UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended November 2, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to ____________

Commission file number 1-32545

DESIGNER BRANDS INC.

(Exact name of registrant as specified in its charter)

Ohio	**31-0746639**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
810 DSW Drive, Columbus, Ohio	**43219**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(614) 237-7100**

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Shares, without par value	**DBI**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☑
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No

Number of shares outstanding of each of the registrant's classes of common stock, as of December 3, 2024: 40,195,442 Class A common shares and 7,732,733 Class B common shares.

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All references to "we," "us," "our," "Designer Brands," "Designer Brands Inc.," or the "Company" in this Quarterly Report on Form 10-Q for the quarter ended November 2, 2024 (this "Form 10-Q") mean Designer Brands Inc. and its subsidiaries.

We have included certain website addresses throughout this report as inactive textual references only. The information contained on the websites referenced herein is not incorporated into this Form 10-Q.

Cautionary Statement Regarding Forward-Looking Information for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

Certain statements in this Form 10-Q may constitute forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of words such as "outlook," "could," "believes," "expects," "potential," "continues," "may," "will," "should," "would," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates," or the negative version of those words or other comparable words. Any forward-looking statements contained in this Form 10-Q are based upon current plans, estimates, expectations and assumptions relating to our operations, results of operations, financial condition, and liquidity. The inclusion of any forward-looking statements should not be regarded as a representation by us or any other person that the future plans, estimates, or expectations contemplated by us will be achieved. Such forward-looking statements are subject to numerous risks, uncertainties, and other factors that may cause actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. In addition to other factors discussed elsewhere in this report, including those factors described under Part I, Item 1A. *Risk Factors* in our Annual Report on Form 10-K for the fiscal year ended February 3, 2024 (the "2023 Form 10-K"), filed with the Securities and Exchange Commission (the "SEC") on March 25, 2024, and otherwise in our reports and filings with the SEC, there are a number of important factors that could cause actual results, performance, or achievements to differ materially from those discussed in forward-looking statements that include, but are not limited to, the following:

- uncertain general economic and financial conditions, including economic volatility, supply chain disruptions, new or increased tariffs and other barriers to trade, fluctuating interest rates, inflationary pressures, and the related impacts to consumer discretionary spending, as well as our ability to plan for and respond to the impact of these conditions;
- our ability to anticipate and respond to rapidly changing consumer preferences, seasonality, customer expectations, and fashion trends;
- the impact on our consumer traffic and demand, our business operations, and the operations of our suppliers, as we experience unseasonable weather, climate change evolves, and the frequency and severity of weather events increase;
- our ability to execute on our business strategies, including integrating and growing our Brand Portfolio segment, enhancing in-store and digital shopping experiences, and meeting consumer demands;
- whether we will be able to successfully and efficiently integrate our recent acquisitions in a manner that does not impede growth;
- our ability to maintain strong relationships with our vendors, manufacturers, licensors, and retailer customers;
- risks related to losses or disruptions associated with our distribution systems, including our distribution centers and stores, whether as a result of reliance on third-party providers or otherwise;
- risks related to cyber security threats and privacy or data security breaches or the potential loss or disruption of our information technology ("IT") systems, or those of our vendors;
- risks related to the implementation of new or updated IT systems;
- our ability to protect our reputation and to maintain the brands we license;
- our reliance on our loyalty programs and marketing to drive traffic, sales, and customer loyalty;
- our ability to successfully integrate new hires or changes in leadership and retain our existing management team, and to continue to attract qualified new personnel;
- risks related to restrictions imposed by our senior secured asset-based revolving credit facility, as amended ("ABL Revolver"), and our senior secured term loan credit agreement, as amended ("Term Loan"), that could limit our ability to fund our operations;
- our competitiveness with respect to style, price, brand availability, shopping platforms, and customer service;
- risks related to our international operations and our reliance on foreign sources for merchandise;
- our ability to comply with privacy laws and regulations, as well as other legal obligations;
- risks associated with climate change and other corporate responsibility issues; and
- uncertainties related to future legislation, regulatory reform, policy changes, or interpretive guidance on existing legislation.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results, performance, or achievements may vary materially from what we have projected. Furthermore, new factors emerge from time to time, and it is not possible for management to predict all such factors, nor can management assess the impact of any such factor on the business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended		Nine months ended	
(unaudited and in thousands, except per share amounts)	**November 2, 2024**	October 28, 2023	**November 2, 2024**	October 28, 2023
Net sales	**$ 777,194**	$ 786,329	**$ 2,295,690**	$ 2,320,628
Cost of sales	**(529,749)**	(529,923)	**(1,550,262)**	(1,553,096)
Gross profit	**247,445**	256,406	**745,428**	767,532
Operating expenses	**(210,457)**	(230,788)	**(675,904)**	(665,437)
Income from equity investments	**3,584**	2,503	**9,019**	6,972
Impairment charges	**(17,756)**	—	**(17,756)**	(649)
Operating profit	**22,816**	28,121	**60,787**	108,418
Interest expense, net	**(11,565)**	(8,767)	**(34,161)**	(22,296)
Non-operating income (expenses), net	**(260)**	(162)	**(512)**	83
Income before income taxes	**10,991**	19,192	**26,114**	86,205
Income tax benefit (provision)	**2,223**	(8,987)	**2,067**	(27,372)
Net income	**13,214**	10,205	**28,181**	58,833
Net income attributable to redeemable noncontrolling interest	**(202)**	(64)	**(562)**	(73)
Net income attributable to Designer Brands Inc.	**$ 13,012**	$ 10,141	**$ 27,619**	$ 58,760
Earnings per share attributable to Designer Brands Inc.:				
Basic earnings per share	**$ 0.25**	$ 0.17	**$ 0.50**	$ 0.93
Diluted earnings per share	**$ 0.24**	$ 0.17	**$ 0.48**	$ 0.90
Weighted average shares used in per share calculations:				
Basic shares	**52,083**	58,633	**55,570**	62,860
Diluted shares	**53,486**	61,405	**57,116**	65,292

The accompanying notes are an integral part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended		Nine months ended	
(unaudited and in thousands)	**November 2, 2024**	October 28, 2023	**November 2, 2024**	October 28, 2023
Net income	**$ 13,214**	$ 10,205	**$ 28,181**	$ 58,833
Other comprehensive loss-				
Foreign currency translation loss	**(527)**	(2,501)	**(2,407)**	(2,041)
Comprehensive income	**12,687**	7,704	**25,774**	56,792
Comprehensive income attributable to redeemable noncontrolling interest	**(202)**	(64)	**(562)**	(73)
Comprehensive income attributable to Designer Brands Inc.	**$ 12,485**	$ 7,640	**$ 25,212**	$ 56,719

The accompanying notes are an integral part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited and in thousands)	**November 2, 2024**	February 3, 2024	October 28, 2023
ASSETS			
Current assets:			
Cash and cash equivalents	**$ 36,227**	$ 49,173	$ 54,638
Receivables, net	**70,570**	83,590	106,916
Inventories	**637,012**	571,331	601,470
Prepaid expenses and other current assets	**56,864**	73,338	36,785
Total current assets	**800,673**	777,432	799,809
Property and equipment, net	**212,206**	219,939	224,638
Operating lease assets	**707,544**	721,335	742,384
Goodwill	**130,649**	123,759	123,759
Intangible assets, net	**85,854**	82,827	83,032
Deferred tax assets	**39,656**	39,067	47,199
Equity investments	**53,358**	62,857	62,239
Other assets	**50,824**	49,016	49,518
Total assets	**$ 2,080,764**	$ 2,076,232	$ 2,132,578
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST, AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	**$ 238,040**	$ 289,368	$ 310,113
Accrued expenses	**167,601**	159,622	183,383
Current maturities of long-term debt	**6,750**	6,750	2,500
Current operating lease liabilities	**155,220**	166,531	182,259
Total current liabilities	**567,611**	622,271	678,255
Long-term debt	**529,551**	420,344	372,965
Non-current operating lease liabilities	**644,303**	646,161	669,494
Other non-current liabilities	**17,521**	24,948	21,072
Total liabilities	**1,758,986**	1,713,724	1,741,786
Commitments and contingencies			
Redeemable noncontrolling interest	**3,272**	3,288	3,208
Shareholders' equity:			
Common shares paid in-capital, no par value	**1,041,480**	1,030,765	1,028,307
Treasury shares, at cost	**(833,355)**	(764,802)	(764,748)
Retained earnings	**118,427**	98,896	131,416
Accumulated other comprehensive loss	**(8,046)**	(5,639)	(7,391)
Total shareholders' equity	**318,506**	359,220	387,584
Total liabilities, redeemable noncontrolling interest, and shareholders' equity	**$ 2,080,764**	$ 2,076,232	$ 2,132,578

The accompanying notes are an integral part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Number of Shares			Amounts				
(unaudited and in thousands, except per share amounts)	Class A Common Shares	Class B Common Shares	Treasury Shares	Common Shares Paid in Capital	Treasury Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Three months ended November 2, 2024								
Balance, August 3, 2024	47,757	7,733	45,225	$ 1,038,061	$ (782,771)	$ 107,774	$ (7,519)	$ 355,545
Net income attributable to Designer Brands Inc.	**—**	**—**	**—**	**—**	**—**	**13,012**	**—**	**13,012**
Stock-based compensation activity	**60**	**—**	**—**	**3,419**	**—**	**—**	**—**	**3,419**
Repurchase of Class A common shares	**(7,677)**	**—**	**7,677**	**—**	**(50,584)**	**—**	**—**	**(50,584)**
Dividends ($ 0.05 per share)	**—**	**—**	**—**	**—**	**—**	**(2,359)**	**—**	**(2,359)**
Foreign currency translation loss	**—**	**—**	**—**	**—**	**—**	**—**	**(527)**	**(527)**
Balance, November 2, 2024	**40,140**	**7,733**	**52,902**	**$ 1,041,480**	**$ (833,355)**	**$ 118,427**	**$ (8,046)**	**$ 318,506**
Three months ended October 28, 2023								
Balance, July 29, 2023	56,143	7,733	34,995	$ 1,025,662	$ (685,048)	$ 124,094	$ (4,890)	$ 459,818
Net income attributable to Designer Brands Inc.	—	—	—	—	—	10,141	—	10,141
Stock-based compensation activity	475	—	—	2,645	—	—	—	2,645
Repurchase of Class A common shares	(7,565)	—	7,565	—	(79,700)	—	—	(79,700)
Dividends ($ 0.05 per share)	—	—	—	—	—	(2,819)	—	(2,819)
Foreign currency translation loss	—	—	—	—	—	—	(2,501)	(2,501)
Balance, October 28, 2023	49,053	7,733	42,560	$ 1,028,307	$ (764,748)	$ 131,416	$ (7,391)	$ 387,584
Nine months ended November 2, 2024								
Balance, February 3, 2024	49,491	7,733	42,560	$ 1,030,765	$ (764,802)	$ 98,896	$ (5,639)	$ 359,220
Net income attributable to Designer Brands Inc.	**—**	**—**	**—**	**—**	**—**	**27,619**	**—**	**27,619**
Stock-based compensation activity	**991**	**—**	**—**	**10,715**	**—**	**—**	**—**	**10,715**
Repurchase of Class A common shares	**(10,342)**	**—**	**10,342**	**—**	**(68,553)**	**—**	**—**	**(68,553)**
Dividends ($ 0.15 per share)	**—**	**—**	**—**	**—**	**—**	**(8,088)**	**—**	**(8,088)**
Foreign currency translation loss	**—**	**—**	**—**	**—**	**—**	**—**	**(2,407)**	**(2,407)**
Balance, November 2, 2024	**40,140**	**7,733**	**52,902**	**$ 1,041,480**	**$ (833,355)**	**$ 118,427**	**$ (8,046)**	**$ 318,506**
Nine months ended October 28, 2023								
Balance, January 28, 2023	55,921	7,733	32,882	$ 1,018,872	$ (662,614)	$ 81,993	$ (5,350)	$ 432,901
Net income attributable to Designer Brands Inc.	—	—	—	—	—	58,760	—	58,760
Stock-based compensation activity	2,810	—	—	9,435	—	—	—	9,435
Repurchase of Class A common shares	(9,678)	—	9,678	—	(102,134)	—	—	(102,134)
Dividends ($ 0.15 per share)	—	—	—	—	—	(9,337)	—	(9,337)
Foreign currency translation loss	—	—	—	—	—	—	(2,041)	(2,041)
Balance, October 28, 2023	49,053	7,733	42,560	$ 1,028,307	$ (764,748)	$ 131,416	$ (7,391)	$ 387,584

