully, you've heard this over and over again, it's growth of our Owned Brands. Mostly, that's inside of our own channels as well, DTC, those own channels are DSW, dsw.com and camuto.com. And we do have some select wholesale growth. But far and away, the biggest source of growth in revenues over the next 5 years is the doubling of our Owned Brands.

As you had -- as you also have heard, we really aren't relying on growth of other people's brands. Still very important to what we do, and we need to make sure we maintain that, and we think we have the reasons why we can maintain it, but that's not where we're looking for growth. And then we do have growth coming in the Canadian operations as well. As you've heard, they have a lot of white space on the digital front as Canada as a whole is a bit behind the U.S. from a digital penetration. And we believe that there is some white space from a few more store build-outs up in Canada. But overall, DBI will be generating over $4 billion of revenue by 2026, and that represents just about a 4% annual CAGR between now and then.

Underneath the covers of that 4% though, are 2 much more exciting CAGRs, and that's the growth of our Owned Brands that are growing at about a 10% annual CAGR and the growth of the Canadian business, which is also just under 10% annual CAGR. As I mentioned, there will be a reconciliation of revenues in this cut in this presentation in the appendix.

So the doubling of our Owned Brands, the largest growth driver for us. And as you can see here, where we're expecting that to go from 19% to just about 1/3 of DBI's revenue. I do want to pause for a little bit of effect, that 1/3 of our revenue will be generated from brands we control. I find that very empowering, and I also find it very exciting because it's us taking control of our own destiny on that front.

Within those Owned Brands, the lion's share are also within our own channels. That represents 14% of DTC in 2021, goes to over 20% by 2026. That is the absolute richest channels that we have access to, selling our brands in our channels has the highest overall gross profit for the business. And also remember, as Julie mentioned, when someone buys an Owned Brand, they also spend 43% more annually across all of the designer brands. So while we find that exciting, we are also anticipating there is some select growth in -- of our Owned Brands in the wholesale channels. This was primarily the Vince Camuto brand, which we think does have quite a bit of life still outside of our channels because it provides a nice halo to that brand within our own DTC channels as well.

You also saw what Sarah walked us through, which was the investments that it takes to really make these brands into, I call them, Googleable brands. Something someone is seeking out. It's not just because they happen to walk into a DSW store and find it on a shelf, but they are seeking out the Crown Vintage brand. They're seeking out the Lucky Brand.

We are investing in that. You saw an example of that with what we're doing at Vince Camuto. I can tell you, and I will here in just a little bit, we've planned that, that same type of investment is being made over the next 5 years for all of our brands so that we truly can be seen as brand builders and truly driving interest in those brands.

So this is my favorite slide. My team hears me call it all the time, I call it the money slide because this is truly where it all comes to life. This is where that revenue turns into gross profit and you'll see in just a moment, that pretty much flows straight to the bottom line. Just like the revenue story, this is all about DTC growth. The lion's share, just look at that slide, the biggest thing on there is the growth in our DTC.

And I'm really excited because it's already happening. You heard the stats that we put up in Q4 of 2021. And it's also entirely within our control. There isn't anyone who can decide, I'm not going to have you have that brand anymore. These are brands we own, we control and it's within our own destiny.

Also, you can see here, Canada, they do have revenue growth, and that does translate down into gross profit growth as well. And then as I mentioned, there is some select wholesale growth, primarily the Vince Camuto brand itself that we do see happening over the next 5 years. So very healthy, very steady gross profit growth over the next 5 years.

Altogether, that more than offsets what we do see as a headwind, and that is continued shipping. While Bill is doing everything that we can to get cheaper and faster and thank God, we're doing that, we still do believe that the acceleration of the customer to a digital transaction is going to continue. It is much heavier than what we had anticipated it was when we spoke to you in 2019. Coming out of the pandemic, it continues to be something that we believe the customer will migrate to. So we've planned for that.

The vast majority of the headwinds that we're seeing from shipping, we do believe we can mitigate from the square footage reductions that Bill walked you through. But still, there is a net deleverage slide that we're seeing in our gross profit line from that.

Why Owned Brands drive so much gross profit growth? Well, it's a story you're very used to. You've heard us talking about since the acquisition. But when you sell your Owned Brands, you make a whole lot more money. Almost 20-full percentage points to be honest for DBI. To give you a little bit of comfort that we should be able to hit that as well. Hopefully, it's come through, our Owned Brands are made by experts who've been doing this for decades. Some of those labels already have national prominence, and we're investing to make them even stronger. We're also skillfully investing in growing the other brands to have that same kind of prominence and that's baked into the LRP.

Remember, no one else in footwear has this model. No one else has the brand building prowess that we do through the Vince Camuto heritage. No one else already has a built-out coast-to-coast infrastructure that consists of stores and $1 billion digital platform already in place. There are some companies who are good at brand building, but they have a whole lot of DTC investing yet to do.

