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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended February 2, 2019

or

o **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**

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

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

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☑ Yes o No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes ☑ No

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 o 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 o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 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	o
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

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. o

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

The aggregate market value of voting stock held by non-affiliates of the registrant computed by reference to the price at which such voting stock was last sold, as of August 4, 2018, was $1,905,022,792.

Number of shares outstanding of each of the registrant's classes of common stock, as of March 19, 2019: 70,699,624 Class A common shares and 7,732,786 Class B common shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to the 2019 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

DESIGNER BRANDS INC.
TABLE OF CONTENTS

On March 19, 2019, DSW Inc. changed its name to Designer Brands Inc. All references to "we," "us," "our," "Designer Brands Inc.," or the "Company" in this Annual Report on Form 10-K mean Designer Brands Inc. and its subsidiaries. References to "DSW" refer to the DSW Designer Shoe Warehouse banner unless otherwise stated.

We own many trademarks and service marks. This Annual Report on Form 10-K may contain trademarks, trade dress, and tradenames of other companies. Use or display of other parties' trademarks, trade dress or tradenames is not intended to and does not imply a relationship with the trademark, trade dress or tradename owner.

DESIGNER BRANDS INC.
TABLE OF CONTENTS TO FINANCIAL STATEMENTS

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 Annual Report on Form 10-K may constitute forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, which reflect our current views with respect to, among other things, future events and financial performance. Examples of such forward-looking statements include references to our future expansion and our acquisitions. You can identify these forward-looking statements by the use of forward-looking words such as "outlook," "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 Annual Report on Form 10-K are based upon current plans, estimates, expectations and assumptions relating to our operations, results of operations, financial condition, growth strategy and liquidity. The inclusion of this forward-looking information 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*, some important factors that could cause actual results, performance or achievements to differ materially from those discussed in forward-looking statements include, but are not limited to, the following:

- our success in growing our store base and digital demand;
- risks related to our acquisitions of Camuto Group and TSL, including the possibility that the anticipated benefits of the acquisitions are not realized when expected or at all;
- our ability to protect our reputation and to maintain the brands we license;
- maintaining strong relationships with our vendors, manufacturers and wholesale customers;
- our ability to anticipate and respond to fashion trends, consumer preferences and changing customer expectations;
- risks related to the loss or disruption of our distribution and/or fulfillment operations;
- continuation of agreements with and our reliance on the financial condition of Stein Mart;
- our ability to execute our strategies;
- fluctuation of our comparable sales and quarterly financial performance;
- risks related to the loss or disruption of our information systems and data;
- our ability to prevent or mitigate breaches of our information security and the compromise of sensitive and confidential data;
- failure to retain our key executives or attract qualified new personnel;
- our reliance on our loyalty programs and marketing to drive traffic, sales and customer loyalty;
- risks related to leases of our properties;
- our competitiveness with respect to style, price, brand availability and customer service;
- our reliance on foreign sources for merchandise and risks inherent to international trade, including escalating trade tensions between the U.S. and other countries, as well as U.S. laws affecting the importation of goods, such as recent tariffs imposed on Chinese goods imported to the U.S.;
- uncertainty related to future legislation, regulatory reform, policy changes, or interpretive guidance on existing legislation, including the impact of the Tax Cuts and Jobs Act;
- uncertain general economic conditions;
- risks related to holdings of cash and investments and access to liquidity; and
- fluctuations in foreign currency exchange rates.

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. BUSINESS

Overview

On March 19, 2019, DSW Inc. changed its name to Designer Brands Inc. References to "DSW" refer to the DSW Designer Shoe Warehouse banner unless otherwise stated. The Company was incorporated in the state of Ohio in 1969, and we opened our first DSW store in Dublin, Ohio in 1991. As a result of our recent acquisitions, discussed below, we have transformed our business with global product development capabilities combined with a vast distribution network. We are now a leading North American footwear and accessories designer, producer and retailer. We operate a portfolio of retail stores in over 650 locations in North America along with related e-commerce sites.

On May 10, 2018, we acquired the remaining interest in Town Shoes Limited ("TSL") that we did not previously own. TSL is a retailer of branded footwear in Canada, primarily under The Shoe Company, Shoe Warehouse, and DSW Designer Shoe Warehouse banners, as well as related e-commerce sites. Subsequent to the acquisition, and as a result of our strategic review, we exited TSL's Town Shoes banner during fiscal 2018.

On November 5, 2018, we completed the acquisition of Camuto LLC, dba Camuto Group ("Camuto Group"), a footwear design and brand development organization, from Camuto Group LLC (the "Sellers"). The Camuto Group acquisition provides us a global production, sourcing and design infrastructure, including operations in Brazil and China, a new state-of-the-art distribution center in New Jersey, footwear licenses of brands, including Jessica Simpson and Lucky Brand, and branded e-commerce sites. Camuto Group earns revenue from the sale of wholesale products to retailers, commissions for serving retailers as the design and buying agent for products under private labels ("First Cost"), and the sale of branded products on direct-to-consumer e-commerce sites.

Additionally, in partnership with Authentic Brands Group LLC, a global brand management and marketing company, we formed ABG-Camuto, LLC ("ABG-Camuto"), a joint venture in which we have a 40% interest. This joint venture acquired several intellectual property rights from the Sellers, including Vince Camuto, Louise et Cie, Sole Society, CC Corso Como, Enzo Angiolini and others, and focuses on licensing and developing new category extensions to support the global growth of these brands. We have entered into a licensing agreement with ABG-Camuto whereby we pay royalties on our net sales from the brands owned by ABG-Camuto.

Our Affiliated Business Group ("ABG") partners with other retailers to help build and optimize their in-store and online footwear businesses by leveraging our sourcing network to produce a merchandise assortment that meets their needs. ABG currently provides services to over 280 Stein Mart stores, Steinmart.com, and a Frugal Fannie's store through ongoing supply arrangements.

On March 4, 2016, we acquired Ebuys, Inc. ("Ebuys"), an off-price footwear and accessories retailer operating in digital marketplaces. Due to recurring operating losses incurred by Ebuys since its acquisition, as well as increased competitive pressures in the digital marketplace, we decided to exit the business and ended all operations in the first quarter of fiscal 2018. Our brief ownership has given us insight into online marketplaces, which will inform future potential decisions around accelerating our digital business and competing with traditional retail and direct-to-consumer models.

As a result of these acquisitions, we now present three reportable segments: the U.S. Retail segment, the Canada Retail segment, and the Brand Portfolio segment. The U.S. Retail segment, which was previously presented as the DSW segment, includes stores operated in the U.S. under the DSW Designer Shoe Warehouse banner and its related e-commerce site. The Canada Retail segment, which is the result of the TSL acquisition, includes stores operated in Canada under The Shoe Company, Shoe Warehouse, and DSW Designer Shoe Warehouse banners and related e-commerce sites. Together, the U.S. Retail and Canada Retail segments are referred to as the "retail segments." The Brand Portfolio segment, which is the result of the Camuto Group acquisition, includes sales from wholesale, First Cost, and direct-to-consumer e-commerce sites. Our other operating segments, ABG and Ebuys, are below the quantitative and qualitative thresholds for reportable segments and are aggregated into Other for segment reporting purposes.