The accompanying notes are an integral part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended	
(unaudited and in thousands)	**November 2, 2024**	October 28, 2023
Cash flows from operating activities:		
Net income	**$ 28,181**	$ 58,833
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**48,575**	47,801
Stock-based compensation expense	**14,990**	25,167
Deferred income taxes	**(405)**	875
Income from equity investments	**(9,019)**	(6,972)
Distributions received from equity investments	**11,532**	8,552
Impairment charges	**17,756**	649
Other	**875**	(1,977)
Change in operating assets and liabilities, net of acquired amounts:		
Accounts receivables	**(35,549)**	(21,462)
Income tax receivable	**44,476**	997
Inventories	**(60,254)**	44,782
Prepaid expenses and other current assets	**16,384**	5,998
Accounts payable	**(55,202)**	57,374
Accrued expenses	**(788)**	(6,926)
Operating lease assets and liabilities, net	**(9,415)**	(11,170)
Net cash provided by operating activities	**12,137**	202,521
Cash flows from investing activities:		
Cash paid for property and equipment	**(38,910)**	(42,315)
Cash paid for business acquisitions	**(16,144)**	(127,496)
Other	**4,362**	—
Net cash used in investing activities	**(50,692)**	(169,811)
Cash flows from financing activities:		
Borrowing on revolving credit facility	**1,089,662**	955,622
Payments on revolving credit facility	**(976,623)**	(906,087)
Proceeds from the issuance of the Term Loan	**—**	50,000
Payments for borrowings under Term Loan	**(5,065)**	—
Payments of debt issuance costs	**—**	(8,313)
Cash paid for treasury shares	**(68,553)**	(102,134)
Dividends paid	**(8,088)**	(9,337)
Cash paid for taxes for stock-based compensation shares withheld	**(4,275)**	(15,732)
Other	**(903)**	(117)
Net cash provided by (used in) financing activities	**26,155**	(36,098)
Effect of exchange rate changes on cash balances	**(546)**	(740)
Net decrease in cash and cash equivalents	**(12,946)**	(4,128)
Cash and cash equivalents, beginning of period	**49,173**	58,766
Cash and cash equivalents, end of period	**$ 36,227**	$ 54,638
Supplemental disclosures of cash flow information:		
Net cash paid (received) for income taxes	**$ (46,882)**	$ 16,515
Cash paid for interest on debt	**$ 31,288**	$ 18,536
Cash paid for operating lease liabilities	**$ 157,435**	$ 158,240
Non-cash investing and financing activities:		
Property and equipment purchases not yet paid	**$ 5,113**	$ 5,098
Operating lease liabilities arising from lease asset additions	**$ 10,818**	$ 16,217
Net increase to operating lease assets and lease liabilities for modifications	**$ 100,678**	$ 150,699

The accompanying notes are an integral part of the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Business Operations- Designer Brands Inc. is one of the world's largest designers, producers, and retailers of footwear and accessories. We operate in three reportable segments: the U.S. Retail segment, the Canada Retail segment, and the Brand Portfolio segment. The U.S. Retail segment operates the DSW Designer Shoe Warehouse ("DSW") banner through its direct-to-consumer stores and e-commerce site in the United States ("U.S."). The Canada Retail segment operates The Shoe Co., DSW, and Rubino banners through its direct-to-consumer stores and e-commerce sites in Canada. The Brand Portfolio segment earns revenue from the wholesale of products to retailers and international distributors, the sale of our branded products through direct-to-consumer e-commerce for the Vince Camuto, Keds, and Topo brands, as well as from commissions for serving retailers as the design and buying agent for products under private labels.

We have a 40.0 % ownership interest in ABG-Camuto, LLC ("ABG-Camuto"), a joint venture that owns the intellectual property rights of Vince Camuto and other brands. We are party to a licensing agreement with ABG-Camuto, which provides for the exclusive right to design, source, and sell footwear and handbags under the brands that ABG-Camuto owns. We also have a 33.3 % ownership interest in Le Tigre 360 Global LLC ("Le Tigre"), which manages the Le Tigre brand, and are party to a license agreement with Le Tigre, which provides for the exclusive right to design, source, and sell Le Tigre-branded footwear. Our equity investments are an integral part of the Brand Portfolio segment. In addition, we own the licensing rights for footwear and handbags of the Lucky Brand and the licensing rights for footwear of the Jessica Simpson brand and the Hush Puppies brand.

On April 8, 2024, we completed the acquisition of Rubino Shoes Inc. ("Rubino"), a retailer of branded footwear, handbags, and accessories that operates Rubino banner stores and an e-commerce platform in Quebec, Canada. The acquisition of Rubino has allowed our Canada Retail segment to expand into the province of Quebec.

Basis of Presentation- The accompanying unaudited, condensed consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the U.S. ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, we do not include all of the information and footnotes required by GAAP for complete financial statements. The accompanying financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal, recurring nature. The condensed consolidated financial position, results of operations, and cash flows for these interim periods are not necessarily indicative of the results that may be expected in future periods. The balance sheet as of February 3, 2024 has been derived from the audited financial statements at that date. The financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the 2023 Form 10-K.

Fiscal Year- Our fiscal year ends on the Saturday nearest to January 31. References to a fiscal year (e.g., "2024") refer to the calendar year in which the fiscal year begins. This reporting schedule is followed by many national retail companies and typically results in a 52-week fiscal year (including 2024), but occasionally will contain an additional week resulting in a 53-week fiscal year (including 2023).

SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies- The complete summary of significant accounting policies is included in the notes to the consolidated financial statements as presented in our 2023 Form 10-K.

Principles of Consolidation- The condensed consolidated financial statements include the accounts of Designer Brands Inc. and its subsidiaries, including any variable interest entities. All intercompany accounts and transactions have been eliminated in consolidation. All amounts are in U.S. dollars.

Use of Estimates- The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and reported amounts of net sales and expenses during the reporting periods. Certain estimates and assumptions use forecasted financial information based on information reasonably available to us. Significant estimates and assumptions are required as a part of accounting for customer returns and allowances, gift card breakage income, deferred revenue associated with loyalty programs, valuation of inventories, depreciation and amortization, impairments of long-lived assets, intangibles, goodwill and equity investments, lease accounting, redeemable noncontrolling interest, income taxes and valuation allowances on deferred tax assets, self-insurance reserves, and acquisitions. Although we believe that these estimates and assumptions are reasonable, they are based on management's knowledge of current events and actions we may undertake in the future. Changes in facts and circumstances may result in revised estimates and assumptions, and actual results could differ from these estimates.

Chief Executive Officer Transition- In January 2023, we announced our succession process relating to the Company's Chief Executive Officer ("CEO") role, whereby our former CEO, Roger Rawlins, stepped down from his role as CEO and as a member of the Board of Directors (the "Board") effective April 1, 2023, at which time, Doug Howe, who previously served as Executive Vice President of the Company and President of DSW, assumed the CEO role and joined the Board. During the three and nine months ended October 28, 2023, we recognized $ 1.1 million and $ 4.0 million, respectively, of CEO transition costs in operating expenses on the condensed consolidated statements of operations. There are no CEO transition costs for 2024.

Severance- During the three months ended November 2, 2024 and October 28, 2023, we incurred severance costs of $ 1.2 million and $ 1.9 million, respectively. During the nine months ended November 2, 2024 and October 28, 2023, we incurred severance costs, excluding the severance related to the CEO transition, of $ 5.5 million and $ 4.3 million, respectively. These costs are included in operating expenses on the condensed consolidated statements of operations. As of November 2, 2024, February 3, 2024, and October 28, 2023, we had $ 2.0 million, $ 3.9 million, and $ 4.3 million, respectively, of severance liability included in accrued expenses on the condensed consolidated balance sheets.

Impairment of Long-Lived Assets- During the three and nine months ended November 2, 2024, we recorded impairment charges of $ 9.2 million due to a vacated leased corporate office, $ 1.0 million due to an underperforming Canada Retail segment store, and $ 0.6 million due to an underperforming U.S. Retail segment store. During the nine months ended October 28, 2023, we recorded impairment charges of $ 0.6 million primarily related to weather damage to a corporate office.

Impairment of Equity Investment- During the three and nine months ended November 2, 2024, we recorded an impairment charge of our ownership interest in Le Tigre of $ 7.0 million, resulting in no remaining value due to the inability of Le Tigre to generate earnings with expected future losses.