And there's other companies who have a good retail infrastructure and they're good at brand building, but there's very little to no synergies between their brands and the retail assortment that those customers have. And there's also retailers that have good private labels. But there's no one else that has a model like us, that has fully built out, that is as already integrated and that has huge synergies between the brands and the retail infrastructure.

So when this all happens, the gross profit is obviously delivering a huge benefit to DBI. And it's almost all flowing to the bottom line. And the reason why is we've assumed that really, the investment thesis stays about the same from an expense standpoint. We're assuming that SG&A as a percentage of sales stays relatively flat. I can tell you that's nothing that I'm ever looking forward to saying as CFO over 5 years, I can't find leverage somewhere in the business. So we're going to be looking really hard to continue to find leverage, but I also wanted to be very planful to say we know that there are investments, just like what you saw from Sarah walk through for the Vince Camuto brand and we're doing with the other brands, there are investments when you're a brand builder that you need to make.

So we've assumed for the time being, that any of the leverage that we find from the expenses will continue to be invested in growing our brands within the business.

We do have the gross profit that's delivering a good leverage. We have the profit from -- or the gross profit from the reduction of occupancy costs. And we have also assumed the investments needed, not only in brand building, but in shipping and labor. But still, altogether, we see our operating income margin improving by 200 basis points as an entire organization over the next 5 years.

So when that happens we will be generating operating income margins close to double digits. That is stronger than what we even showed you in 2019. But I feel even more confident about it today than I did even back then. First and foremost, we had just made the acquisitions when we talked last in March of 2019. Those have now been in our path, and we've been able to focus on integrations and that's already behind us. We've also made, as you heard us talk about over the last 2 years, very important crucial and lasting foundational pivots in our retail assortment. We are narrower and deeper.

We were talking to you in '19 about the cuts we wanted to make to our vendor base, they've been made. We now are so focused on the top 50 brands and what they represent and how we partner with those brands differently. And we are leading with our Owned Brands in every category that, that makes sense. And we've already made the reductions and the changes in marketing that Julie walked you through.

When this happens, what it really relates to -- or what it really translates to is very steady, very sustainable EPS growth. I actually think that there's upside to this from a few areas. You've seen and you will in the product demonstration room, the categories where we think we actually lead and dominate from our Owned Brand category. What you won't see is that we really don't have any Owned Brand presence in other categories like athleisure, athletic. Should we gain access to brands in those categories that would be upside to this model.

We also, as you heard me say, have assumed we are reinvesting any expense savings over the next 5 years into the business to grow those brands. I'm going to be working like heck to find a little bit of savings somewhere that we can actually flow to the bottom line as well. And if that happens, there's upside to this number there.

Also, we have really exciting results we're seeing or expecting from our store of the future. But I think there's opportunity for that to be even stronger than what we think could happen. And if that's the case, there's opportunity there to maybe not just stay flat with National Brands, but actually grow with National Brands. So all of that, I think, really does translate into a true upside posture to this P&L here. But at the end of the day, you can see us reaching $2.75 to $2.85 by 2026, and that's our current long-range plan.

When this all happens, it will generate over $1 billion of cash and with our current capital structure, that basically just starts to accumulate on the balance sheet. So what I hear every time that I'm talking with any of you is what are you going to do with that cash? So first and foremost, as we always do, we invest back in the business. The good news is, as you heard from Bill, as you heard from multiple people, the heavy lifting is behind us. We don't have huge CapEx necessary to deliver this plan. We have CapEx planned to stay current, to stay relevant, but relatively flat to what it has been this year and over the next few years.

So we want to look at what else makes sense from a total shareholder return to do with that cash. You heard Roger announced today, it's in our press release, we are very excited to reinstate our dividend. In the past, our dividend had been a huge piece of our total shareholder return. And during COVID, while we're preserving cash as well as restrictions placed on us where we had the term loan in place. We had to suspend that.

So very excited today to be relaunching that. I'm going to read this, so I don't get it wrong. But we will be paying shareholders of record as of April 22, $0.05 a share dividend payable on May 6, 2022. But I'm really excited that, that it really demonstrates the confidence that we have in our financial footing to be able to turn that back on to our total shareholder return toolkit.

Also, historically, we had also turned share repurchases as 1 of the ways to return shareholders' return. And we had not had the opportunity to do that, again, while we were in the cash preservation mode and had the term loan in place. In 2020, our annual equity awards were much more dilutive than the typical year because our share price was so low when they were issued.

In fact, Normally, we're adding about 1 million to 1.5 million shares into the equity for the dilution pool. In 2020, we added almost 5.5 million shares. Obviously, a very dilutive year. I think it was the right thing to do, especially in a very highly volatile situation, but it was dilutive. And so we're very excited to say, we have been active trying to fight some of that dilution. And we've bought almost half of that back since the end of Q4, and that's also allowed us to raise our guidance for FY '22 already.