Our fiscal year ends on the Saturday nearest to January 31. References to a fiscal year 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, but occasionally will contain an additional week resulting in a 53-week fiscal year. The periods presented in these financial statements and selected financial data each consisted of 52 weeks, except for fiscal 2017 which consisted of 53 weeks.

Competition

The footwear market is highly competitive with few barriers to entry. We compete against a diverse group of manufacturers and retailers, both small and large, including department stores, mall-based shoe stores, national chains, independent shoe retailers, single-brand specialty retailers, online shoe retailers, brand-oriented discounters, multi-channel specialty retailers and brand suppliers. In addition, our wholesale retailer customers sell shoes purchased from competing footwear suppliers with owned and licensed brands that are well-known. Many of these suppliers invest significantly in marketing their brands. In our retail segments, many of our competitors generally offer a more limited assortment at higher initial prices in a less convenient format than us and without the benefits of our customer loyalty programs. In addition, we believe we successfully compete against retailers who have attempted to duplicate our format because they typically offer assortments with fewer recognizable brands and more styles from prior seasons, unlike our current on-trend merchandise. We believe our stores provide a competitive advantage that drives growth through customer engagement by using self-service fixtures, stimulating digital sales, and providing a convenient location for customers to pick up and return products ordered online, as well as serving as geographically appropriate shipment centers for our digitally demanded products. In our Brand Portfolio segment, we compete primarily based on providing fashion-forward styles at high quality standards along with strong customer relationships.

Retail Segments

The following table presents the number of stores we operated as of February 2, 2019 by segment and by banner:

	Stores
U.S. Retail segment - DSW Designer Shoe Warehouse	516
Canada Retail segment:	
The Shoe Company / Shoe Warehouse	112
DSW Designer Shoe Warehouse	27
	139
Total	655

Our growth strategy is to strengthen our position as a leading footwear and accessories retailer by expanding into new markets with the appropriate banners and store format, extending our customer reach through new categories and services, and creating a differentiated customer experience and strong value proposition. We also plan to continue utilizing our financial strength to invest in key initiatives that will strengthen our strategic position and extend our growth runway for years to come. We plan to expand the chain in North America by approximately three to eight stores, net of closures, in fiscal 2019. With our stores playing a key role in supporting our strong online demand growth and increasing fulfillment of that demand, we are regularly evaluating our real estate strategy to optimize how we can best serve the customers' shopping preferences. Our evaluation of potential new stores integrates information on demographics, co-tenancy, retail traffic patterns, site visibility and accessibility, store size and configuration, and lease terms. Our real estate decision-making entails an analysis of underlying demand for our products through both physical and digital channels. Our analysis also considers current penetration levels in markets we serve and our ability to deepen our market share and acquire new customers.

Banners

Our DSW banner stores, both in the U.S. and in Canada, are the destination for on-trend and fashion-forward footwear and accessory brands at a great value every single day. DSW stores tend to serve larger markets and average approximately 20,400 square feet. We offer a wide assortment of brand name dress, casual and athletic footwear and accessories for women, men and kids in stores and on e-commerce platforms.

The Shoe Company and Shoe Warehouse banner stores located in Canada offer on-trend footwear and accessory brands that target every-day family styles at a great value every single day. The Shoe Company stores average approximately 6,300 square feet and Shoe Warehouse stores average approximately 3,800 square feet, with both being able to serve mid- to smaller markets. We offer a select assortment of brand name dress, casual and athletic footwear and accessories for women, men and kids in stores and on e-commerce platforms, with a significant number of our products geared towards athletic and kids.

Our strong retail market position with all of our banners is driven by our competitive strengths in assortment, convenience, and value as described in more detail below.

Assortment

Our goal is to excite our customers with a competitive, compelling assortment of shoes and complementary accessories that fulfill a broad range of style and fashion preferences. We sell a large assortment of brand name, designer and private brand merchandise. We purchase directly from over 580 domestic and foreign vendors, primarily in-season footwear that can be found in specialty and department stores. We offer a broad assortment of handbags, hosiery, jewelry and other accessories that appeal to our brand and fashion conscious customers.

Our vendors include suppliers who manufacture their own merchandise, or supply merchandise manufactured by others, or both. Most of our domestic vendors import a large portion of their merchandise from abroad. We have quality control programs under which our buyers are involved in establishing standards for quality and fit, and we examine incoming merchandise in regards to color, material and overall quality. As our sales volume grows, we believe there will continue to be adequate sources available to acquire a sufficient supply of quality merchandise in a timely manner and on satisfactory economic terms. Our top three vendors in the aggregate supply approximately 20% of our retail merchandise.

Our merchandising group continuously monitors current fashion trends, as well as historical sales trends, to identify popular styles and styles that may become popular in the upcoming season. We track performance and sales trends on a weekly basis and have a flexible buying process that allows us to reorder successful styles and cancel under-performing styles throughout each season. To keep our product mix fresh and on target, we test new fashions and actively monitor sell-through rates. We also identify new vendor and product category opportunities.

We separate our merchandise into three primary categories: women’s footwear, men’s footwear, and accessories and other (which includes kids’ footwear). The following table presents the percentages of the retail segments' total net sales attributable to each merchandise category for fiscal 2018:

	Percent of Total Net Sales
Women's footwear	67%
Men's footwear	21%
Accessories and other	12%

Convenience

We provide our customers with the highest level of convenience based on our belief that customers should be empowered to control and personalize their shopping experiences.

In stores, our merchandise is displayed on the selling floor with self-service fixtures to enable customers to view and touch the merchandise. We believe this shopping experience provides our customers with maximum convenience as they are able to browse and try on merchandise without feeling rushed or pressured to make a purchasing decision. Merchandise is organized in a logical manner that groups together similar styles by gender, such as dress, casual, athletic and seasonal merchandise, for easy browsing.

Our omni-channel capabilities create an endless aisle for the customer. Customers can order additional styles, sizes, widths and categories. Online orders in the U.S. and Canada can be fulfilled from any one of our stores. Orders from the U.S. can also be fulfilled from our fulfillment center or directly from our suppliers (referred to as "drop ship"). To further meet customer demand of how they receive products, we provide our customers options to buy online, pickup in store and buy online, ship to store.

Our order routing optimization system determines the best location to fulfill digitally demanded products, which allows us to optimize our operating profit. The fulfillment center processes U.S. orders, which are shipped to a customer's home or to a store when an order is placed through buy online, ship to store. Orders originating from a store that cannot be fulfilled immediately in that store can either be fulfilled from our ship from store capability, from the fulfillment center (in the U.S.), or drop shipped from a vendors' warehouse.

Value for Our Customers

Our buying organization aims to provide customers with high quality, in-season fashion styles at attractive prices compared to the sale prices found at specialty retailers and department stores. In addition, we provide additional value through our DSW VIP rewards program in the U.S. and our Shoe Lovers Rewards program in Canada where members earn points towards discounts on future purchases. Members also receive promotional offers and gifts with purchase offers. We employ a variety of methods, including email, direct mail and social media, to communicate exclusive offers to our rewards members. We have approximately 30 million members enrolled in our loyalty programs who have made at least one purchase over the last two years. In fiscal 2018, shoppers in the loyalty programs generated approximately 88% of the combined U.S. Retail and Canada Retail segments' net sales. During fiscal 2018, DSW VIP was launched and replaced our previous loyalty program, with new benefits, personalized options and faster ways to earn points. We expect these changes will result in more customer activations, increase purchase frequency, and sales growth.