Income Taxes- For the three months ended November 2, 2024 and October 28, 2023, our effective tax rate was a negative 20.2 % and a positive 46.8 %, respectively, and for the nine months ended November 2, 2024 and October 28, 2023, our effective tax rate was a negative 7.9 % and a positive 31.8 %, respectively. The negative effective tax rate for the nine months ended November 2, 2024 was due to discrete tax benefits recognized, primarily related to the release of tax reserves no longer deemed necessary and state tax planning initiatives, which partially offset the tax calculated on income before income taxes at statutory rates. The negative effective tax rate for the three months ended November 2, 2024 is the result of the change from a positive tax rate through the six months ended August 3, 2024 to a negative rate through the nine months ended November 2, 2024. The positive effective tax rates for the three and nine months ended October 28, 2023 was higher than statutory rates due to the impact of permanent non-deductible compensation partially offset by federal and state valuation allowance adjustments.

Fair Value- Fair value is defined as the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value are categorized using defined hierarchical levels related to the subjectivity associated with the inputs to fair value measurements as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Quoted prices for similar assets or liabilities in active markets or inputs that are observable.
- Level 3 - Unobservable inputs in which little or no market activity exists.

The carrying value of cash and cash equivalents, receivables, and accounts payable approximated their fair values due to their short-term nature. The carrying value of borrowings under our ABL Revolver and our Term Loan approximated fair value based on the terms and variable interest rates.

Recently Issued Accounting Pronouncements- In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Improvements to Reportable Segment Disclosures*, which updates reportable segment disclosure requirements including, among other things, enhanced disclosures about significant segment expenses and information used to assess segment performance. ASU 2023-07 is effective on a retrospective basis to all prior periods presented beginning with our 2024 Annual Report on Form 10-K and subsequent interim periods.

In November 2024, the FASB issued ASU 2024-03, *Income Statement Expense Disaggregation Disclosures,* which requires disaggregated disclosures for specific cost and expense categories such as inventory purchases, employee compensation, depreciation, and amortization, as well as other disclosures. ASU 2024-03 is effective either on a retrospective basis to all prior periods presented or on a prospective basis beginning with our 2027 Annual Report on Form 10-K and subsequent interim periods.

We are currently evaluating the impact of adopting ASU 2023-07 and ASU 2024-03 to the notes of the consolidated financial statements.

2. ACQUISITIONS

ACQUISITION OF KEDS

On February 4, 2023, we acquired the Keds business ("Keds"), including the Keds brand, inventory, and inventory-related accounts payable, from Wolverine World Wide, Inc. ("Seller"). The cash consideration was funded with available cash and borrowings on the ABL Revolver. The final purchase price and the allocation of the total consideration to the fair values of the assets and liabilities was finalized as of February 3, 2024, and consisted of the following:

(in thousands)		Final Purchase Price and Allocation
Purchase price:		
Cash consideration	$	127,304
Due from Seller for estimated contingent consideration		(8,899)
	$	118,405
Fair value of assets and liabilities acquired:		
Inventories	$	42,516
Goodwill		25,776
Intangible assets		53,500
Accounts payable		(3,387)
	$	118,405

The purchase price was subject to adjustments primarily based upon estimated contingent considerations as provided by the purchase agreement, which were based on recognized sales and incurred marketing costs for certain identified aged inventories. We recorded an estimated amount due from Seller at fair value based on our estimated probability of the conditions being met requiring payment. Changes to the estimated amount due from Seller after we have finalized the purchase price were recorded to earnings and were immaterial.

The fair value of inventories, which were made up of finished goods, was determined based on market assumptions for realizing a reasonable profit after selling costs. The fair value of the intangible assets relates to $ 46.9 million of an indefinite-lived tradename and $ 6.6 million of customer relationships, amortized over a useful life of 10 years, and were based on the excess earnings method under the income approach with the relief from royalty method for the tradename. The fair value measurements were based on significant unobservable inputs, including discounted future cash flows, market-based assumed royalty rates, and customer attrition rates. The goodwill, included within the Brand Portfolio segment, represents the excess of the purchase price over the fair value of the net assets acquired and was primarily attributable to acquiring an established design and sourcing process for casual footwear, including kids' footwear, with international distribution. Goodwill is not expected to be deductible for income tax purposes.

ACQUISITION OF RUBINO

On April 8, 2024, we acquired Rubino for $ 16.1 million in cash, which was funded with available cash and borrowings on the ABL Revolver. The purchase price also included a contingent consideration with a maximum potential payment of $ 1.5 million, subject to Rubino's achievement of a defined average annual financial performance target for the 24-month period following the acquisition. Based on Rubino's projected performance, we have estimated at fair value no contingent consideration to be recorded. The final purchase price and the allocation of the total consideration to the fair values of the assets and liabilities consisted of the following:

(in thousands)	Preliminary Purchase Price and Allocation as of April 8, 2024	Measurement Period Adjustments	Final Purchase Price and Allocation as of November 2, 2024
Purchase Price:			
Cash consideration	$ 16,674	$ (530)	$ 16,144
Contingent consideration	1,472	(1,472)	—
	$ 18,146	$ (2,002)	$ 16,144
Fair value of assets and liabilities acquired:			
Inventories	$ 6,967	$ 278	$ 7,245
Operating lease assets	9,334	—	9,334
Goodwill	9,972	(2,905)	7,067
Intangible assets	3,166	1,950	5,116
Other assets	2,273	170	2,443
Accounts payable and other current liabilities	(4,232)	(1,495)	(5,727)
Operating lease liabilities	(9,334)	—	(9,334)
	$ 18,146	$ (2,002)	$ 16,144

The fair value of the intangible asset relates to an indefinite-lived tradename and was estimated using the relief from royalty method of the income approach. The fair value measurements are based on significant unobservable inputs, including discounted future cash flows and an assumed royalty rate. The fair value of the operating lease assets was determined based on the market valuation approach. The goodwill, included within the Canada Retail segment, represents the excess of the purchase price over the fair value of the net assets acquired and was primarily attributable to acquiring an established retail banner in a province in Canada we did not previously have a presence in. Goodwill is not expected to be deductible for income tax purposes.

The results of operations for Rubino for the three and nine months ended November 2, 2024 were not material and are included in the condensed consolidated statements of operations within the Canada Retail segment. Supplemental pro forma results of operations reflecting the acquisition are not presented as the impact on our consolidated financial results would not have been material.

3. REVENUE

DISAGGREGATION OF NET SALES

Net Sales by Brand Categories- The following table presents net sales disaggregated by brand categories for each segment:

(in thousands)	U.S. Retail	Canada Retail[2]	Brand Portfolio	Eliminations	Consolidated
Three months ended November 2, 2024					
Owned Brands:[1]					
Direct-to-consumer	**$ 105,094**	**$ 11,782**	**$ 13,877**	**$ —**	**$ 130,753**
External customer wholesale, commission income, and other	**—**	**—**	**64,318**	**—**	**64,318**
Intersegment wholesale	**—**	**—**	**33,297**	**(33,297)**	**—**
Total Owned Brands	**105,094**	**11,782**	**111,492**	**(33,297)**	**195,071**
National brands	**510,401**	**71,722**	**—**	**—**	**582,123**
Total net sales	**$ 615,495**	**$ 83,504**	**$ 111,492**	**$ (33,297)**	**$ 777,194**
Three months ended October 28, 2023					
Owned Brands:[1]					
Direct-to-consumer	$ 123,973	$ 13,024	$ 17,204	$ —	$ 154,201
External customer wholesale, commission income, and other	—	—	61,905	—	61,905
Intersegment wholesale and commission income	—	—	14,948	(14,948)	—
Total Owned Brands	123,973	13,024	94,057	(14,948)	216,106
National brands	507,637	62,586	—	—	570,223
Total net sales	$ 631,610	$ 75,610	$ 94,057	$ (14,948)	$ 786,329
Nine months ended November 2, 2024					
Owned Brands:[1]					
Direct-to-consumer	**$ 308,148**	**$ 30,692**	**$ 41,696**	**$ —**	**$ 380,536**
External customer wholesale, commission income, and other	**—**	**—**	**161,625**	**—**	**161,625**
Intersegment wholesale	**—**	**—**	**108,294**	**(108,294)**	**—**
Total Owned Brands	**308,148**	**30,692**	**311,615**	**(108,294)**	**542,161**
National brands	**1,570,408**	**183,121**	**—**	**—**	**1,753,529**
Total net sales	**$ 1,878,556**	**$ 213,813**	**$ 311,615**	**$ (108,294)**	**$ 2,295,690**
Nine months ended October 28, 2023					
Owned Brands:[1]					
Direct-to-consumer	$ 362,931	$ 30,944	$ 43,604	$ —	$ 437,479
External customer wholesale, commission income, and other	—	—	174,155	—	174,155
Intersegment wholesale and commission income	—	—	53,498	(53,498)	—
Total Owned Brands	362,931	30,944	271,257	(53,498)	611,634
National brands	1,540,107	168,887	—	—	1,708,994
Total net sales	$ 1,903,038	$ 199,831	$ 271,257	$ (53,498)	$ 2,320,628

(1) "Owned Brands" refers to those brands that we have rights to sell through ownership or license arrangements.

(2) Beginning with the 2023 Form 10-K, we are providing a breakout of Canada Retail segment net sales by brand categories and we have recast the three months and the nine months ended October 28, 2023 on a consistent basis.

Net Sales by Product and Service Categories - The following table presents net sales disaggregated by product and service categories for each segment:

	Three months ended		Nine months ended	
(in thousands)	**November 2, 2024**	October 28, 2023	**November 2, 2024**	October 28, 2023
Net sales:				
U.S. Retail segment:				
Women's footwear	**$ 390,519**	$ 406,044	**$ 1,202,177**	$ 1,236,800
Men's footwear	**130,006**	136,455	**407,762**	419,008
Kids' footwear	**60,689**	54,521	**166,447**	143,978
Accessories and other	**34,281**	34,590	**102,170**	103,252
	615,495	631,610	**1,878,556**	1,903,038
Canada Retail segment:				
Women's footwear	**41,139**	39,031	**114,232**	110,079
Men's footwear	**20,866**	18,526	**54,219**	51,272
Kids' footwear	**17,874**	15,145	**36,411**	30,778
Accessories and other	**3,625**	2,908	**8,951**	7,702
	83,504	75,610	**213,813**	199,831
Brand Portfolio segment:				
Wholesale	**96,166**	74,099	**265,428**	219,592
Direct-to consumer	**13,877**	17,204	**41,696**	43,604
Commission income and other	**1,449**	2,754	**4,491**	8,061
	111,492	94,057	**311,615**	271,257
Total segment net sales	**810,491**	801,277	**2,403,984**	2,374,126
Elimination of intersegment sales	**(33,297)**	(14,948)	**(108,294)**	(53,498)
Total net sales	**$ 777,194**	$ 786,329	**$ 2,295,690**	$ 2,320,628

DEFERRED REVENUE LIABILITIES

We record deferred revenue liabilities, included in accrued expenses on the condensed consolidated balance sheets, for remaining obligations we have to our customers. The following table presents the changes and total balances for gift cards and loyalty programs:

	Three months ended		Nine months ended	
(in thousands)	**November 2, 2024**	October 28, 2023	**November 2, 2024**	October 28, 2023
Gift cards:				
Beginning of period	**$ 25,345**	$ 28,234	**$ 31,662**	$ 35,121
Gift cards redeemed and breakage recognized to net sales	**(11,740)**	(12,764)	**(43,768)**	(45,601)
Gift cards issued	**10,074**	10,759	**35,785**	36,709
End of period	**$ 23,679**	$ 26,229	**$ 23,679**	$ 26,229
Loyalty programs:				
Beginning of period	**$ 14,554**	$ 16,762	**$ 15,971**	$ 16,900
Loyalty certificates redeemed and expired and other adjustments recognized to net sales	**(6,735)**	(7,434)	**(23,029)**	(22,861)
Deferred revenue for loyalty points issued	**7,466**	7,923	**22,343**	23,212
End of period	**$ 15,285**	$ 17,251	**$ 15,285**	$ 17,251

4. RELATED PARTY TRANSACTIONS

SCHOTTENSTEIN AFFILIATES

We have transactions with entities owned or controlled by Jay L. Schottenstein, the executive chairman of our Board, and members of his family (the "Schottenstein Affiliates"). As of November 2, 2024, the Schottenstein Affiliates beneficially owned approximately 31 % of the Company's outstanding common shares, representing approximately 67 % of the combined voting power of the Company, consisting of, in the aggregate, 7.0 million Class A common shares and 7.7 million Class B common shares. The following summarizes the related party transactions with the Schottenstein Affiliates for the relevant periods:

Leases- We lease certain store and office locations that are owned by the Schottenstein Affiliates. For the three months ended November 2, 2024 and October 28, 2023, we recorded rent expense from the leases with Schottenstein Affiliates of $ 1.8 million and $ 2.0 million, respectively. For the nine months ended November 2, 2024 and October 28, 2023, we recorded rent expense from the leases with Schottenstein Affiliates of $ 5.4 million and $ 6.0 million, respectively. As of November 2, 2024, February 3, 2024, and October 28, 2023, we had related party current operating lease liabilities of $ 4.0 million, $ 5.6 million, and $ 4.6 million, respectively, and non-current operating lease liabilities of $ 17.7 million, $ 18.5 million, and $ 17.7 million, respectively.

Other Purchases and Services - For both the three months ended November 2, 2024 and October 28, 2023, we had other purchases and services we incurred from the Schottenstein Affiliates of $ 0.8 million. For both the nine months ended November 2, 2024 and October 28, 2023, we had other purchases and services we incurred from the Schottenstein Affiliates of $ 2.0 million.

Due to Related Parties- Amounts due to the Schottenstein Affiliates, other than operating lease liabilities, were immaterial for all periods presented.

EQUITY METHOD INVESTMENTS

ABG-Camuto- We have a 40.0 % ownership interest in ABG-Camuto. We are party to a licensing agreement with ABG-Camuto, pursuant to which we pay royalties on the net sales of the brands owned by ABG-Camuto, subject to guaranteed minimums. For the three months ended November 2, 2024 and October 28, 2023, we recorded royalty expense for amounts paid to ABG-Camuto of $ 4.8 million and $ 4.5 million, respectively. For the nine months ended November 2, 2024 and October 28, 2023, we recorded royalty expense for amounts paid to ABG-Camuto of $ 14.4 million and $ 13.6 million, respectively.

Le Tigre- We have a 33.3 % ownership interest in Le Tigre. We are party to a license agreement with Le Tigre, pursuant to which we pay royalties on the net sales of the Le Tigre brand, subject to guaranteed minimums. Activity with Le Tigre was immaterial for all periods presented.

5. EARNINGS PER SHARE

Basic earnings per share is based on net income attributable to Designer Brands Inc. and the weighted average of Class A and Class B common shares outstanding. Diluted earnings per share reflects the potential dilution of common shares adjusted for outstanding stock options and restricted stock units ("RSUs") calculated using the treasury stock method.

The following is a reconciliation between basic and diluted weighted average shares outstanding, as used in the calculation of earnings per share attributable to Designer Brands Inc.:

	Three months ended		**Nine months ended**	
(in thousands)	**November 2, 2024**	October 28, 2023	**November 2, 2024**	October 28, 2023
Weighted average basic shares outstanding	**52,083**	58,633	**55,570**	62,860
Dilutive effect of stock-based compensation awards	**1,403**	2,772	**1,546**	2,432
Weighted average diluted shares outstanding	**53,486**	61,405	**57,116**	65,292

For the three months ended November 2, 2024 and October 28, 2023, the number of shares relating to potentially dilutive stock-based compensation awards that were excluded from the computation of diluted earnings per share due to their anti-dilutive effect was 4.0 million and 2.4 million, respectively. For the nine months ended November 2, 2024 and October 28, 2023, the number of shares relating to potentially dilutive stock-based compensation awards that were excluded from the computation of diluted earnings per share due to their anti-dilutive effect was 3.6 million and 3.3 million, respectively.

6. STOCK-BASED COMPENSATION

For the three months ended November 2, 2024 and October 28, 2023, we recorded stock-based compensation expense of $ 3.6 million and $ 6.1 million, respectively. For the nine months ended November 2, 2024 and October 28, 2023, we recorded stock-based compensation expense of $ 15.0 million and $ 25.2 million, respectively. These costs are included in operating expenses on the condensed consolidated statements of operations.

The following table summarizes the stock-based compensation award share activity for RSUs for the nine months ended November 2, 2024:

(in thousands)	Shares of Time-Based RSUs	Shares of Performance-Based RSUs
Outstanding - beginning of period	**4,383**	**1,236**
Granted	**1,943**	**744**
Vested	**(892)**	**(284)**
Forfeited	**(559)**	**(692)**
Outstanding - end of period	**4,875**	**1,004**

7. SHAREHOLDERS' EQUITY

SHARES

Our Class A common shares are listed for trading under the ticker symbol "DBI" on the New York Stock Exchange. There is currently no public market for the Company's Class B common shares, but the Class B common shares can be converted into the Company's Class A common shares at the election of the holder on a share-for-share basis. Holders of Class A common shares are entitled to one vote per share and holders of Class B common shares are entitled to eight votes per share on matters submitted to shareholders for approval.

The following table provides additional information for our common shares:

(in thousands)	**November 2, 2024**		February 3, 2024		October 28, 2023	
	Class A	**Class B**	Class A	Class B	Class A	Class B
Authorized shares	**250,000**	**100,000**	250,000	100,000	250,000	100,000
Issued shares	**93,042**	**7,733**	92,051	7,733	91,613	7,733
Outstanding shares	**40,140**	**7,733**	49,491	7,733	49,053	7,733
Treasury shares	**52,902**	**—**	42,560	—	42,560	—

We have authorized 100 million shares of no par value preferred shares, with no shares issued for any of the periods presented.

SHARE REPURCHASES

On August 17, 2017, the Board authorized the repurchase of an additional $ 500.0 million of Class A common shares under our share repurchase program, which was added to the $ 33.5 million remaining from the previous authorization. During the nine months ended November 2, 2024, we repurchased 10.3 million Class A common shares at an aggregate cost of $ 68.6 million. As of November 2, 2024, $ 19.7 million of Class A common shares remained available for repurchase under the share repurchase program. The share repurchase program may be suspended, modified, or discontinued at any time, and we have no obligation to repurchase any amount of our Class A common shares under the program. Under the share repurchase program, shares will be repurchased in the open market at times and in amounts considered appropriate based on price and market conditions.

DIVIDENDS

On November 21, 2024, the Board declared a quarterly cash dividend payment of $ 0.05 per share for both Class A and Class B common shares. The dividend will be paid on December 20, 2024 to shareholders of record at the close of business on December 6, 2024.

8. RECEIVABLES

Receivables, net, consisted of the following:

(in thousands)		**November 2, 2024**		February 3, 2024		October 28, 2023
Customer accounts receivables:						
Receivables with payment guarantee by third-party provider	**$**	**47,032**	$	18,615	$	39,858
Receivables without payment guarantee		**9,664**		7,890		8,517
Income tax receivable		**—**		44,476		43,024
Other receivables		**14,300**		13,093		15,879
Total receivables		**70,996**		84,074		107,278
Allowance for doubtful accounts		**(426)**		(484)		(362)
	$	**70,570**	$	83,590	$	106,916

9. ACCRUED EXPENSES

Accrued expenses consisted of the following:

(in thousands)		**November 2, 2024**		February 3, 2024		October 28, 2023
Gift cards	**$**	**23,679**	$	31,662	$	26,229
Accrued compensation and related expenses		**28,368**		19,342		22,863
Accrued taxes		**24,144**		23,134		30,035
Loyalty programs deferred revenue		**15,285**		15,971		17,251
Customer returns and allowances		**20,990**		19,569		22,860
Other		**55,135**		49,944		64,145
	$	**167,601**	$	159,622	$	183,383

10. DEBT

Debt consisted of the following:

(in thousands)		**November 2, 2024**		February 3, 2024		October 28, 2023
ABL Revolver	**$**	**414,109**	$	301,070	$	330,571
Term Loan		**128,063**		133,125		50,000
Total debt		**542,172**		434,195		380,571
Less unamortized Term Loan debt issuance costs		**(5,871)**		(7,101)		(5,106)
Less current maturities of long-term debt		**(6,750)**		(6,750)		(2,500)
Long-term debt	**$**	**529,551**	$	420,344	$	372,965

ABL REVOLVER

On March 30, 2022, we replaced our previous senior secured asset-based revolving credit facility with our current ABL Revolver, which was subsequently amended on February 28, 2023 and June 23, 2023. The ABL Revolver provides a revolving line of credit of up to $ 600.0 million, including a Canadian sub-limit of up to $ 60.0 million, a $ 75.0 million sub-limit for the issuance of letters of credit, a $ 60.0 million sub-limit for swing-loan advances for U.S. borrowings, and a $ 6.0 million sub-limit for swing-loan advances for Canadian borrowings. In addition, the ABL Revolver includes a first-in last-out term loan ("FILO Term Loan") of up to $ 30.0 million, which was drawn in full on February 28, 2023. The FILO Term Loan may be repaid in full, but not in part, so long as certain payment conditions are satisfied. Once repaid, no portion of the FILO Term Loan may be reborrowed. Our ABL Revolver matures in March 2027 and is secured by a first-priority lien on substantially all of our personal property assets, including credit card receivables and inventory. The ABL Revolver may be used to provide funds for working capital, capital expenditures, share repurchases, other expenditures, and permitted acquisitions as defined by the credit facility agreement. The amount of credit available is limited to a borrowing base formulated on, among other things, a percentage of the book value of eligible inventory and credit card receivables, as reduced by certain reserves. As of November 2, 2024, the revolving line of credit (excluding the FILO Term Loan) had a borrowing base of $ 506.8 million, with $ 384.1 million in outstanding borrowings and $ 4.4 million in letters of credit issued, resulting in $ 118.3 million available for borrowings.