And then finally, as we've talked a little bit about, we do think because of the unique synergies between the brands that we build and our DTC infrastructure already in place, there will be continued opportunities to gain access to additional brands and bring those verticals, just like we've already done with the brands that you've seen today.

Maybe that's in categories that already we dominate in like dress and seasonal and we just -- we extract even higher margins, but maybe it also is in new categories where we can move into and control our destiny a little more broadly. But we'll continue to look at opportunities and use cash to do that where it makes sense.

So at the end of the day, you all have to think amongst yourselves. You have to talk to your clients about who has the strongest path to growth? And who do we think has the best chance to get there? We actually think we are one of the most compelling choices that are out there. When we deliver on our Owned Brand growth and the margins that come with that, and when you consider the facts that with that, we generate a lot of cash, and we've already reinitiated dividends that hopefully, we will continue to be able to grow in line with our EPS.

When we're able to fight that dilution that we put into the market in 2020. And if you were to assume we get just a little help from our PE as we move closer to controlling our own destiny and our Owned Brands and away from just being a retailer, we easily could see a path where we're generating 25% annual returns from a total shareholder return standpoint. And I'd venture to say that's one of the strongest that are out there, certainly in our space that you've got options to think of.

So with that, I'm going to turn it back over to Roger.

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

So that is our formal presentation today. And I just want to share with all of you, our team, I'm so proud of them. In 2017, we had this vision of what we wanted to go do. And to see it come to life. I hope all of you also see just the kind of results we're having, but also how much we believe in what it is we're doing as an organization to inspire self-expression.

We're going to take a quick break, like how long, Stace? How do you think? 5 minutes? And then we're going to come back. We have questions, I think, also from folks online, and we'll open it up for Q&A. And then after that we'll grab lunch and then go do some things in our showroom where we really, really want you guys to come, see our store of the future in more detail, talk to Melissa about it, see more about the product and talk to our design teams and our marketing teams about what we're doing with these brands. So we'll be right back.

(Break)

Jesse Miller

If we could ask everybody to take their seats, we would really appreciate it. We're going to start Q&A here in just a second.

So we are going to be taking questions from our analysts and investors. Roger and Jared are here to answer them, if you have any super specific questions, we can pull in some of the other presenters as well. If you have a question online, we are monitoring the webcast platform. Please just type in your name, your firm, what your question is, and we'll read it out loud for Roger and Jared. For those in the room, just go ahead and raise your hand, but be patient with me because I haven't worn heels in 3 years.

QUESTIONS AND ANSWERS

Jay Daniel Sole - *UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst of Softlines & Luxury*

Great. Roger and Jerry, thanks so much for putting together this great day. Super interesting presentation. I want to ask you about brand building. I want to ask you about the investment in brand building. Jared talked about making investments and keeping SG&A flat as a percent of sales. Can you just talk about your commitment to marketing and how much you're willing to commit within your P&L structure now to continue to build these brands and allocate the kind of resources to them that they need to really grow and become the kind of brands that you want them to be?

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

No, It's a great question. I think what we have been sort of spending toward over the last, let's just say, 24 to 36 months has been right around between 4% to 5% of sales as DBI. And our expectation is we're going to probably stay in that ballpark. And Julie has done an amazing job of finding synergies on other things we used to do that we're not as effective as what they should be. And we've been able to edit from that to fund things like what we've done with Vince Camuto.

So what I would tell you is it's going to be less and less about what it means for the Vince brand or the Lucky Brand or the Jessica brand, it will be more about what's that percentage of DBI is the way in which the 2 of us are looking at it. But no, we have to invest to build the brands. And what I think we are going to leverage and have leverage is our infrastructure.

And we will not have to spend as much money as others simply because we have a website that we can reposition those brands on dsw.com in a way like what Sarah showed you today that -- I mean that's a sexiest brand we have on dsw.com. And we can go tell those stories in ways without additional cost to our organization. So -- but that's ballpark-ish is where we're going to stay.

Jay Daniel Sole - *UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst of Softlines & Luxury*

Got it. Maybe if I can ask one more. By the way, this is Jay Sole from UBS, for anybody online who's interested. But...

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

Everybody knows your voice from our call.

Jay Daniel Sole - *UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst of Softlines & Luxury*

The question is on Canada because one of the slides, Jared, you showed there's some growth expected from Canada. Maybe if you could just dive in a little bit where you expect the growth to come from? Is it new stores? Is it comp growth? Like, if you a little bit of color there that would be appreciated.

Jared A. Poff - *Designer Brands Inc. - Executive VP & CFO*

Sure. It's -- there is comp growth, yes, but there's also -- there is a handful of new stores. I think -- don't hold me to this number, I think it's less than 15%, but they are not as built out in the U.S. or in Canada as they are in the U.S. And then it's primarily digital. They are still well underpenetrated versus DSW down in the U.S. and Canada as a whole is underpenetrated versus the U.S. And so, we do expect that, that will continue to comp very positive up there.