Brand Portfolio Segment

Our Brand Portfolio segment designs, develops and sources fashion footwear and accessories. We provide retailer customers and consumers a portfolio of licensed brands, including Vince Camuto, Louise et Cie, Sole Society, CC Corso Como, Enzo Angiolini, Jessica Simpson, Lucky Brand, and others. The Brand Portfolio segment earns revenue from the sale of wholesale products to retailers, First Cost commissions, and the sale of branded products on direct-to-consumer e-commerce sites, which include www.vincecamuto.com and www.solesociety.com. Wholesale retailer customers and First Cost customers include department stores, specialty stores, value priced retailers, national chains, and online retailers.

We operate the Brand Portfolio segment as a separate and distinct business from the retail segments. The Brand Portfolio segment currently sells branded products to the retail segments. We plan to transition the sourcing of all of the retail segments' private label merchandise to the Brand Portfolio segment.

Product Design

We have established a reputation for quality, on-trend merchandise. Our design teams are responsible for the creation and development of new product styles by utilizing our proven design process. Our designers monitor trends in footwear and apparel and work closely with our retailer customers to identify consumer preferences. Our future success will depend on our ability to anticipate and respond to fashion trends, consumer preferences and changing customer expectations. We believe our design process provides us with a competitive advantage allowing us to mitigate the risk of incurring costs associated with the production and distribution of less desirable designs.

Sourcing and Distribution

We source each of our product lines based on the individual design, style and quality specifications of the products. We do not own or operate manufacturing facilities; rather, we use our sourcing offices to procure our products from independently-owned manufacturers primarily in China and Brazil. We are able to achieve consistent quality, competitive prices and on-time delivery based on the established relationships we have with these manufacturers. Prior to production, our sourcing offices inspect samples and prototypes of each style and monitor the quality of the production process. The manufacturers of our products are required to meet our quality, human rights, safety and other standard requirements.

We utilize a new state-of-the-art distribution center in New Jersey to receive, sort and distribute our products to retailer customers and to fulfill www.vincecamuto.com e-commerce orders. We also use a third-party distribution center in California to fulfill orders placed on www.solesociety.com.

Backlog

As of February 2, 2019, we had a backlog of unfilled wholesale customer orders of $89.1 million. Most of these orders are for delivery over the next 180 days, and although orders are subject to cancellation, we have not experienced significant cancellations in the past. The backlog at any particular time is affected by a number of factors, including seasonality, the volume of customer e-commerce drop ship orders we fulfill, and the timing of wholesale customer purchases of our products through our replenishment program. Accordingly, a comparison of backlog from period to period may not be indicative of eventual shipments.

ABG-Camuto Joint Venture

ABG-Camuto will be responsible for the growth and marketing of the brands held by the joint venture. We pay royalties to ABG-Camuto, with the royalty expense included in cost of sales, based on the sales of footwear, handbags and jewelry. ABG-Camuto also earns royalties on sales from third-parties that license the brand names to produce non-footwear product categories. Given our 40% ownership interest in ABG-Camuto, we recognize earnings under the equity method, which will be included within the Brand Portfolio segment, as ABG-Camuto is considered an integral part of the Brand Portfolio segment business.

First Cost

As the design and buying agent for retailer customers, we utilize our expertise and relationships with manufacturers to facilitate the production of private label footwear to retailer customer specifications. Our First Cost model earns commission-based revenue while leveraging our overall design and sourcing infrastructure.

Additional Information

Intellectual Property

We have registered a number of trademarks, service marks and domain names in the United States, Canada and internationally, including DSW®, DSW Shoe Warehouse® and DSW Designer Shoe Warehouse®. We also have a 40% interest in ABG-Camuto, which holds the intellectual property rights of Vince Camuto®, Louise et Cie®, Sole Society®, CC Corso Como®, Enzo Angiolini® and others. We have entered into a licensing agreement with ABG-Camuto whereby we pay royalties on our net sales from the brands owned by ABG-Camuto. We believe our trademarks and service marks have significant value and are important to building our name recognition. We also hold patents related to our unique store fixtures, which gives us greater efficiency in stocking and operating those stores that currently have the fixtures. We vigorously protect our patented fixture designs, as well as our packaging, private brand names, store design elements, marketing slogans and graphics.

Associates

As of February 2, 2019, we employed approximately 16,100 associates worldwide. None of our associates are covered by any collective bargaining agreements.

Seasonality

Our business is subject to seasonal merchandise trends driven by the change in weather conditions and our customers' interest in new seasonal styles. New spring styles are primarily introduced in the first quarter and new fall styles are primarily introduced in the third quarter.

Available Information

Information about Designer Brands Inc., including its reports filed with or furnished to the Securities and Exchange Commission ("SEC"), is available through Designer Brands Inc.'s website at www.designerbrands.com. Such reports are accessible at no charge through Designer Brands Inc.'s website and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. The SEC also maintains a website that contains reports, proxy statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

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

ITEM 1A. RISK FACTORS

In addition to the other information in this Annual Report on Form 10-K, shareholders or prospective investors should carefully consider the following risk factors when evaluating Designer Brands Inc. If any of the events described below occurs, our business, financial condition, results of operations and future growth prospects could be negatively affected.

Risks Relating to Our Business

Our strategy of growing our store base and digital demand could strain our resources and have a material adverse effect on our business and financial performance.

Our growth strategy in part depends on our ability to successfully open and operate new stores on a profitable basis. We also continue to invest in our digital capabilities in order to deliver a high-quality, coordinated shopping experience for our customers, which requires substantial investment in technology. This continued growth could place increased demands on our financial, managerial, operational and administrative resources. We may not achieve our planned growth on a timely and profitable basis or achieve results in new locations similar to those achieved in existing locations in prior periods.

During fiscal 2019, we plan to expand the chain in North America by approximately three to eight stores, net of closures. Our ability to open and operate new stores on a timely and profitable basis depends on many factors, including our ability to identify suitable markets and sites for new store locations with financially stable co-tenants and landlords; negotiate acceptable lease terms; build-out or refurbish sites on a timely and effective basis; obtain sufficient financing and capital resources or generate sufficient cash flows from operations to fund growth; open new stores at costs not significantly greater than those anticipated; successfully open new stores in markets in which we currently have few or no stores; control the costs of other capital investments associated with store openings; hire, train and retain qualified managers and store personnel; and successfully integrate new stores into our existing infrastructure, operations, management and distribution systems or adapt such infrastructure, operations and systems to accommodate our growth. As a result, we may be unable to open new stores at the rates expected or at all. If we fail to successfully implement our growth strategy, the opening of new stores could be delayed or prevented, could cost more than anticipated and could divert resources from other areas of our business, any of which could have a material adverse effect on our business. To the extent that we open new stores in our existing markets, we may experience reduced net sales in existing stores in those markets. As our store base increases, our stores will become more concentrated in the markets we serve. As a result, the number of customers and financial performance of individual stores may decline and the average sales per square foot at our stores may be reduced, which could have a material adverse effect on our business.