Borrowings under the revolving line of credit and letters of credit issued under the ABL Revolver accrue interest, at our option, at a rate equal to: (A) a base rate per annum equal to the greatest of (i) the prime rate, (ii) the Fed Funds Rate (as defined in the credit facility agreement and subject to a floor of 0 %) plus 0.5 %, and (iii) Adjusted Term SOFR (as defined in the credit facility agreement) plus 1.0 %; or (B) a one-month, three-month, or six-month Adjusted Term SOFR per annum (subject to a floor of 0 %), plus, in each instance, an applicable rate to be determined based on average availability. The FILO Term Loan accrues interest, at our option, at a rate equal to: (A) a fluctuating interest rate per annum equal to the greatest of (i) the prime rate, (ii) the Fed Funds Rate plus 0.5 %, or (iii) Adjusted Term SOFR plus 1.0 %, plus 2.5 %; or (B) Adjusted Term SOFR for the interest period in effect for such borrowing plus 3.5 %. Commitment fees are based on the unused portion of the ABL Revolver available for borrowings. Interest expense related to the ABL Revolver includes interest on borrowings and letters of credit, with an interest rate of 6.9 % as of November 2, 2024, commitment fees, and the amortization of debt issuance costs.

TERM LOAN

On June 23, 2023, we entered into the Term Loan and have since borrowed the maximum aggregate amount of $ 135.0 million during 2023, consisting of a $ 121.5 million U.S. loan and a $ 13.5 million Canadian loan (denominated in USD). The Term Loan matures at the earliest of the date the ABL Revolver matures (currently March 2027) or five years from closing of the Term Loan (June 2028). The Term Loan is collateralized by a first priority lien on substantially all of our personal, real, and intellectual property and by a second priority lien on the assets used as collateral for the ABL revolver, primarily credit card receivables, accounts receivable, and inventory.

Borrowings under the Term Loan bear interest at a per annum rate equal to: (A) an adjusted three-month SOFR per annum (subject to a floor of 2.0 %), plus 7.0 %; or if (A) is not available, then (B) a base rate per annum equal to the greater of (i) 2.0 %, (ii) the prime rate, (iii) the Fed Funds Rate plus 0.5 %, and (iv) the Adjusted Term SOFR plus 1.0 %; plus, in each instance, 6.0 %, with an interest rate of 11.7 % (effective interest rate of 13.0 % when including the amortization of debt issuance costs) as of November 2, 2024.

DEBT COVENANTS

The ABL Revolver requires us to maintain a fixed charge coverage ratio covenant of not less than 1 :1 when availability is less than the greater of $ 47.3 million or 10.0 % of the maximum borrowing amount. At any time that liquidity is less than $ 100.0 million, the Term Loan requires a maximum consolidated net leverage ratio as of the last day of each fiscal month, calculated on a trailing twelve-month basis, of (1) 2.25 to 1.00 for any trailing twelve-month period through February 3, 2024, and (2) 2.50 to 1.00 thereafter. Testing of the consolidated net leverage ratio ends after liquidity has been greater than or equal to $ 100.0 million for a period of 45 consecutive days. The ABL Revolver and the Term Loan also contain customary covenants restricting certain activities, including limitations on our ability to sell assets, engage in acquisitions, enter into transactions involving related parties, incur additional debt, grant liens on assets, pay dividends or repurchase stock, and make certain other changes. There are specific exceptions to these covenants including, in some cases, upon satisfying specified payment conditions based on availability. The ABL Revolver and the Term Loan contain customary events of default, including failure to comply with certain financial and other covenants. Upon an event of default that is not cured or waived within the cure periods, in addition to other remedies that may be available to the lenders, our obligations may be accelerated, outstanding letters of credit may be required to be cash collateralized, and remedies may be exercised against the collateral. As of November 2, 2024, we were in compliance with all financial covenants contained in the ABL Revolver and the Term Loan.

11. COMMITMENTS AND CONTINGENCIES

LEGAL PROCEEDINGS

We are involved in various legal proceedings that are incidental to the conduct of our business. Although it is not possible to predict with certainty the eventual outcome of any litigation, we believe the amount of any potential liability with respect to current legal proceedings will not be material to our results of operations or financial condition. As additional information becomes available, we will assess any potential liability related to pending litigation and revise the estimates as needed.

GUARANTEE

We provide a guarantee for a lease obligation that is scheduled to expire in 2027 for a location that has been leased to a third party. If the third party does not pay the rent or vacate the premises, we may be required to make full rent payments to the landlord. As of November 2, 2024, the total future payments for the guarantee were approximately $ 3.2 million.

12. SEGMENT REPORTING

The following table provides certain financial data by segment reconciled to the condensed consolidated financial statements:

(in thousands)	U.S. Retail	Canada Retail	Brand Portfolio	Eliminations	Consolidated
Three months ended November 2, 2024					
Net sales:					
External customer sales	**$ 615,495**	**$ 83,504**	**$ 78,195**	**$ —**	**$ 777,194**
Intersegment sales	**—**	**—**	**33,297**	**(33,297)**	**—**
Total net sales	**$ 615,495**	**$ 83,504**	**$ 111,492**	**$ (33,297)**	**$ 777,194**
Gross profit	**$ 187,790**	**$ 27,405**	**$ 31,313**	**$ 937**	**$ 247,445**
Income from equity investments	**$ —**	**$ —**	**$ 3,584**	**$ —**	**$ 3,584**
Three months ended October 28, 2023					
Net sales:					
External customer sales	$ 631,610	$ 75,610	$ 79,109	$ —	$ 786,329
Intersegment sales	—	—	14,948	(14,948)	—
Total net sales	$ 631,610	$ 75,610	$ 94,057	$ (14,948)	$ 786,329
Gross profit	$ 200,268	$ 26,606	$ 28,654	$ 878	$ 256,406
Income from equity investments	$ —	$ —	$ 2,503	$ —	$ 2,503

(in thousands)	U.S. Retail	Canada Retail	Brand Portfolio	Eliminations	Consolidated
Nine months ended November 2, 2024					
Net sales:					
External customer sales	**$ 1,878,556**	**$ 213,813**	**$ 203,321**	**$ —**	**$ 2,295,690**
Intersegment sales	**—**	**—**	**108,294**	**(108,294)**	**—**
Total net sales	**$ 1,878,556**	**$ 213,813**	**$ 311,615**	**$ (108,294)**	**$ 2,295,690**
Gross profit	**$ 592,306**	**$ 70,097**	**$ 91,425**	**$ (8,400)**	**$ 745,428**
Income from equity investments	**$ —**	**$ —**	**$ 9,019**	**$ —**	**$ 9,019**
Nine months ended October 28, 2023					
Net sales:					
External customer sales	$ 1,903,038	$ 199,831	$ 217,759	$ —	$ 2,320,628
Intersegment sales	—	—	53,498	(53,498)	—
Total net sales	$ 1,903,038	$ 199,831	$ 271,257	$ (53,498)	$ 2,320,628
Gross profit	$ 622,850	$ 67,591	$ 75,037	$ 2,054	$ 767,532
Income from equity investments	$ —	$ —	$ 6,972	$ —	$ 6,972

Beginning in 2024, we changed how the Brand Portfolio segment sources certain Owned Brands for the U.S. Retail segment by transacting using a wholesale model, where intersegment sales and cost of sales are recorded, whereas in 2023 and prior we transacted on a commission model, where intersegment sales were based on a percentage of product cost. This change results in an increase in Brand Portfolio intersegment net sales, cost of sales, and gross profit and a corresponding increase in the amount of eliminated intersegment net sales, cost of sales, and gross profit with no impact to consolidated net sales, cost of sales, and gross profit.

ANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE OVERVIEW AND TRENDS IN OUR BUSINESS

For the third quarter of 2024, net sales decreased 1.2% and total comparable sales decreased 3.1% compared to the same period last year impacted by unseasonably warm weather and sustained uncertainty in the macro economic environment. During the third quarter of 2024, net sales from Owned Brands represented 25.1% of consolidated net sales, down from 27.5% for the same period last year. Gross profit as a percentage of net sales for the third quarter of 2024 was 31.8%, which was 80 basis points lower when compared to the same period last year.

Beginning in 2024, we changed how the Brand Portfolio segment sources certain Owned Brands for the U.S. Retail segment by transacting using a wholesale model, where intersegment sales and cost of sales are recorded, whereas in 2023 and prior we transacted on a commission model, where intersegment sales were based on a percentage of product cost. This change resulted in an increase in Brand Portfolio intersegment net sales, cost of sales, gross profit, and gross profit as a percentage of net sales and a corresponding increase in the amount of eliminated intersegment net sales, cost of sales, and gross profit with no impact to consolidated net sales, cost of sales, and gross profit.

EFFECTS OF GLOBAL ECONOMIC CONDITIONS

During the third quarter of 2024, our comparable sales declined as we experienced lower traffic, primarily in the U.S. Retail segment. Consumer spending on discretionary items, including our products, generally declines during periods of economic uncertainty, when disposable income is reduced, or when there is a reduction in consumer confidence. We believe the decrease in comparable sales is a result of ongoing consumer concern of negative and/or uncertain economic conditions, most notably the concern of economic volatility, fluctuations in interest rates, inflationary pressures, and changes in employment levels. We are unable to predict the severity of macroeconomic uncertainty, whether or when such circumstances may improve or worsen, or the full impact such circumstances could have on our business. These factors ultimately could require us to enact further mitigating operating efficiency measures that could have a material adverse effect on our business, operations, and results of operations.

FINANCIAL SUMMARY AND OTHER KEY METRICS

For the three months ended November 2, 2024:

- Net sales decreased to $777.2 million from $786.3 million for the same period last year.
- Gross profit as a percentage of net sales was 31.8% compared to 32.6% for the same period last year.
- Net income attributable to Designer Brands Inc. was $13.0 million, or $0.24 per diluted share, compared to $10.1 million, or $0.17 per diluted share.