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

And Jay, I think probably today one of our -- as I was seating listening, one of the things we probably didn't do justice to is the integration of our Canadian business into everything we're doing and Mary Turner, who's our leader of everything we do in Canada here. And if think about that new warehouse redesign that we have, a lot of that is coming from learnings of what we do in Schuco in Canada. I mean, it's a 3,000- to 6,000-square-foot box carrying a heck of a lot of inventory. And so fixturing heights, using walls differently, all of those things are things we've been able to take from that.

And then also the growth Jared's talking about digitally. We've now got them on our platform so that everything we have spent 25 years investing in on dsw.com, we've been able to take and give to Mary and her team. And that's why we think we have a differentiated experience digitally up there, and it's working, as we've talked about on our calls.

Jared A. Poff - *Designer Brands Inc. - Executive VP & CFO*

Which is also the same approach for our DTC channels of vincecamuto.com and then any of the other brands stand up a dot-com site for we are able to leverage that fixed infrastructure across all of them.

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

Yes. Steven, you had a question?

Steven Louis Marotta - *CL King & Associates, Inc., Research Division - MD & Director of Research*

Steve Marotta from CL King. Can you talk a little bit about the store of the future? And the -- are there any tests right now, what the productivity levels are on a per square foot basis? How many might be within the round of the portfolio over the next 5 years? How much they cost, returns? Anything about the new stores would be very helpful. And I do have 1 follow-up.

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

Okay. Yes. There's -- I'd mention what we've learned from Schuco. So that has been a big part of what has driven what the store of the future looks like, or warehouse reimagine. I get to use the right terminology. But it's also -- you might recall pre-pandemic, we had launched a new store design that we put in Columbus, Ohio. And that design wasn't really intended to find ways to shrink the box. It was how do we put more product in the space and what kind of response do we get from the consumer.

And what we found is there is a [bear] there. And we're using the learnings from everything we've got from Mary and her team, along with everything from Melissa and the team we've now been running these boxes with new fixturing packages in and getting input from the brands directly. So to be able to go to an Adidas or New Balance or Brooks and say, hey, how would you like to engage in this shop-in-shop, creating that space so that the exterior is more about store exterior -- the walls are more about storage. Yes, we have product. But we also -- we have this entire box. We can use that space. How would you want to play in a shop-in-shop? How can we bring other categories in?

So on Saturday, I was in our stores, bought a Puma sweatshirt along with my Puma shoes. Like by doing what we're doing to tell these brand stories, we can bring new categories into the mix. And as you know, Steve, athletic brands, in particular, want you to carry more than just shoes. And so this investment will allow us to do that, not just with some of the athletic brands, but also some of the other footwear brands that we own and operate, whether it'd be Lucky, whether it'd be a Vince Camuto or other things that we might want to do.

And then -- and from a cost standpoint, we haven't opened this yet in May. And as you know, on a proto, yes, we're -- she would go nuts suffice with -- Melissa you're not -- I was hammering on costs right now. But I think what is important, and we keep reinforcing with Jared and Michelle and our real estate team, I keep making certain they remind them of this, 20% of our fleet every 5 years comes up for renewal.

So when this works, we can turn that on quickly. And if we were intending to downsize and potentially move, we would be getting VA from that landlord. And so we would leverage that VA money to be able to help do this build-out. And out of the gate first one, we'll figure out how to get there. That's the one thing I know about our organization operationally, there's nobody better. So I feel good about our ability to do this in a way that doesn't impact CapEx in a huge way or increase our occupancy cost.

Jared A. Poff - *Designer Brands Inc. - Executive VP & CFO*

One other thing I would note, and you'll see this in the product demonstration room, we are able to bring brands to life, like Roger mentioned. We're able to do things differently, lead with a digital mindset first and service the customer that way. But just like our assortment, everything in the store is massively pivotable. It is all movable. It's not like our fixturing today.

So the brand story can live for a certain amount of time, then it's a different brand story. And so there's not huge reinvestments, so you're not making a onetime investment that you're stuck with for the next 10 years. Melissa is super excited about it, and she should be, but these fixtures are extremely pivotal and can move around.

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

I think, Steve, that's one of the biggest challenges we have right now there's very little space despite the fact we have 25,000-square-foot boxes, there's very little space to go build these shop-in-shops other than that front right corner, usually when you walk in, because everything else is a permanent fixture. And Chris and (inaudible) team that does all of our visual things, are working on how do we leverage our walls even in the existing 500. And you'll see it in stores, that Crocs example, Jim put up. We do that across the chain. We've never done things like that in the past. And across, they loved the result. All you got to do is look at their returns they're getting from us. We feel really, really good about building shop-in-shops for brands.

Steven Louis Marotta - *CL King & Associates, Inc., Research Division - MD & Director of Research*

And for Jared, did I see the slide right that assumes national brands are expected to decline about 140 basis points of gross margin over the next 5 years? And if so, why?