As we introduce enhancements to our e-commerce platforms, we could experience downtime or other technical issues, which could have a material adverse effect on our business. In addition, the growth in digital demand could result in a diversion of traffic from our stores.

Our recent acquisitions of TSL and Camuto Group could disrupt our ongoing business and adversely impact our results of operations.

On May 10, 2018, we acquired the remaining interest in TSL and on November 5, 2018, we completed the acquisition of Camuto Group. Such acquisitions may disrupt our business or divert the attention of our management. Achieving the expected benefits depends in large part on our successful integration of any newly acquired operations, systems and personnel with our own in a timely and efficient manner. For example, we cannot ensure that Camuto Group will successfully be able to manage the additional volume of the retail segments' private label merchandise transitioned to it. We cannot ensure that all of our integration efforts will be completed on a timely basis, as planned, or without substantial expense, delay or other operational problems. Until we make substantial progress with our integration efforts, we also face the risk that we may not be able to effectively manage the business and achieve planned results. We may be hindered by having limited experience with the acquired businesses and limited system and reporting capabilities. Our operating results or financial condition may be adversely impacted by pre-existing claims or liabilities, both known and unknown. In addition, the integration process may strain our financial and managerial controls and reporting systems and procedures and may also result in the diversion of management and financial resources from core business objectives. Our ability to successfully operate in Canada may be adversely affected by political, economic and social conditions beyond our control, local laws and customs, and legal and regulatory constraints, including compliance with applicable anti-corruption and currency laws and regulations. Risks inherent in our existing and future operations also include, among others, the costs and difficulties of managing operations outside of the United States, suffering possible adverse tax consequences from changes in tax laws or the unfavorable resolution of tax assessments or audits, and greater difficulty in enforcing intellectual property rights. Additionally, foreign currency exchange rates and fluctuations thereof may have an adverse effect on our financial results. There can be no assurance that we will successfully integrate our businesses or that we will realize the anticipated benefits of the acquisitions after we complete our integration efforts.

Our failure to protect our reputation could have a material adverse effect on our brands.

The value of our brands are largely dependent on the success of our merchandise assortment and our ability to provide a consistent, high quality customer experience. Any negative publicity about us or the significant brands we offer may reduce demand for our merchandise. Failure to comply with ethical, social, product, labor, health and safety, accounting or environmental standards could also jeopardize our reputation and potentially lead to various adverse consumer actions. Consumer actions could include boycotts and negative publicity through social or digital media. Public perception about us or the products we carry, whether justified or not, could impair our reputation, involve us in litigation, damage our brand and have a material adverse effect on our business.

We rely on our strong relationships with vendors to purchase brand name and designer merchandise at favorable prices. If these relationships were to be impaired, we may not be able to obtain a sufficient assortment of merchandise at attractive prices, and we may not be able to respond promptly to changing fashion trends, either of which could have a material adverse effect on our business and financial performance.

Our success depends, to a significant extent, on the willingness and ability of our vendors to supply us with sufficient inventory to stock our sales channels as we generally do not have long-term supply agreements or exclusive arrangements with any vendors. If we fail to maintain strong relationships with our existing vendors or to ensure the quality of merchandise they supply us, and if we cannot maintain or acquire new vendors of in-season brand name and designer merchandise, our ability to obtain a sufficient amount and variety of merchandise at favorable prices may be limited, which could have a negative impact on our business. Decisions by vendors to not sell to us or to limit the availability of their products to us could have a negative impact on our business. In addition, our inability to stock our sales channels with in-season merchandise at attractive prices could result in lower net sales and decreased customer interest in our sales channels, which could have a material adverse effect on our business. Further, if our merchandise costs increase due to increases incurred by our vendors in raw materials, energy, labor, or duties and taxes on imports, or other reasons, our ability to respond or the effect of our response could adversely affect our net sales or gross profit. During fiscal 2018, three key vendors together supplied approximately 20% of our retail merchandise. The loss of, or a reduction in, the amount and quality of merchandise supplied by any one of these vendors could have an adverse effect on our business. In addition, any negative brand image, wide-spread product defects, or negative publicity related to these key vendors, or other vendors, could have an adverse effect on our brand reputation and on our business.

The success of the acquired Camuto Group business is dependent on our third-party manufacturers and other business partners.

The success of the acquired Camuto Group business depends on our ability to obtain products from our manufacturers on a timely basis and on acceptable terms. We do not exert direct control over the manufacturers' operations and cannot guarantee that any third-party manufacturer will have sufficient production capacity, meet our production deadlines or meet our quality standards. We typically do not have long-term supply contracts with our manufacturers, and the loss of any of our major manufacturers could disrupt our operations and adversely affect our business. In addition, our manufacturers operate outside the U.S. and are subject to additional risks associated with international trade, including trade relations, work stoppages, transportation delays, costs (including duties, tariffs, inspections, and other trade restrictions), and negative trends in global economic conditions. If these third parties do not perform their obligations or are unable to provide us with the materials and services we need at prices and terms that are acceptable to us, such disruptions may negatively impact our ability to deliver quality products to our customers on a timely basis. This would jeopardize our ability to properly merchandise and service our wholesale customers, which may, in turn, have a negative impact on our customer relationships and result in lower net sales and profits.

The success of the acquired Camuto Group business is dependent on the strength of our relationships with our retailer customers, and reductions in or loss of sales to such customers could have a material adverse effect on our business and financial performance.

The Camuto Group business is dependent on sales of branded, licensed and private-label footwear and accessories to customers, primarily department stores and other specialty retailers. We typically do not have long-term contracts with our customers. Sales to these customers are generally on an order-by-order basis and are subject to the rights of cancellation and rescheduling by the customer. Failure to fill customers’ orders in a timely manner could harm our relationships with such customers. If any of our major customers experiences a significant downturn in its business, or fails to remain committed to our products or brands, such customers may reduce or discontinue purchases from us. In addition, increased promotional activity by our wholesale customers could negatively impact the image of our brands and lead to reduced pricing or purchases of our products, which could have an adverse effect on our business. The Camuto Group business has four customers that make up approximately 60% of its total revenue, and the loss of any or all of these customers would have a material adverse effect on the Brand Portfolio segment.

We may be unable to anticipate and respond to fashion trends, consumer preferences and changing customer expectations, which could have a material adverse effect on our business.

Our merchandising strategy is based on offering the proper mix of products available to our customers, including our retailer customers. This requires us to anticipate and respond to numerous and fluctuating variables in fashion trends and other conditions in the markets in which our customers are situated. A variety of factors will affect our ability to maintain the proper mix of products, including: local economic conditions impacting customers' discretionary spending; unanticipated fashion trends; our ability to provide timely access to in-season merchandise at attractive prices; our success in distributing merchandise to our stores and our wholesale retailer customers in an efficient manner; and changes in weather patterns, which in turn affect consumer preferences. If we are unable to anticipate and fulfill the merchandise needs of our customers, we may experience decreases in our net sales and may be forced to increase markdowns in relation to slow-moving merchandise, either of which could have a material adverse effect on our business.