Comparable Sales Performance Metric- The following table presents the percent change in comparable sales for each segment and in total:

	Three months ended	
	November 2, 2024	October 28, 2023
Change in comparable sales:		
U.S. Retail segment	**(2.8) %**	(9.8) %
Canada Retail segment	**(4.6) %**	(7.7) %
Brand Portfolio segment - direct-to-consumer channel	**(7.5) %**	7.0 %
Total	**(3.1) %**	(9.3) %

We consider the percent change in comparable sales from the same previous year period, a primary metric commonly used throughout the retail industry, to be an important measurement for management and investors of the performance of our direct-to-consumer businesses. We include in our comparable sales metric sales from stores in operation for at least 14 months at the beginning of the applicable year. Stores are added to the comparable base at the beginning of the year and are dropped for comparative purposes in the quarter in which they are closed. Comparable sales include the e-commerce sales of the U.S. Retail and Canada Retail segments. For calculating comparable sales in 2024, periods in 2023 are shifted by one week to compare similar calendar weeks. Comparable sales for the Canada Retail segment exclude the impact of foreign currency translation and are calculated by translating current period results at the foreign currency exchange rate used in the comparable period of the prior year. Stores added as a result of the Rubino acquisition that will have been in operation for at least 14 months at the beginning of 2025, along with its e-commerce sales, will be added to the comparable base for the Canada Retail segment beginning with the second quarter of 2025. Comparable sales include the e-commerce net sales of the Brand Portfolio segment from the direct-to-consumer e-commerce sites. The calculation of comparable sales varies across the retail industry and, as a result, the calculations of other retail companies may not be consistent with our calculation.

Number of Stores- As of November 2, 2024 and October 28, 2023, we had the following number of stores:

	November 2, 2024	October 28, 2023
U.S. Retail segment - DSW stores	**496**	499
Canada Retail segment:		
The Shoe Co. stores	**125**	119
DSW stores	**26**	25
Rubino stores	**28**	—
	179	144
Total number of stores	**675**	643

RESULTS OF OPERATIONS

THIRD QUARTER OF 2024 COMPARED WITH THIRD QUARTER OF 2023

(amounts in thousands, except per share amounts)	Three months ended November 2, 2024 Amount	November 2, 2024 % of Net Sales	October 28, 2023 Amount	October 28, 2023 % of Net Sales	Change Amount	Change %
Net sales	**$ 777,194**	**100.0 %**	$ 786,329	100.0 %	$ (9,135)	(1.2)%
Cost of sales	**(529,749)**	**(68.2)**	(529,923)	(67.4)	174	— %
Gross profit	**247,445**	**31.8**	256,406	32.6	(8,961)	(3.5)%
Operating expenses	**(210,457)**	**(27.1)**	(230,788)	(29.4)	20,331	(8.8)%
Income from equity investments	**3,584**	**0.5**	2,503	0.3	1,081	43.2 %
Impairment charges	**(17,756)**	**(2.3)**	—	—	(17,756)	NM
Operating profit	**22,816**	**2.9**	28,121	3.5	(5,305)	(18.9)%
Interest expense, net	**(11,565)**	**(1.5)**	(8,767)	(1.1)	(2,798)	31.9 %
Non-operating expenses, net	**(260)**	**—**	(162)	—	(98)	60.5 %
Income before income taxes	**10,991**	**1.4**	19,192	2.4	(8,201)	(42.7)%
Income tax benefit (provision)	**2,223**	**0.3**	(8,987)	(1.1)	11,210	NM
Net income	**13,214**	**1.7**	10,205	1.3	3,009	29.5 %
Net income attributable to redeemable noncontrolling interest	**(202)**	**—**	(64)	—	(138)	215.6 %
Net income attributable to Designer Brands Inc.	**$ 13,012**	**1.7 %**	$ 10,141	1.3 %	$ 2,871	28.3 %
Earnings per share attributable to Designer Brands Inc.:						
Basic earnings per share	**$ 0.25**		$ 0.17		$ 0.08	47.1 %
Diluted earnings per share	**$ 0.24**		$ 0.17		$ 0.07	41.2 %
Weighted average shares used in per share calculations:						
Basic shares	**52,083**		58,633		(6,550)	(11.2)%
Diluted shares	**53,486**		61,405		(7,919)	(12.9)%

NM - Not meaningful

NET SALES

The following table summarizes net sales by segment:

	Three months ended						
(dollars in thousands)	**November 2, 2024**		October 28, 2023		Change		
	Amount	**% of Segment Net Sales**	Amount	% of Segment Net Sales	Amount	%	Comparable Sales
Segment net sales:							
U.S. Retail	**$ 615,495**	**75.9 %**	$ 631,610	78.8 %	$ (16,115)	(2.6)%	(2.8) %
Canada Retail	**83,504**	**10.3**	75,610	9.5	7,894	10.4 %	(4.6) %
Brand Portfolio	**111,492**	**13.8**	94,057	11.7	17,435	18.5 %	(7.5) %
Total segment net sales	**810,491**	**100.0 %**	801,277	100.0 %	9,214	1.1 %	(3.1) %
Elimination of intersegment net sales	**(33,297)**		(14,948)		(18,349)	122.8 %	
Consolidated net sales	**$ 777,194**		$ 786,329		$ (9,135)	(1.2)%	

For the three months ended November 2, 2024 , net sales decreased in the U.S. Retail segment primarily driven by the decrease in comparable sales of $17.4 million. The decrease in comparable sales for the U.S. Retail segment was largely driven by a decrease in comparable transactions of approximately 4% due to lower traffic, partially offset by higher comparable average sales amounts per transaction of approximately 1%. Net sales increased in the Canada Retail segment primarily due to the addition of Rubino, with $8.1 million of net sales in the quarter, as well as $2.2 million from the net new stores opened since the end of the third quarter of 2023, partially offset by a decrease in comparable sales due to lower comparable average sales amounts per transaction. Unseasonably warm weather impacted boot sales during the fall season and contributed to the decrease in comparable sales in the Canada Retail segment. The increase in net sales for the Brand Portfolio segment was primarily due to a change in how we source certain Owned Brands for the U.S. Retail segment from a commission model, where sales were based on a percentage of product cost, to a wholesale model, where sales and cost of sales are recorded, which also resulted in the increase in intersegment net sales that are eliminated.

GROSS PROFIT

The following table summarizes gross profit by segment:

	Three months ended						
(dollars in thousands)	**November 2, 2024**		October 28, 2023		Change		
	Amount	**% of Segment Net Sales**	Amount	% of Segment Net Sales	Amount	%	Basis Points
Segment gross profit:							
U.S. Retail	**$ 187,790**	**30.5 %**	$ 200,268	31.7 %	$ (12,478)	(6.2)%	(120)
Canada Retail	**27,405**	**32.8 %**	26,606	35.2 %	799	3.0 %	(240)
Brand Portfolio	**31,313**	**28.1 %**	28,654	30.5 %	2,659	9.3 %	(240)
Total segment gross profit	**246,508**	**30.4 %**	255,528	31.9 %	(9,020)	(3.5)%	(150)
Net recognition of intersegment gross profit	**937**		878		59		
Consolidated gross profit	**$ 247,445**	**31.8 %**	$ 256,406	32.6 %	$ (8,961)	(3.5)%	(80)

The decrease in gross profit for the U.S. Retail segment was primarily driven by the decrease in net sales during the three months ended November 2, 2024 over the same period last year and at lower margin rates. Gross profit as a percentage of net sales decreased for the U.S. Retail segment, when compared to the same period last year, primarily due to a change in mix of products sold as we continued to expand our athletic and casual offerings, which have lower margins than the seasonal and dress categories. The increase in gross profit for the Canada Retail segment was primarily driven by the increase in net sales during the three months ended November 2, 2024 over the same period last year. Gross profit as a percentage of net sales decreased for the Canada Retail segment also due to a change in mix of products sold. The increase in gross profit for the Brand

Portfolio segment was primarily driven by the transition of certain Owned Brands sourced for the U.S. Retail segment under a wholesale model, as discussed above, partially offset by higher freight costs. Gross profit as a percentage of net sales decreased for the Brand Portfolio segment due to higher freight costs compared to the same period last year as we rerouted supply chain lanes in order to avoid potential disruptions, partially offset by the benefits from the transition of certain Owned Brands sourced for the U.S. Retail segment under a wholesale model and the leverage of higher sales on royalty expense for products that do not have a royalty obligation.

The net recognition of intersegment gross profit consisted of the following:

	Three months ended	
(in thousands)	**November 2, 2024**	October 28, 2023
Intersegment recognition and elimination activity:		
Elimination of net sales recognized by Brand Portfolio segment	**$ (33,297)**	$ (14,948)
Cost of sales:		
Elimination of cost of sales recognized by Brand Portfolio segment	**23,823**	9,857
Recognition of intersegment gross profit for inventory previously purchased that was subsequently sold to external customers during the current period	**10,411**	5,969
	$ 937	$ 878

OPERATING EXPENSES

For the three months ended November 2, 2024, operating expenses decreased by $20.3 million over the same period last year, driven by a decrease in marketing expense of $8.7 million and a decrease in incentive compensation of $9.1 million as we have reversed incentive compensation recognized in previous quarters based on the performance of the business relative to our targets. Operating expenses, as a percentage of net sales, decreased 230 basis points over the same period last year due to a larger decrease in operating expenses on lower sales.

IMPAIRMENT CHARGES

During the three months ended November 2, 2024, we recorded impairment charges of $17.8 million with $9.2 million due to a vacated leased corporate office, $1.0 million due to an underperforming Canada Retail segment store, $0.6 million due to an underperforming U.S. Retail segment store, and $7.0 million due to the write-off of our equity investment in Le Tigre due to the inability of Le Tigre to generate earnings with expected future losses.

INTEREST EXPENSE, NET

For the three months ended November 2, 2024, interest expense, net, increased by $2.8 million over the same period last year primarily driven by a higher average debt balance.

INCOME TAXES

For the three months ended November 2, 2024 and October 28, 2023, our effective tax rate was a negative 20.2% and a positive 46.8%, respectively. The negative effective tax rate for the three months ended November 2, 2024 is the result of the change from a positive tax rate through the six months ended August 3, 2024 to a negative rate through the nine months ended November 2, 2024. The positive effective tax rate for the three months ended October 28, 2023 was higher than statutory rates due to the impact of permanent non-deductible compensation partially offset by federal and state valuation allowance adjustments.