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

Oh, he is good.

Jared A. Poff - *Designer Brands Inc. - Executive VP & CFO*

I don't remember showing. Okay.

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

It does. I remember that from the other day when we were looking at it, Steve. If -- Jared does show that there's dilution in margin for the, but we'll get that. We'll get that for you. Yes.

Gabriella Olivia Carbone - *Deutsche Bank AG, Research Division - Research Associate*

Gaby Carbone, Deutsche Bank. So I was wondering if you could maybe bucket potential expense savings that could potentially drive upside to the outlook that you provided? And then on the AUC decreases, you mentioned, curious if you can dig into that a little bit more how you're thinking about that in the face of inflation?

Jared A. Poff - *Designer Brands Inc. - Executive VP & CFO*

Yes. On the expense side, I can tell you, we have some initiatives already underway, and they have been underway and yielding results. So we expect them to continue. But we have taken a partner in our indirect procurement space with us, and so anything that isn't merchandise that we're buying, we now do it in a very centralized manner, and that's for all of the segments. And it also brings the scale of our business, but more importantly, this third-party, couples that with the scale that they have across all their clients. And we've had several million dollars of savings come from that.

We also have initiatives in place around some of the regular day in and day out type of transactions that we go after. But overall, I think it really is just a leveraging story. So as we continue to be able to share a common infrastructure, be it on the IT side, be it on our websites is being able to bring that kind of leverage and scale across the entire organization.

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

And on the AUC side for cost of goods, Bill, do you mind taking that question?

William L. Jordan - *Designer Brands Inc. - President*

Yes. Is it on?

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

Yes.

William L. Jordan - *Designer Brands Inc. - President*

So obviously, inflation is always, especially where it is today on top of our mind. The good thing is we're working across the entire world, and we can move our production to where we need to, to be able to achieve the cost. And the 2 things that most drive the cost of the goods are labor and raw materials.

And so we've got -- we've just got to work hard to make sure that we get there. We're still committed to it. We've known when we set that target, that inflation was there. And the early results we see, some of them are in the face of inflation. So we're still confident we can get there.

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

And Gaby, I think one of the bigger learnings we've had is -- or I shouldn't say it's something that was new news to us. But when we acquired Camuto, we suddenly had visibility to cost of goods. And I've always said, and I know it drove Debbie and Jim and the merchant team crazy, we pay too much because our model is much more vendor-friendly than many other retailers because we buy something, we don't go ask for money back. right? We buy it. We own it. We take our markdowns, we move on.

And when we look at the cost of production and learning from what it takes to build goods, things we could do to take fabric positions or to be in a position to ensure we have all the shoelaces that we can get and get value out of a bulk buy instead of buying one-off things. It's things like that, that Ronnie and our sourcing team can get after. And just think about the pairs, I mean, we're doubling the size of that business. We've got to be able to scale that.

So those are all things, I think, that allow us to feel very comfortable we can go get that. And Ronnie is here today. So when we do Q&A, if you want to hit him up exactly on how he's doing it, I'm sure, he'll do that for you.

Jesse Miller

Lauren, do we have any online while I'm walking this way?

Unidentified Company Representative

Yes. We have one question from Sam Poser at Williams. He wanted to know are you planning lease space to national brands within DSW stores?

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

First of all, thanks, Sam. Thanks for the question. I think -- right now, it will be all about ensuring that we take these top 50 national brands and build out shop-in-shops that support our relationship with them. As Jared, Bill, Jim, everyone said, we want to just maintain those. I think as we evolve this and if there are other people, if the Swoosh wants to come back in, we're more than happy to charge them rent to come sell in our shops.

So I think we're going to play it so that we have -- like we said in that slide, a win-win relationship, because, as we said, brands have gone to direct-to-consumers and taking advantage of the platform we have built to grow their business. That's fantastic for them. We are now a direct-to-consumer player. But that lens is being applied to all the relationships we have. This cannot be one-sided that brands reap all the benefits. It's got to be a win-win for us. And if folks don't want to partner with us in that manner, will find some other brand that wants to have access to 28 million plus people with 700 physical locations and a $1 billion website. So that's the approach that we are taking in the vendor community.

Dylan Douglas Carden - *William Blair & Company L.L.C., Research Division - Analyst*

Can I go? Maybe just sticking with that and starting high level, the prior decade market share shifts that you kind of led with, how do you see that evolving over the next decade? What are the repercussions for your kind of core third-party brand business? Obviously, your strategy here embeds in it understanding that the DTC brand trend doesn't go anywhere. But kind of how do you see that landscape evolving? And how does that affect your, call it, core legacy business?

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

No, we do believe that this trend is going to continue. And as I said earlier, 1 out of every 5 pairs of shoes sold are going direct to a consumer from a brand. And I don't see that going away, especially as we're growing what we're doing. So I hope you guys could see in the speed pillar that Bill was talking about, and the things Jim was talking about, we want to build a mousetrap that makes us so relevant to the brands that matter to a consumer, that they never want to go anywhere else other than their direct-to-consumer channel.