Being an omni-channel retailer is a business necessity to meet customer experience expectations and an opportunity to create a competitive advantage as our customers expect to be able to shop across multiple sales channels. In the event that our omni-channel strategy does not meet customer expectations or is not differentiated from our competitors, it may have a material adverse effect on our business.

The loss or disruption of information technology services could affect our ability to implement our growth strategy and have a material adverse effect on our business.

Our information technology systems are an integral part of our growth strategy in efficiently operating and expanding our business, in managing operations and protecting against security risks related to our electronic processing and transmitting of confidential customer and associate data. The requirements to keep our information technology systems operating at peak performance may be higher than anticipated and could strain our capital resources, management of any system upgrades, implementation of new systems and the related change management processes required with new systems and our ability to protect ourselves from any future information security breaches. In addition, any significant disruption of our data center could have a material adverse effect on those operations dependent on those systems, most specifically, our store and e-commerce operations, our distribution and fulfillment centers and our merchandising team. While we maintain business interruption and property insurance, in the event our data center was to be shut down, our insurance may not be sufficient to cover the impact to the business.

We accept orders through our e-commerce channels and are subject to various risks of operating online and mobile selling capabilities such as: the failure of our information technology infrastructure, including any third-party hardware or software, resulting in downtime or other technical issues; difficulty in integrating acquired businesses; reliance on third-party logistics providers to deliver our products to customers; inability to respond to technological changes; violations of state or federal laws; credit card fraud; or other information security breaches. Failure to mitigate these risks could have a material adverse effect on our business.

We face security risks related to our electronic processing of sensitive and confidential personal and business data. If we are unable to protect our data, a security breach could damage our reputation and have a material adverse effect on our business.

Given the nature of our business, we collect, process and retain sensitive and confidential customer and associate data, in addition to proprietary business information. We may be vulnerable to a data compromise, computer viruses, physical and electronic break-ins, and similar disruptions, which may not be prevented by our efforts to secure our computer systems. Security measures in place include, but are not limited to, vulnerability scanning and patching, web-application firewalls, reverse-proxies, network firewalls, two-factor authentication, identity and access management, data encryption, point-to-point encryption and tokenization, intrusion detection and prevention devices, endpoint detection and response software, and data loss prevention software. Regular penetration tests of our networks are conducted by a third-party service provider and we leverage any findings to further enhance our security. We also employ secure file transfer options to provide security for processing, transmission and storage of confidential information. Our critical data is replicated and backed up to a separate secured datacenter. However, our efforts may not be able to prevent rapidly evolving types of cyber-attacks and a successful breach of our computer systems could result in misappropriation of personal, payment or sensitive business information. In addition, we rely on associates, contractors and other third parties who may attempt to circumvent our security measures in order to obtain such information and may purposefully or inadvertently cause a breach involving such information. Actual or anticipated attacks, as well as the integration of new or existing systems of acquired businesses, may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, pay higher insurance premiums, and engage third-party specialists for additional services. An information security breach involving confidential and personal data could damage our reputation and our customers' willingness to shop in our stores or through our e-commerce platforms. In addition, we may incur material liabilities and remediation costs as a result of an information security breach, including potential liability for stolen customer or associate data, repairing system damage or providing credit monitoring or other benefits to customers or associates affected by the breach. In the event we experience an information security breach, our insurance may not be sufficient to cover the impact to the business. Although we have developed mitigating security controls to reduce our cyber risk and protect our data from loss or disclosure due to a security breach, including processes designed to reduce the impact of a security breach at a third-party vendor, such measures cannot provide absolute security.

The loss or disruption of any of our distribution or fulfillment centers could have a material adverse effect on our business and operations.

For our U.S. Retail segment operations, the majority of our inventory is shipped directly from suppliers to our distribution center in Columbus, Ohio and a West Coast facility operated by a third party, where the inventory is then processed, sorted and shipped to one of our pool locations located throughout the country and then on to the stores. Our inventory can also be shipped directly from our fulfillment center, also located in Columbus, Ohio, and supported by a third-party service provider, to our customers. For our Canada Retail segment, we engage a logistics service provider to receive purchases and distribute to our stores. Through our ship from store capability, both in the U.S. and in Canada, inventory is shipped directly from our stores to customers. Through our drop ship program, inventory is shipped from the vendor's warehouse directly to the customer. For our Brand Portfolio segment, the majority of our inventory is shipped directly from factories to our distribution center in Westampton, New Jersey, where our wholesale inventory is then processed, sorted and provided to our customers' shipping carriers.

Our operating results depend on the orderly operation of our receiving, distribution, and fulfillment processes, which in turn depends on vendors' adherence to shipping schedules and our effective management of our facilities. We may not anticipate all the changing demands that our expanding operations will impose on our receiving, distribution, and fulfillment system, and events beyond our control, such as disruptions in operations due to integration of new stores or customers, catastrophic events, labor disagreements, or shipping problems, that may result in delays in the delivery of merchandise to our stores and customers. While we maintain business interruption and property insurance, in the event any of our distribution and fulfillment centers shut down for any reason or if we were to incur higher costs and longer lead times in connection with a disruption at our distribution and fulfillment centers, our insurance may not be sufficient to cover the impact to the business.

If Stein Mart were to terminate our supply agreement, close a significant number of stores or liquidate, such event could have a material adverse effect on our business and financial performance.

We currently provide services through ABG to 286 Stein Mart stores and Steinmart.com through ongoing supply arrangements. Our contractual termination date for the supply agreement with Stein Mart is January 2020. If Stein Mart were to terminate our supply agreement, close a significant number of stores or liquidate, such event could have a material adverse effect on our business and financial performance.

The reputation and competitive position for the acquired Camuto Group business are dependent on our ability to maintain the brands we license.

In partnership with Authentic Brands Group LLC, a global brand management and marketing company, we formed ABG-Camuto, a joint venture in which we have a 40% interest. This joint venture acquired several intellectual property rights from the Sellers, including Vince Camuto, Louise et Cie, Sole Society, CC Corso Como, Enzo Angiolini and others, and will focus on licensing and developing new category extensions to support the global growth of these brands. ABG-Camuto has entered into a licensing agreement with us, which will earn royalties from the net sales of Camuto Group under the brands acquired. In addition, we hold footwear licenses of Jessica Simpson and Lucky Brand.

We rely on our ability to retain and maintain good relationships with the licensors and their ability to maintain strong, well-recognized brands and trademarks. The terms of our license agreements vary and are subject to renewal with various termination provisions. There can be no assurance that we will be able to renew these licenses. Even our longer-term or renewable licenses are typically dependent upon our ability to market and sell the licensed products at specified levels, and the failure to meet such levels may result in the termination or non-renewal of such licenses. Furthermore, many of our license agreements require minimum royalty payments, and if we are unable to generate sufficient sales and profitability to cover these minimum royalty requirements, we may be required to make additional payments to the licensors, which could have a material adverse effect on our business and results of operations.

We are constantly exploring new business opportunities and implementing initiatives. The failure to successfully execute our strategies may have a material adverse effect on our business, results of operations or financial condition.

