



FLASH REPORT

DSW (DSW) 2Q17 Results: Beats on EPS and Revenue, Maintains Guidance
DESIGNER SHOE WAREHOUSE®

Figure 1. DSW 2Q17 Key Metrics

	2Q17	2Q16	YoY Change
Revenues (USD Mil.)	\$680.4	\$658.9	3.3%
Gross Margin	28.9%	28.4%	60 bps
SG&A/Sales	21.9%	22.0%	(11) bps
Operating Margin	6.9%	6.0%	86 bps
Adjusted EPS	\$0.38	\$0.35	8.6%

Source: Company reports/FGRT

- **DSW reported 2Q17 adjusted EPS of \$0.38, ahead of the \$0.29 consensus estimate and up 8.6% from the year-ago period. Total revenues were \$680.4 million, up 3.3% year over year and beating the \$666.1 million consensus estimate.**
- **Comparable-store sales were up 0.6%, which was better than the 2.2% decline analysts had expected and the 1.2% decline recorded in the year-ago quarter. DSW segment comp sales were up 0.6%; the increase was partially offset by a 0.1% decline by the Affiliated Business Group (ABG) segment.**
- **The company did not update its prior EPS guidance of \$1.45–\$1.55 for FY17. The consensus calls for EPS of \$1.44. FY17 guidance calls for revenue growth of 3.0%–4.0% and for comp growth to be flat year over year.**

2Q17 Results

Discount shoe retailer DSW reported 2Q17 adjusted EPS of \$0.38, ahead of the \$0.29 consensus estimate and up 8.6% from the year-ago period. Total revenues were \$680.4 million, up 3.3% year over year and above the \$666.1 million consensus estimate.

Comparable-store sales were up 0.6%, which was better than the 2.2% decline analysts had expected and the 1.2% decline recorded in the year-ago quarter. This was the first positive same-store sales number the company has seen since 2015. Comps benefited from an increase in sales of regular-priced items and strong performance by athleisure categories.

Performance by Segment

DSW segment comp sales were up 1.0%, led by strong performance by the women’s business and athleisure categories, including both performance and fashion athletic lines. DSW revenues increased by 4%, to \$628.4 million, driven by digital growth due to improved conversion and increased mobile traffic.

The DSW segment’s gross margin increased by 120 basis points due to improved sourcing, less clearance and lower markdowns, which more than offset higher shipping costs and marketing promotions.

Comps for the ABG division declined by 0.1% compared with the year-ago period, an improvement from the first quarter’s 2% decline. Revenues declined by 11.6%, to \$31.3 million, due to the closure of 30 Gordmans stores at the start of the second quarter.



FLASH REPORT

Outlook

The company did not update its prior EPS guidance of \$1.45–\$1.55 for FY17. The consensus calls for EPS of \$1.44. FY17 guidance calls for revenue growth of 3.0%–4.0% and for comp growth to be flat year over year.

Management noted that consolidation in the retail industry means that DSW has an opportunity to acquire market share moving forward and that the company is gearing up to unveil several new initiatives that are expected to boost brand loyalty.



FLASH REPORT

Deborah Weinswig, CPA

Managing Director
FGRT

New York: 917.655.6790

Hong Kong: 852.6119.1779

China: 86.186.1420.3016

deborahweinswig@fung1937.com

Steven Winnick

Research Associate

Hong Kong:

2nd Floor, Hong Kong Spinners Industrial Building Phase 1&2

800 Cheung Sha Wan Road, Kowloon

Hong Kong

Tel: 852 2300 4406

London:

242–246 Marylebone Road

London, NW1 6JQ

United Kingdom

Tel: 44 (0)20 7616 8988

New York:

1359 Broadway, 18th Floor

New York, NY 10018

Tel: 646 839 7017

FungGlobalRetailTech.com