That to us, that's the fight that we're in is leveraging this infrastructure to ensure we have capabilities that no one can match. And we really believe in the things, I think specifically the thing Bill described that we're doing for Vince and we're doing for Hush Puppies and we're going to do for some of these other national brands that we haven't announced yet that we will be announcing soon. That's a differentiator. And we don't think other people can provide that.

So we think that's the hook we've got to have to maintain those businesses. But the DTC Channel that I think is going to continue to grow.

Dylan Douglas Carden - *William Blair & Company L.L.C., Research Division - Analyst*

Great. And that kind of sets up my next question. With -- I was surprised in the sort of the location of inventory close to the consumer that stores were a bigger part of it. How are you thinking about fulfillment from store, I mean, you are a warehouse? There's an opportunity to do that.

And then maybe if you could walk through how the economics on some of these partnerships work? I guess in the instance where it's Brand.com come into your store, how that relates to sort of a prior direct inventory buy and then the Hush Puppy arrangement? I know there these are sensitive, but anything you can kind of help us understand what the margin implications of that stuff is?

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

Yes. Go ahead, Bill, do you want to...

William L. Jordan - *Designer Brands Inc. - President*

So give me the order. So talk about the economics first again. But the -- so there is a tremendous amount of savings that we are collectively achieving between the brand and us by not doing all that reverse logistics. And when you think about reverse logistics, it's shipping costs back to DC, a reprocessing fee because you've got to touch it with human labor, and then shipping it back to another customer, right? So there's a whole bunch of fees that are getting missed.

So when we take that shoe back into our inventory, we have an arrangement with the vendor that says, well, we're going to buy them at wholesale less an allowance of some , which will figure out brand-by-brand to compensate us for the work that we've got to do, which we got to put it in our inventory, and we might take a markdown or whatever.

So we'll -- each brand will have its own formula about how that purchase of that inventory works. But from the brand's perspective, again, they've turned that return into a sale. And I think that's -- at the end of the day, their demand to net goes up. They're spending their inventory faster. They've got less markdowns probably at the end of the season. It's really powerful.

Jared A. Poff - *Designer Brands Inc. - Executive VP & CFO*

And I would add, and we said this several times, that really is unique to someone who already is strongly partnering and carrying that huge assortment with that vendor. If it weren't, it'd be like returning a toaster to Walgreens. Like, what do you do with that? You bought it on Amazon, but what does Walgreens do with it? We're able to do this with these brand partners because we already have such a large relationship with them.

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

And I think, if you just think the quick math, $4 to $5 return shipping, $4 to $5 to ship it back to a consumer, probably a couple of bucks of processing, to Bill's point, to put it back in your own inventory, if you're taking, let's just say, $8 to $12 out of the cost of those goods, that's where the synergies exist for us. And we think it's this -- we don't think -- we know it's a big win because we're living it right now on Vince Camuto. It's been amazing.

And then to your question on leveraging the stores is fulfillment, yes, we are still running right around 60% of our fulfillment coming out of the physical store. And what Bill was saying about getting more to the East Coast. When we acquired Camuto, we acquired an enormous fulfillment center that Vince and the team had a vision of doing exactly what we're doing with the brand, which is going direct-to-consumer. And so all that infrastructure was there. It's just us leveraging it and reducing cost of the other facility that we had.

Dylan Douglas Carden - *William Blair & Company L.L.C., Research Division - Analyst*

Got you. And then last, kind of moving more granular. Maybe another way of asking the SG&A question. What is the leverage point in the model? You would think that if you're primarily comping on an 18-point higher business, the leverage point probably is negative at that point. I mean, how do you think about -- I guess, the narrative seems to be reinvestment. Is that code for marketing, but you're going to keep marketing in a certain bound? I mean just what is the right way to think about, are you being conservative? Anything to kind of help us understand that.

Jared A. Poff - *Designer Brands Inc. - Executive VP & CFO*

I do think we're being conservative. One, I have not lived in a year where we haven't found an ability to find some kind of cost savings. So like I firmly believe that there is cost savings that will end up flowing to the bottom line. I just wanted to be very planful to say, we also know that there's investments that whole demonstration that we are literally doing right now with Vince Camuto wasn't free by any means, and we are replicating that in a very strategic way for all of the brands. So we wanted to be planful for that.

But overall, I do think that while I would love to have a negative leverage point, I would remind us, while it's not a growth engine, selling other people's brands at a much lower margin is still 70% of our business, even when we hit these. So it's doubling of our own is great, and that is where all of our growth is we still have to be brand partners, and that's not at 18% higher margin -- or 18-point higher margins.

Jesse Miller

Other?