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NINE MONTHS OF 2024 COMPARED WITH NINE MONTHS OF 2023

(amounts in thousands, except per share amounts)	**Nine months ended**									
	November 2, 2024			October 28, 2023			Change			
		Amount	**% of Net Sales**		Amount	% of Net Sales		Amount	%	
Net sales	**$**	**2,295,690**	**100.0 %**	$	2,320,628	100.0 %	$	(24,938)	(1.1)%	
Cost of sales		**(1,550,262)**	**(67.5)**		(1,553,096)	(66.9)		2,834	(0.2)%	
Gross profit		**745,428**	**32.5**		767,532	33.1		(22,104)	(2.9)%	
Operating expenses		**(675,904)**	**(29.5)**		(665,437)	(28.7)		(10,467)	1.6 %	
Income from equity investments		**9,019**	**0.4**		6,972	0.3		2,047	29.4 %	
Impairment charges		**(17,756)**	**(0.8)**		(649)	—		(17,107)	NM	
Operating profit		**60,787**	**2.6**		108,418	4.7		(47,631)	(43.9)%	
Interest expense, net		**(34,161)**	**(1.5)**		(22,296)	(1.0)		(11,865)	53.2 %	
Non-operating income (expenses), net		**(512)**	**—**		83	—		(595)	NM	
Income before income taxes		**26,114**	**1.1**		86,205	3.7		(60,091)	(69.7)%	
Income tax benefit (provision)		**2,067**	**0.1**		(27,372)	(1.2)		29,439	NM	
Net income		**28,181**	**1.2**		58,833	2.5		(30,652)	(52.1)%	
Net income attributable to redeemable noncontrolling interest		**(562)**	**—**		(73)	—		(489)	669.9 %	
Net income attributable to Designer Brands Inc.	**$**	**27,619**	**1.2 %**	$	58,760	2.5 %	$	(31,141)	(53.0)%	
Earnings per share attributable to Designer Brands Inc.:										
Basic earnings per share	**$**	**0.50**		$	0.93		$	(0.43)	(46.2)%	
Diluted earnings per share	**$**	**0.48**		$	0.90		$	(0.42)	(46.7)%	
Weighted average shares used in per share calculations:										
Basic shares		**55,570**			62,860			(7,290)	(11.6)%	
Diluted shares		**57,116**			65,292			(8,176)	(12.5)%	

NM - Not meaningful

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NET SALES

The following table summarizes net sales by segment:

(dollars in thousands)	Nine months ended November 2, 2024 Amount	November 2, 2024 % of Segment Net Sales	October 28, 2023 Amount	October 28, 2023 % of Segment Net Sales	Change Amount	Change %	Change Comparable Sales
Segment net sales:							
U.S. Retail	**$ 1,878,556**	**78.1 %**	$ 1,903,038	80.2 %	$ (24,482)	(1.3)%	(2.1) %
Canada Retail	**213,813**	**8.9**	199,831	8.4	13,982	7.0 %	(4.2) %
Brand Portfolio	**311,615**	**13.0**	271,257	11.4	40,358	14.9 %	(5.8) %
Total segment net sales	**2,403,984**	**100.0 %**	2,374,126	100.0 %	29,858	1.3 %	(2.3) %
Elimination of intersegment net sales	**(108,294)**		(53,498)		(54,796)	102.4 %	
Consolidated net sales	**$ 2,295,690**		$ 2,320,628		$ (24,938)	(1.1)%	

For the nine months ended November 2, 2024, net sales decreased in the U.S. Retail segment primarily driven by the decrease in comparable sales of $38.9 million, partially offset by the added net sales due to the calendar shift in 2024 as a result of 2023 containing an additional week. The decrease in comparable sales for the U.S. Retail segment was driven by a decrease in comparable average sales amounts per transaction of 1% due to lower units per transaction with the remaining decrease due to lower traffic. Net sales increased in the Canada Retail segment due to the addition of Rubino, with $15.6 million of net sales during the period, as well as $5.6 million from the net new stores opened since the end of the third quarter of 2023, partially offset by the decrease in comparable sales due to lower comparable transactions and average sales amounts per transaction. The increase in net sales for the Brand Portfolio segment was primarily due to a change in how we source certain Owned Brands for the U.S. Retail segment from a commission model, where sales are based on a percentage of product cost, to a wholesale model, where sales and cost of sales are recorded, which also resulted in the increase in intersegment net sales that are eliminated. This increase in the Brand Portfolio segment was partially offset by lower sales to external customers as retail customers pulled back on orders during 2024.

GROSS PROFIT

The following table summarizes gross profit by segment:

(dollars in thousands)	Nine months ended November 2, 2024 Amount	November 2, 2024 % of Segment Net Sales	October 28, 2023 Amount	October 28, 2023 % of Segment Net Sales	Change Amount	Change %	Change Basis Points
Segment gross profit:							
U.S. Retail	**$ 592,306**	**31.5 %**	$ 622,850	32.7 %	$ (30,544)	(4.9)%	(120)
Canada Retail	**70,097**	**32.8 %**	67,591	33.8 %	2,506	3.7 %	(100)
Brand Portfolio	**91,425**	**29.3 %**	75,037	27.7 %	16,388	21.8 %	160
Total segment gross profit	**753,828**	**31.4 %**	765,478	32.2 %	(11,650)	(1.5)%	(80)
Net recognition (elimination) of intersegment gross profit	**(8,400)**		2,054		(10,454)		
Consolidated gross profit	**$ 745,428**	**32.5 %**	$ 767,532	33.1 %	$ (22,104)	(2.9)%	(60)

The decrease in gross profit for the U.S. Retail segment was primarily driven by the decrease in net sales during the nine months ended November 2, 2024 over the same period last year and at lower margin rates. Gross profit as a percentage of net sales decreased for the U.S. Retail segment when compared to the same period last year primarily due to a change in mix of products sold as we expanded our athletic and casual offerings, which have lower margins than the seasonal and dress categories. The increase in gross profit for the Canada Retail segment was primarily driven by the increase in net sales during the nine months ended November 2, 2024 over the same period last year. Gross profit as a percentage of net sales decreased for the Canada Retail segment also due to a change in mix of products sold. The increase in gross profit for the Brand Portfolio segment was primarily driven by the transition of certain Owned Brands sourced for the U.S. Retail segment under a wholesale model, as discussed above, which also resulted in the net elimination of intersegment gross profit during 2024 as compared to the net recognition of intersegment gross profit for the same period last year (refer to the table below). Gross profit as a percentage of net sales increased for the Brand Portfolio segment primarily due to the transition of certain Owned Brands sourced for the U.S. Retail segment under a wholesale model, partially offset by higher freight costs in the third quarter of 2024 as we rerouted supply chain lanes in order to avoid potential disruptions.

The net recognition (elimination) of intersegment gross profit consisted of the following:

	Nine months ended	
(in thousands)	**November 2, 2024**	October 28, 2023
Intersegment recognition and elimination activity:		
Elimination of net sales recognized by Brand Portfolio segment	**$ (108,294)**	$ (53,498)
Cost of sales:		
Elimination of cost of sales recognized by Brand Portfolio segment	**76,090**	38,134
Recognition of intersegment gross profit for inventory previously purchased that was subsequently sold to external customers during the current period	**23,804**	17,418
	$ (8,400)	$ 2,054

OPERATING EXPENSES

For the nine months ended November 2, 2024, operating expenses increased by $10.5 million over the same period last year, due to the addition of Rubino, with $3.9 million of operating expenses during the period, and the remaining increase primarily due to restructuring and integration costs and professional fees related to certain strategic initiative work. Operating expenses, as a percentage of net sales, increased 80 basis points over the same period last year due to an increase in operating expenses on lower sales.

IMPAIRMENT CHARGES

During the nine months ended November 2, 2024, we recorded impairment charges of $17.8 million with $9.2 million due to a vacated leased corporate office, $1.0 million due to an underperforming Canada Retail segment store, $0.6 million due to an underperforming U.S. Retail segment store, and $7.0 million due to the write-off of our equity investment in Le Tigre due to the inability of Le Tigre to generate earnings with expected future losses. During the nine months ended October 28, 2023, we recorded impairment charges of $0.6 million, primarily related to weather damage to a corporate office.

INTEREST EXPENSE, NET

For the nine months ended November 2, 2024, interest expense, net, increased by $11.9 million over the same period last year primarily driven by a higher average debt balance.

INCOME TAXES

For the nine months ended November 2, 2024 and October 28, 2023, our effective tax rate was a negative 7.9% and a positive 31.8%, respectively. The negative effective tax rate for the nine months ended November 2, 2024 was due to discrete tax benefits recognized, primarily related to the release of tax reserves no longer deemed necessary and state tax planning initiatives, which partially offset the tax calculated on income before income taxes at statutory rates. The positive effective tax rate for the nine months ended October 28, 2023 was higher than statutory rates due to the impact of permanent non-deductible compensation partially offset by federal and state valuation allowance adjustments.

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

Our primary ongoing operating cash flow requirements are for inventory purchases, payments on lease obligations and licensing royalty commitments, other working capital needs, capital expenditures, and debt service. Our working capital and inventory levels fluctuate seasonally. On April 8, 2024, we acquired Rubino for $16.1 million in cash, funded with available cash and borrowings on the ABL Revolver. During the nine months ended November 2, 2024, we repurchased 10.3 million Class A common shares at an aggregate cost of $68.6 million. As of November 2, 2024, $19.7 million of Class A common shares remained available for repurchase under the share repurchase program.

We are committed to a cash management strategy that maintains liquidity to adequately support the operation of the business, pursue our growth strategy, and withstand unanticipated business volatility, including the impacts of the global economic conditions on our results of operations. We believe that cash generated from our operations, together with our current levels of cash, as well as the availability under our ABL Revolver, are sufficient to maintain our ongoing operations, support seasonal working capital requirements, fund acquisitions and capital expenditures, repurchase common shares under our share repurchase program, and meet our debt service obligations over the next 12 months and beyond.

The following table presents the key categories of our condensed consolidated statements of cash flows:

	Nine months ended		
(in thousands)	**November 2, 2024**	October 28, 2023	Change
Net cash provided by operating activities	**$ 12,137**	$ 202,521	$ (190,384)
Net cash used in investing activities	**(50,692)**	(169,811)	119,119
Net cash provided by (used in) financing activities	**26,155**	(36,098)	62,253
Effect of exchange rate changes on cash balances	**(546)**	(740)	194
Net decrease in cash and cash equivalents	**$ (12,946)**	$ (4,128)	$ (8,818)

OPERATING CASH FLOWS

The decrease in net cash provided by operations was largely driven by higher spend on working capital as we increased our investment in inventories and the decrease in net income recognized after adjusting for non-cash activity, including depreciation and amortization, stock-based compensation activity, and impairment charges, partially offset by the receipt of income tax refunds of over $40.0 million and no incentive compensation for 2023 being paid in the first quarter of 2024 whereas we did pay incentive compensation for 2022 in the first quarter of 2023. Other changes in working capital were the result of timing of payments with the calendar shift.

INVESTING CASH FLOWS

For the nine months ended November 2, 2024, net cash used in investing activities was primarily due to capital expenditures of $38.9 million relating to infrastructure and IT projects and new stores, including relocations, and the acquisition of the Rubino business for $16.1 million. For the nine months ended October 28, 2023, net cash used in investing activities was primarily due to the acquisition of Keds for $127.3 million and capital expenditures of $42.3 million relating to infrastructure and IT projects, new stores, and store improvements.