We have expanded our products and markets in part through strategic acquisitions and we may continue to do so in the future. For example, in fiscal 2018, we acquired Camuto Group and the remaining equity interest in TSL. The continued development and implementation of new business opportunities and strategies involve numerous risks, including risks inherent in entering markets in which we may not have prior experience, and could distract management from our core business. In the event that we lose focus on our core business or are unsuccessful in the execution of our concept, it may have a material adverse effect on our business, results of operations or financial condition.

Our sales and quarterly financial performance may fluctuate for a variety of reasons, including seasonal variability.

Our business is sensitive to consumer spending patterns, which in turn are subject to prevailing regional and national economic conditions and the general level of economic activity. Our comparable sales and quarterly results of operations have fluctuated in the past, and we expect them to continue to fluctuate in the future. A variety of other factors affect our sales and quarterly financial performance, including: uncertain macro-economic conditions and changes in the retail sales environment; changes in our merchandising strategy; timing and concentration of new store openings and related start-up costs; expenses associated with new stores, our omni-channel strategy and marketing expenses; changes in our merchandise mix; changes in and regional variations in demographic and population characteristics; timing of promotional events; seasonal fluctuations due to weather conditions; and actions by our competitors. Accordingly, our results for any one fiscal quarter are not necessarily indicative of the results to be expected for any other quarter, and comparable sales for any particular future period may increase or decrease. Our future financial performance may fall below the expectations of securities analysts and investors, which may adversely impact the price of our common shares.

In addition, our business is subject to seasonal merchandise trends when our customers' interest in new seasonal styles increases. New spring styles are introduced in the first quarter and new fall styles are introduced in the third quarter. As a result of seasonal merchandise trends, any factors negatively affecting us during these periods, including adverse weather, the timing and level of markdowns, fashion trends or unfavorable economic conditions, could have a material adverse effect on our business.

Our failure to retain our existing senior management team and to continue to attract qualified new personnel could adversely affect our business.

Our business requires disciplined execution at all levels of our organization, which requires an experienced and talented management team. If we were to lose the benefit of the experience, efforts and abilities of any of our key executives and buying personnel, our business could be adversely affected. We have entered into employment agreements with several key executives and also offer compensation packages designed to attract and retain talent. Furthermore, our ability to manage our expansion will require us to continue to train, motivate and develop our employees to maintain a high level of talent for future challenges and succession planning. Competition for these types of personnel is intense, and we may not be successful in attracting and retaining the personnel required to grow and operate our business.

We are dependent on our customer loyalty programs and marketing to drive traffic, sales and loyalty, and any decrease in membership or purchases from members could have a material adverse effect on our business.

Customer traffic is influenced by our marketing and our loyalty programs. We rely on our loyalty programs to drive customer traffic, sales and purchase frequency. Loyalty members earn points toward discounts on future purchases through our DSW VIP rewards program in the U.S. and our Shoe Lovers Rewards program in Canada. Members also receive promotional offers and gifts with purchase offers. We employ a variety of marketing methods, including email, direct mail and social media, to communicate exclusive offers to our rewards members. We have approximately 30 million members enrolled in our loyalty programs who have made at least one purchase over the last two years. In fiscal 2018, shoppers in the loyalty programs generated approximately 88% of the combined U.S. Retail and Canada Retail segments' net sales. During fiscal 2018, DSW VIP was launched and replaced our previous loyalty program, with new benefits, personalized options and faster ways to earn points. We expect these changes will result in more customer activations, increase purchase frequency, and sales growth. In the event that our reward members do not continue to shop, we fail to add new members, the number of members decreases, or our marketing is not effective in driving customer traffic, we could have a material adverse effect on our business.

We are exposed to risks through the leasing of certain properties.

We lease an office space that expires in 2024, which we sublease to an unrelated third party at an annual rent that is lower than our total annual lease obligation. The sublease was renewed for a two-year term in June 2017, but that tenant can terminate at any time with 60 days' notice. In addition, we have guaranteed a lease commitment that is scheduled to expire in 2024 of a location that has been leased to a third party. In the event that any of these arrangements are not renewed or are terminated, there could be a material adverse effect on our financial condition.

We have a leased office space that expires in 2020 and a leased fulfillment center that expires in 2023 related to the Ebuys business. As a result of our exit of the Ebuys business, we are marketing these locations to third parties to assume or sublease. Also, we have other leased space that is unoccupied as a result of the exit of the Town Shoes banner stores in Canada and certain locations we assumed as part of the Camuto Group acquisition. We cannot assure that we will be able to assign or sublease any of these properties, which may have a material adverse effect on our business, results of operations or financial condition.

Risks Relating to the External Environment

We may be unable to compete in our highly competitive market, which could have a material adverse effect on our business.

The footwear market is highly competitive with few barriers to entry. We compete against a diverse group of manufacturers and retailers, both small and large, including department stores, mall-based shoe stores, national chains, independent shoe retailers, single-brand specialty retailers, online shoe retailers, brand-oriented discounters, multi-channel specialty retailers and brand suppliers. In addition, our wholesale retailer customers sell shoes purchased from competing footwear suppliers with owned and licensed brands that are well-known. Many of these suppliers invest significantly in marketing their brands. Our success depends on our ability to remain competitive with respect to assortment, quality, convenience and value. The performance of our competitors, as well as a change in their pricing policies as a result of the current economic environment, marketing activities and other business strategies, could have a material adverse effect on our business.

E-commerce networks have rapidly evolved while consumer receptiveness to shopping online has substantially increased. Competition from e-commerce players has significantly increased due to their ability to provide improved user experience, greater ease of buying goods, low or no shipping fees, faster shipping times and more favorable return policies. Businesses, including our suppliers, can easily launch online sites and mobile platforms at nominal costs by using commercially available software or partnering with any of a number of successful digital marketplace providers. Some of our suppliers use such platforms to compete with us by allowing consumers to purchase products directly through the supplier. Competitors with other revenue sources may also be able to devote more resources to marketing and promotional campaigns, adopt more aggressive pricing policies and devote more resources to websites, mobile platforms and applications and systems development.

We rely on foreign sources for our merchandise, and our business is therefore subject to risks associated with international trade.

All of the Camuto Group products are manufactured outside the U.S., whereas our retail merchandise is purchased from both domestic and foreign vendors. However, many of our domestic vendors import a large portion of their merchandise from abroad. We believe almost all of our merchandise was manufactured outside the U.S., with the majority manufactured in China. For this reason, we face risks inherent in purchasing from foreign suppliers, such as: economic and political instability in countries where these suppliers are located; international hostilities or acts of war or terrorism affecting the U.S. or foreign countries from which our merchandise is sourced; increases in shipping costs; transportation delays and interruptions, including increased inspections of import shipments by domestic authorities; work stoppages; expropriation or nationalization; changes in foreign government administration and governmental policies; changes in import duties or quotas; compliance with trade and foreign tax laws; and local business practices, including compliance with foreign laws and with domestic and international labor standards. We also face risks and uncertainty relating to escalating trade tensions between the U.S. and other countries, as well as U.S. laws affecting the importation of goods, such as recent tariffs imposed on Chinese goods imported to the U.S. Such events may increase our costs and disrupt our operations, which could have a material adverse effect on us.