Jay Daniel Sole - *UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst of Softlines & Luxury*

I know that was a long walk there. Jay Sole again from UBS. Roger, I want to ask this question by framing in the sense that you talked a lot today about is part of the plan that you're laying out is that you're excited about it is because it's already working. And I want to ask about the guidance raise for this year in that context. So what have you seen in the business that's giving you the confidence to raise the guidance by the midpoint about 3%, obviously, pretty early in the year, so pretty nice move? What have you seen? What can you tell us?

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

I think as we said in our Q4 call that the consumer, there's 2 trends that we have experienced in the fourth quarter, and we had seen through the Q1 window that we're allowed to talk about, okay? And that is, one, that the consumer was coming back to the physical location in a more meaningful way. And we're -- that is, as you know, that's fixed cost. You leverage that fixed cost. We don't have that incremental dot-com costs that comes with it. So that's a huge benefit.

But the other big one is people are dressing like we're addressing today. And as you know, that's our sweet spot. I mean that is who we are. That's what we were founded upon. We were fashion footwear. We leveraged sneakers to pivot in a time that frankly saved our company. And had we not done what we did with our assortment, we wouldn't be having this conversation today. But I'm so proud of the fact that we made that pivot, but we don't need to rely upon that.

And I'm just glad that's not everything we do, that we're not in a Finish Line, Foot Locker or Famous or a Shoe Carnival situation where if that stuff starts to soften, you can't flip to dress shoes like we can. And I think that we're so excited to see that, that consumer is back, dressing up 2.5 million weddings, I think this year is the number I heard versus basically very few the last couple of years, at least the people attended. And that's very, very beneficial to our business.

Jay Daniel Sole - *UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst of Softlines & Luxury*

Got it. Maybe -- and then maybe one more to follow on that. I mean, how do you think about the growth of the footwear category, in general? I think you're implying DSW about 2% annual growth. I mean is that how you see the growth of the industry? Or maybe what can you share with us about your view on that?

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

Yes. Historically, when you look at everything, inclusive of athletic and the things we do in fashion, the business has been pretty much a 2% to 4% kind of CAGR every single year. So that's why we didn't want to put ourselves out there in anything that was dramatically different than that with obviously an expectation internally, this whole team knows we're going to do better than this, right? We're going to strive to do a heck of a lot better. But we don't want to build a plan around that.

And I think what's so exciting about this, we just need to do what we know how to do today, and we've demonstrated, and we can drive a 25% shareholder return. We don't need to go acquire things. We don't need to do any kind of newfangled things that would be able to change our business. We have the wheel to really make this -- the wheels to make this vehicle work. And that's what we're going to lean into.

And as Jared said, I feel more there's more upside than downside, but we're not going to put in here. We're going to triple earnings in the next 4 years. I'd like to be here for a little bit longer. So -- but thanks, Jay.

Any other questions?

Jesse Miller

One online, Lauren.

Unidentified Analyst

This is from Andrew (inaudible) at Schonfeld. As you're emerging -- finally emerging from COVID, can you talk about what you're seeing for Easter?

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

Unfortunately, we can't talk about current quarter. I will tell you, again, I think, what we are so excited about is customers are coming back to our stores. I don't know how other people are performing, and they are buying fashion footwear because they are going to occasions. And that is everything we have built our company upon.

And oh, by the way, that happens to be the category. If you remember today, everything we talked about, Vince Camuto, our core competency is doing dress shoes in particular. And that's a category that's coming back with, as you know, 18 points higher margin than other categories.

Yes, Dylan?

Dylan Douglas Carden - *William Blair & Company L.L.C., Research Division - Analyst*

You put M&A up there to your last (inaudible) that might scare people a little bit from that, got miscue some of the past there were to engage?

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

Yes. It will be something that will not be nearly as disruptive to our team as what it has been over the last couple of years with Camuto. But now that we have this infrastructure, there are brands available on a regular basis. And we've looked at and tried to acquire some assets that we could add to our portfolio over the last couple of years. We're going to continue to look, as Bill had mentioned, Jared mentioned, in the athleisure space, we think there are brands that are on the shelf that folks would love to have the platform we have built to make them available. We think there are more deals to do like what we've done with Wolverine and Hush Puppy to be able to take this infrastructure and apply it to others.

So again, that's over the next 4, 5 years, there isn't anything like tomorrow, wow, let's go make something big happen. We've got to go deliver on these 8 brands we have, but we really believe in growing brands. And I thought -- I forgot about this, this morning, I should have mentioned this. We have a Chairman that years ago, acquired a company called American Eagle. And nobody else remembers this probably other than Debbie and myself.

American Eagle used to sell about 90% of their product was called Levis, Wrangler, it was a brand of brands is what Eagle stood for. Today, they are the most dominant denim player in the world, right? They now, I think #1 market share in Denim is the data point that I've heard. They also have launched, I think, other than Lululemon, probably the second most successful brand called Aerie. We have a Chairman. We have an organization that knows how to go build or to acquire an asset that we can grow. And I think that muscle is something over the next 4 to 5 years, we are going to continue to use.