FINANCING CASH FLOWS

For the nine months ended November 2, 2024, net cash provided by financing activities was primarily due to the net receipts of $113.0 million from our ABL Revolver, partially offset by the repurchase of 10.3 million Class A common shares at an aggregate cost of $68.6 million, and payments of $8.1 million for dividends and $4.3 million for taxes for stock-based compensation shares withheld. For the nine months ended October 28, 2023, net cash used in financing activities was primarily due to the repurchase of 9.7 million Class A common shares at an aggregate cost of $102.1 million, payments of $15.7 million for taxes for stock-based compensation shares withheld, and payments of dividends of $9.3 million, partially offset by proceeds from the issuance of the Term Loan of $50.0 million and net receipts of $49.5 million from our ABL Revolver.

DEBT

ABL Revolver- The ABL Revolver provides a revolving line of credit of up to $600.0 million, including a Canadian sub-limit of up to $60.0 million, a $75.0 million sub-limit for the issuance of letters of credit, a $60.0 million sub-limit for swing-loan advances for U.S. borrowings, and a $6.0 million sub-limit for swing-loan advances for Canadian borrowings. In addition, the ABL Revolver includes a FILO Term Loan of up to $30.0 million. The FILO Term Loan may be repaid in full, but not in part, so long as certain payment conditions are satisfied. Once repaid, no portion of the FILO Term Loan may be reborrowed. The ABL Revolver, which matures in 2027, may be used to provide funds for working capital, capital expenditures, share repurchases, other expenditures, and permitted acquisitions as defined by the credit facility agreement. The amount of credit available is limited to a borrowing base formulated on, among other things, a percentage of the book value of eligible inventory and credit card receivables, as reduced by certain reserves. As of November 2, 2024, the revolving line of credit (excluding the FILO Term Loan) had a borrowing base of $506.8 million, with $384.1 million in outstanding borrowings and $4.4 million in letters of credit issued, resulting in $118.3 million available for borrowings.

Term Loan- On June 23, 2023, we entered into a Term Loan and have since borrowed the maximum aggregate of $135.0 million. The Term Loan matures at the earliest of the date the ABL Revolver matures (currently March 2027) or five years from closing of the Term Loan (June 2028).

Debt Covenants- The ABL Revolver required us to maintain a fixed charge coverage ratio covenant of not less than 1:1 when availability is less than the greater of $47.3 million or 10.0% of the maximum borrowing amount. At any time that liquidity is less than $100.0 million, the Term Loan requires a maximum consolidated net leverage ratio as of the last day of each fiscal month, calculated on a trailing twelve-month basis, of (1) 2.25 to 1.00 for any trailing twelve-month period through February 3, 2024, and (2) 2.50 to 1.00 thereafter. Testing of the consolidated net leverage ratio ends after liquidity has been greater than or equal to $100.0 million for a period of 45 consecutive days. The ABL Revolver and the Term Loan also contain customary covenants restricting certain activities, including limitations on our ability to sell assets, engage in acquisitions, enter into transactions involving related parties, incur additional debt, grant liens on assets, pay dividends or repurchase stock, and make certain other changes. There are specific exceptions to these covenants including, in some cases, upon satisfying specified payment conditions based on availability. As of November 2, 2024, we were in compliance with all financial covenants contained in the ABL Revolver and the Term Loan.

Refer to Note 10, *Debt*, of the condensed consolidated financial statements of this Form 10-Q for further information about our debt arrangements.

PLANS FOR CAPITALIZED COSTS

During 2024, we expect to spend approximately $60.0 million to $65.0 million that will be capitalized for property and equipment and implementation costs for cloud computing arrangements accounted for as service contracts, $46.5 million of which was spent during the nine months ended November 2, 2024. Our future investments will depend primarily on the number of stores we open and remodel, infrastructure and IT projects that we undertake, and the timing of these expenditures.

RECENT ACCOUNTING PRONOUNCEMENTS

The information related to recent accounting pronouncements as set forth in Note 1, *Description of Business and Significant Accounting Policies - Recently Issued Accounting Pronouncements*, of the condensed consolidated financial statements included in this Form 10-Q is incorporated herein by reference.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of commitments and contingencies at the date of the condensed consolidated financial statements and reported amounts of revenue and expenses during the reporting period. We base these estimates and judgments on factors we believe to be relevant, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The process of determining significant estimates is fact-specific and takes into account factors such as historical experience, current and expected economic conditions, product mix, and in some cases, actuarial and valuation techniques. We constantly re-evaluate these significant factors and make adjustments where facts and circumstances dictate. While we believe that the factors considered provide a meaningful basis for the accounting policies applied in the preparation of the condensed consolidated financial statements, we cannot guarantee that our estimates and assumptions will be accurate. As the determination of these estimates requires the exercise of judgment, actual results may differ from those estimates, and such differences may be material to our condensed consolidated financial statements. There have been no material changes to the application of critical accounting policies and estimates disclosed in our 2023 Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have market risk exposure related to interest rates and foreign currency exchange rates. There have been no material changes in our primary risk exposures or management of market risks from those disclosed in our 2023 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded, as of the end of the period covered by this Form 10-Q, that such disclosure controls and procedures were effective.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

No change was made in our internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d -15(e), during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

:GAL PROCEEDINGS

The information set forth in Note 11, *Commitments and Contingencies - Legal Proceedings* , of the condensed consolidated financial statements of this Form 10-Q is incorporated herein by reference.

ITEM 1A. RISK FACTORS

As of the date of this filing, there have been no material changes to the risk factors as set forth in Part I, Item 1A., *Risk Factors*, in our 2023 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

SHARE REPURCHASE PROGRAM

On August 17, 2017, the Board authorized the repurchase of an additional $500.0 million of Class A common shares under our share repurchase program, which was added to the $33.5 million remaining from the previous authorization. The share repurchase program may be suspended, modified, or discontinued at any time, and we have no obligation to repurchase any amount of our Class A common shares under the program. Under this share repurchase program, shares will be repurchased in the open market at times and in amounts considered appropriate based on price and market conditions.

The following table sets forth the Class A common shares repurchased during the three months ended November 2, 2024:

(in thousands, except per share amounts)	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs
August 4, 2024 to August 31, 2024	**3**	**$ 7.41**	**—**	**$ 69,708**
September 1, 2024 to October 5, 2024	**7,685**	**$ 6.51**	**7,677**	**$ 19,709**
October 6, 2024 to November 2, 2024	**14**	**$ 6.12**	**—**	**$ 19,709**
	7,702	**$ 6.51**	**7,677**	

(1) The total number of shares repurchased represents shares repurchased as part of publicly announced programs and 24,721 shares withheld in connection with tax payments due upon vesting of stock-based compensation awards.

DIVIDENDS

The payment of any future dividends is at the discretion of our Board and is based on our future earnings, cash flow, financial condition, capital requirements, changes in taxation laws, general economic condition and any other relevant factors. It is anticipated that dividends will be declared on a quarterly basis.

On November 21, 2024, the Board declared a quarterly cash dividend payment of $0.05 per share for both Class A and Class B common shares. The dividend will be paid on December 20, 2024 to shareholders of record at the close of business on December 6, 2024.

RESTRICTIONS

The ABL Revolver and the Term Loan contain customary covenants restricting our activities, including limitations on the ability to pay dividends or repurchase stock. There are specific exceptions to these covenants including, in some cases, upon satisfying specified payment conditions based on availability.

EFAULTS UPON SENIOR SECURITIES

None.

NE SAFETY DISCLOSURES

Not applicable.

THER INFORMATION

RULE 10B5-1 TRADING PLANS

During the three months ended November 2, 2024, none of our directors or executive officers adopted or terminated any contract, instruction, or written plan for the purchase or sale of the Company’s securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" (as defined in Item 408(c) of Regulation S-K).

(HIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Date of Filing	Exhibit Number
31.1*	Rule 13a-14(a)/15d-14(a) Certification - Principal Executive Officer.	-	-	-	-
31.2*	Rule 13a-14(a)/15d-14(a) Certification - Principal Financial Officer.	-	-	-	-
32.1**	Section 1350 Certification - Principal Executive Officer.	-	-	-	-
32.2**	Section 1350 Certification - Principal Financial Officer.	-	-	-	-
101*	The following materials from the Designer Brands Inc. Quarterly Report on Form 10-Q for the quarter ended November 2, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations; (ii) Condensed Consolidated Statements of Comprehensive Income; (iii) Condensed Consolidated Balance Sheets; (iv) Condensed Consolidated Statements of Shareholders' Equity; (v) Condensed Consolidated Statements of Cash Flows; and (vi) Notes to the Condensed Consolidated Financial Statements.	-	-	-	-
104*	Cover Page Interactive Data File, formatted in iXBRL and contained in Exhibit 101.	-	-	-	-

* Filed herewith

** Furnished herewith

\# Management contract or compensatory plan or arrangement

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DESIGNER BRANDS INC.

Date:	December 10, 2024	By:	/s/ Jared A. Poff
			Jared A. Poff
			Executive Vice President, Chief Financial Officer and Chief Administrative Officer
			(Principal Financial Officer and duly authorized officer)

EXHIBIT 31.1

CERTIFICATIONS

I, Douglas M. Howe, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Designer Brands Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 10, 2024

By: /s/ Douglas M. Howe
Douglas M. Howe
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, Jared A. Poff, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Designer Brands Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 10, 2024	By:	/s/ Jared A. Poff
		Jared A. Poff
		Executive Vice President, Chief Financial Officer and Chief Administrative Officer
		(Principal Financial Officer)

EXHIBIT 32.1

SECTION 1350 CERTIFICATION*

In connection with the Quarterly Report of Designer Brands Inc. (the "Company") on Form 10-Q for the fiscal quarter ended November 2, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas M. Howe, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

December 10, 2024

By: /s/ Douglas M. Howe
Douglas M. Howe
Chief Executive Officer
(Principal Executive Officer)

* This Certification is being furnished as required by Rule 13a-14(b) under the Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. This Certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

A signed original of this written statement required by 18 U.S.C. § 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

SECTION 1350 CERTIFICATION*

In connection with the Quarterly Report of Designer Brands Inc. (the "Company") on Form 10-Q for the fiscal quarter ended November 2, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jared A. Poff, Executive Vice President, Chief Financial Officer and Chief Administrative Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

December 10, 2024

By: /s/ Jared A. Poff

Jared A. Poff

Executive Vice President, Chief Financial Officer and Chief Administrative Officer

(Principal Financial Officer)

* This Certification is being furnished as required by Rule 13a-14(b) under the Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. This Certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

A signed original of this written statement required by 18.U.S.C § 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.