We require our business partners to operate in compliance with applicable laws and regulations and our internal requirements. However, we do not control such third parties or their labor and business practices. The violation of labor or other laws by one of our vendors could have a material adverse effect on our business.

Uncertainty in future changes to tax legislation, regulatory reform or policies could have a material adverse effect on our business.

Tax laws, regulations, and policies in various jurisdictions may be subject to significant change due to economic, political and other conditions. The U.S. tax reform legislation referred to as the Tax Cuts and Jobs Act of 2017 (the "U.S. Tax Reform") significantly changed how the U.S. taxes corporations and requires complex computations to be performed that were not previously required in U.S. tax law. The U.S. Treasury Department, the U.S. Internal Revenue Service, and other standard-setting bodies could interpret or issue guidance on how provisions of the U.S. Tax Reform will be applied or otherwise administered that is different from our interpretation. In addition, state, local or foreign jurisdictions may enact tax laws in response to the U.S. Tax Reform that could result in further changes to taxation and materially affect our financial position and results of operations.

Uncertain economic conditions and other events in the United States and other countries in which we operate, can adversely affect consumer confidence and consumer spending habits, which could result in reduced net sales.

Consumer spending habits, including spending for the footwear and accessories that we sell, are affected by, among other things, prevailing economic conditions; levels of employment; salaries and wage rates; prevailing interest rates; income tax rates and policies; consumer confidence; and consumer perception of economic conditions. In addition, consumer purchasing patterns may be influenced by consumers' disposable income. Consumer confidence can also be affected by the domestic or international political environment. The outbreak or escalation of war, natural disasters, or the occurrence of terrorist acts or other hostilities in or affecting the United States or other countries in which we operate, could lead to a decrease in spending by consumers. In an economic slowdown, we could experience lower net sales than expected on a quarterly or annual basis and be forced to delay or slow our expansion plans. Reduced net sales may result in reduced operating cash flows if we are not able to appropriately manage inventory levels or leverage expenses. These negative economic conditions could have a material adverse effect on our business.

Restrictions in our Credit Facility could limit our operational flexibility.

On August 25, 2017, we entered into a senior unsecured revolving credit agreement (the "Credit Facility") with a maturity date of August 25, 2022 that replaced our previous secured revolving credit agreement and letter of credit agreement. On October 10, 2018, the Credit Facility was amended to include the acquisition of Camuto Group as a permitted acquisition and, following the acquisition, to utilize an accordion feature that provided for an increase to the revolving line of credit. On November 5, 2018, following the acquisition of Camuto Group, the amended Credit Facility was increased with no change to the sub-limits. The Credit Facility provides a revolving line of credit up to $400 million, with sub-limits for the issuance of up to $50 million in letters of credit, swing loan advances of up to $15 million, and the issuance of up to $75 million in foreign currency revolving loans and letters of credit. The Credit Facility may be used to provide funds for working capital, capital expenditures, dividends and share repurchases, other expenditures, and permitted acquisitions as defined by the Credit Facility. The Credit Facility contains financial and other covenants, including, but not limited to, limitations on indebtedness, liens and investments, as well as the maintenance of a leverage ratio not to exceed 3.25:1 and a fixed charge coverage ratio not to be less than 1.75:1. A violation of any of the covenants could result in a default under the Credit Facility that would permit the lenders to restrict our ability to further access the Credit Facility for loans and letters of credit and require the immediate repayment of any outstanding loans under the Credit Facility. As a result of the acquisition of Camuto Group, we have elected to increase the leverage ratio whereby we must maintain a leverage ratio not to exceed 3.50:1 as of the fourth quarter of fiscal 2018 and for the subsequent three quarters.

Our cash and investments are subject to risks that could affect the liquidity of these investments.

As of February 2, 2019, we had cash and cash equivalents and investments of $169.1 million. A portion of these are held as cash in operating accounts that are with financial institutions. While we regularly monitor the cash balances in our operating accounts and when possible adjust the balances as appropriate to be within Federal Deposit Insurance Corporation insurance limits, these cash balances could be lost or inaccessible if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets.

While we generally invest in lower risk investments, investment risk has been and may further be exacerbated by credit and liquidity issues that have affected various sectors of the financial markets. Our access to cash and investments, their earning potential or our ability to invest in highly rated, low risk investments may be impacted by adverse conditions in the U.S. financial markets. These market risks associated with our cash and investments could have a material adverse effect on our business.

We are exposed to foreign currency risk.

We are primarily exposed to the impact of foreign exchange rate risk through our Canadian business where the functional currency is the Canadian dollar ("CAD"). Currency translation adjustments are included in accumulated other comprehensive loss. We also hold cash denominated in CAD with foreign currency exchange gains or losses recorded to income. The impact of all other foreign currencies is immaterial to our financial results and we currently do not utilize hedging instruments to mitigate foreign currency exchange risks.

Risks Relating to our Common Shares

Our amended articles of incorporation, amended and restated code of regulations and Ohio state law contain provisions that may have the effect of delaying or preventing a change in control of Designer Brands Inc. This could adversely affect the value of our common shares.

Our amended articles of incorporation authorize our Board of Directors to issue up to 100,000,000 preferred shares and to determine the powers, preferences, privileges, rights, including voting rights, qualifications, limitations and restrictions on those shares, without any further vote or action by the shareholders. The rights of the holders of our Class A common shares will be subject to, and may be adversely affected by, the rights of the holders of any preferred shares that may be issued in the future. The issuance of preferred shares could have the effect of delaying, deterring or preventing a change in control and could adversely affect the voting power of our common shares.

In addition, provisions of our amended articles of incorporation, amended and restated code of regulations and Ohio law, together or separately, could discourage potential acquisition proposals, delay or prevent a change in control or limit the price that certain investors might be willing to pay in the future for our common shares. Among other things, these provisions establish a staggered board, require a super-majority vote to remove directors, and establish certain advance notice procedures for nomination of candidates for election as directors and for shareholder proposals to be considered at shareholders' meetings.

We do not expect a trading market for the Company's Class B common shares to develop and therefore any investment in the Class B common shares may be effectively illiquid, unless such shares are converted into the Company's Class A common shares.

There is currently no public market for the Company's Class B common shares. We do not intend to list the Class B common shares on any securities exchange or any automated quotation system. As a result, there can be no assurance that a secondary market will develop, and we do not expect any market makers to participate in a secondary market. Because the Class B common shares are not listed on a securities exchange or an automated quotation system, it may be difficult to obtain pricing information with respect to the shares. Accordingly, there may be a limited number of buyers if a holder decided to sell their Class B common shares. This may affect the price a holder would receive upon such sale. Alternatively, a holder of such shares could convert them into Class A common shares, on a share for share basis, prior to selling. However, such conversion could affect the timing of any such sale, which may in turn affect the price a holder may receive upon such sale.

The Schottenstein Affiliates, entities owned by or controlled by Jay L. Schottenstein, the executive chairman of the Designer Brands Inc. Board of Directors, and members of his family, substantially influence the outcome of matters submitted for Designer Brands Inc. shareholder votes, and their interests may differ from other shareholders.