Dylan Douglas Carden - *William Blair & Company L.L.C., Research Division - Analyst*

So then, of KPI. The store, the warehouse reimagine, what does that look from a brand standpoint? How many brands are out to box? You talk about going from like [800 to 400 to 500] is just out of vision. And then how many of are those sort of 8 brands that are under exclusive deals?

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

Yes. No. So we -- what you're going to see is the sort of the way -- and you'll see this when we walk through it here in a little bit, there are different placements for how a brand could come to life. So just think of it as like that center, call it, for now, call it a center stage area that's in the middle.

Think about gearing back to school, being able to stand up in a data shop with apparel, footwear, all of that in one area to be able to tell that brand story. And then in each area, the other 4 areas of the box, being able to tell a brand story in kids, being able to do 1 in men's, being able to do 1 in women's fashion and women's athleisure. Those are the -- that's the way we're approaching it.

And the goal would be that you always have 1 or 2 of your own embedded in that, that you own or control. And then in the very back, what I'm really excited about is it's going to look like a container. It is a container in the back of the store, and that will be a place where we can also do different shop-in-shops, displays, ways in which we can sell brand stories. Again, today, we can't do those things with the way our box is set and the fixtures. So that's the intent.

Jared A. Poff - *Designer Brands Inc. - Executive VP & CFO*

And I would add to that, Dylan, that while we don't see growth in what I would call traditional wholesale, as we stand these brands into true Googleable brands, we do believe that many of them may benefit from having a dot-com site that is unique to them that -- so you say is it exclusive to DSW, it may also be available and none of this is in the work ship, but it may be available on the next (inaudible) dot-com, but that's still a decision that's exclusive to us. And that's very different than what we have had going into the acquisitions.

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

And to answer your other question, of the 8, we own 6 of the 8, and 2 of them are licensed, but they're also license that are -- I think we sold, where is Michelle, anywhere from 6 to 8 to 10 years, we just renewed 1 not long ago. So we feel like that's the sort of starting point for the brands that we control today.

Dylan Douglas Carden - *William Blair & Company L.L.C., Research Division - Analyst*

Got it. And if they do get their own traction, you're not averse to wholesaling them? Or...

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

That's exactly right. Yes. If the customer wants us to go there, again, customer data is going to tell us, should we go down that path or not.

Dylan Douglas Carden - *William Blair & Company L.L.C., Research Division - Analyst*

And then you never answered the Hush Puppy question. How does that arrangement work?

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

Where is Jim? Jim, do you want to...

Dylan Douglas Carden - *William Blair & Company L.L.C., Research Division - Analyst*

Just from a -- yes. Anything you can share on that would be appreciated.

James S. Weinberg - *Designer Brands Inc. - EVP & Chief Merchandising Officer*

So it's a partnership. We have an arrangement with them for a number of years to carry the brand exclusively at DSW as well as their ability to carry it at hushpuppies.com. And the other part of the arrangement that we talked about is they design the product. They are sourcing the product and we bring it to life across all our channels, like I said, 700 stores throughout the U.S. and Canada, all our e-commerce sites, as well as our own social channels, as well as their e-commerce site and their social channels. But the content that you're going to see was co-created so it -- to the consumer across all the channels, it looks very similar.

Jared A. Poff - *Designer Brands Inc. - Executive VP & CFO*

And then Jim, correct me here, but one of the things we were also attracted to was the huge heritage or brand equity that the brand had, but yet very little actual traction in the U.S., where they actually have a pretty successful business, a modern business over in Europe. And so being able to see what is successful there, partnered with this kind of engine that we have, we think that there's a lot of really cool life to breathe into the United States market here.

James S. Weinberg - *Designer Brands Inc. - EVP & Chief Merchandising Officer*

Yes. That's true. And the other piece is that we -- from the research that Julie and her team did, we could see the brand had huge brand awareness in the U.S. It just had not had traction. And part of what we were able to do is take all that rich customer data about what our Gen X consumer was looking for in terms of comfort and fashion and apply it to that brand.

So before, if you looked at the product, candidly, I would say, was kind of confused and it's now singularly aimed at this male and female consumer that can't find an alternative in the domestic market, as well as, candidly, what we were able to offer from our own brands before.

Unidentified Company Representative

Well. So those are all of our questions, we can go ahead and wrap up our webcast on behalf of all the speakers on behalf Jesse and the rest of the IR team, thank you so much for joining us in-person. Thank you for joining us virtually. We'll make a few other announcements in the room for what's going to happen for the people here in-person, but Roger, Jared, did you want to say anything else?

Roger L. Rawlins - *Designer Brands Inc. - CEO & Director*

Just thank you. We appreciate you guys all being here today. And hopefully, you see the vision we have for our business. So thank you so much.

Unidentified Company Representative

Thank you.