As of February 2, 2019, the Schottenstein Affiliates have approximately 49% of the voting power of the Company's outstanding common shares. The Schottenstein Affiliates substantially influence the outcome of matters submitted to Designer Brands Inc.'s shareholders for approval, including the election of directors, approval of mergers or other business combinations, and acquisitions or dispositions of assets. The interests of the Schottenstein Affiliates may differ from or be opposed to the interests of other shareholders, and their level of ownership and voting power in the Company may have the effect of delaying or preventing a subsequent change in control that may be favored by other shareholders.

The Schottenstein Affiliates engage in a variety of businesses, including, but not limited to, business and inventory liquidations, apparel companies and real estate investments. Opportunities may arise in the area of potential competitive business activities that may be attractive to the Schottenstein Affiliates and us. Our amended and restated articles of incorporation provide that the Schottenstein Affiliates are under no obligation to communicate or offer any corporate opportunity to us. In addition, the Schottenstein Affiliates have the right to engage in similar activities as us, do business with our suppliers and customers, and, except as limited by agreement, employ or otherwise engage any of our officers or employees.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table summarizes the location and general use of our principal properties as of February 2, 2019:

Facility	Location	Owned/Leased	Segment	Approximate Square Feet
Principal corporate office	Columbus, Ohio	Owned	Corporate, U.S. Retail and Other	178,000
Office space	Toronto, Ontario, Canada	Leased	Corporate and Canada Retail	43,500
Office space	Greenwich, Connecticut	Leased	Brand Portfolio	47,000
Office space	Bonita Springs, Florida	Leased	Corporate and Brand Portfolio	10,000
Distribution center	Columbus, Ohio	Owned	U.S. Retail and Other	625,000
Fulfillment center(1)	Columbus, Ohio	Leased	U.S. Retail	854,000
Distribution center	Westampton, New Jersey	Leased	Brand Portfolio	683,000
U.S. retail stores(2)	516 various U.S. locations	Leased	U.S. Retail	10,529,000
Canada retail stores(3)	139 various Canadian locations	Leased	Canada Retail	1,150,000
Showrooms	10 various U.S. locations	Leased	Brand Portfolio	99,000
Foreign sourcing offices	Two locations in China	Leased	Brand Portfolio	108,000
Foreign sourcing office	One location in Brazil	Leased	Brand Portfolio	15,000

(1) Our fulfillment center is leased from Schottenstein Affiliates, a related party, and expires in September 2022 with two renewal options of five years each.

(2) Our DSW U.S. stores average approximately 20,400 square feet. Most of the store leases are for a fixed term with options for extension periods, exercisable at our option, with 18 stores leased from Schottenstein Affiliates, a related party.

(3) The Shoe Company, Shoe Warehouse and DSW stores in Canada average approximately 8,200 square feet. Most of the store leases are for a fixed term with options for extension periods, exercisable at our option.

We believe that our principal properties will meet our operational needs for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

The information set forth in Note 16, *Commitments and Contingencies - Legal Proceedings*, of the Consolidated Financial Statements of this Annual Report on Form 10-K is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Shares

Our Class A common shares will remain listed for trading on the New York Stock Exchange ("NYSE") under the ticker symbol "DSW" until it changes to "DBI" in April 2019. There is currently no public market for the Company's Class B common shares, but the Class B common shares can be exchanged for 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. As of

March 19, 2019, there were 171 holders of record of our Class A common shares and 12 holders of record of our Class B common shares. The number of holders of record is based upon the actual number of holders registered at such date and does not include holders of shares in "street names" or persons, partnerships, associates, corporations, or other entities identified in security position listings maintained by depositories.

Dividends

The payment of any future dividends is at the discretion of our Board of Directors 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. Our Credit Facility allows the payments of dividends by us or our subsidiaries, provided that immediately before and after a dividend payment there is no event of default, as defined in our Credit Facility. Refer to Item 6. *Selected Financial Data* of this Annual Report on Form 10-K for additional information on our dividend history. On March 19, 2019, the Board of Directors declared a quarterly cash dividend payment of $0.25 per share for both Class A and Class B common shares. The dividend will be paid on April 12, 2019 to shareholders of record at the close of business on April 1, 2019.

Share Repurchase Program

On August 17, 2017, the Board of Directors authorized the repurchase of an additional $500 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 common shares under the 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 share repurchases during the most recent quarter:

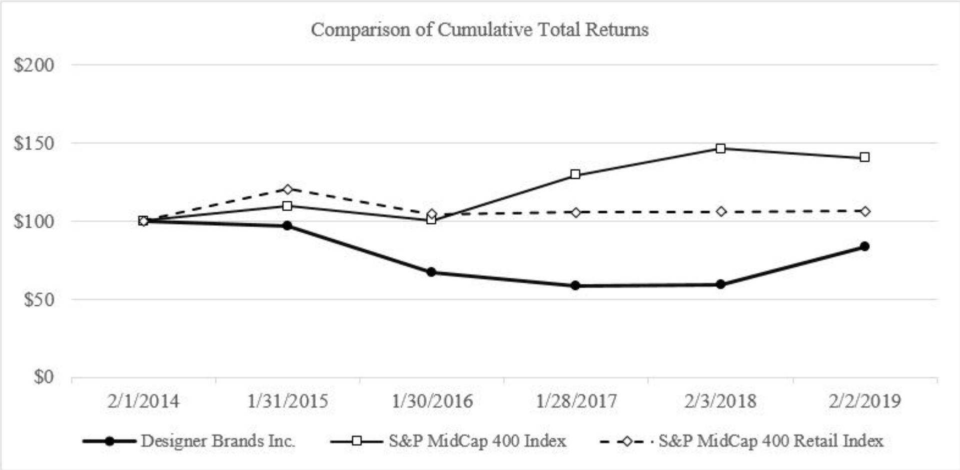
(in thousands, except per share amounts)	**(a) Total Number of Shares Purchased**	**(b) Average Price Paid per Share**	**(c) Total Number of Shares Purchased as Part of Publicly Announced Programs**	**(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs**
November 4, 2018 to December 1, 2018	—	$ —	—	$ 524,094
December 2, 2018 to January 5, 2019(1)(2)	2,029	$ 23.74	2,000	$ 476,564
January 6, 2019 to February 2, 2019(1)	3	$ 27.18	—	$ 476,564
	2,032	$ 23.75	2,000	

(1) The total number of shares repurchased includes shares repurchased as part of publicly announced programs (the average price paid per share includes any broker commissions) and 32,186 shares withheld in connection with tax payments due upon vesting of employee restricted stock awards.

(2) The total number of shares repurchased represents shares withheld in connection with tax payments due upon vesting of employee restricted stock awards.

Performance Graph

The following graph compares our cumulative total shareholder return on our Class A common shares with the cumulative total returns of the Standard and Poor's ("S&P") MidCap 400 Index and the S&P MidCap 400 Retail Index, all of which are published indexes. The comparison of the cumulative total returns for each investment assumes that $100 was invested on February 1, 2014 and that all dividends were reinvested. This comparison includes the period ended February 1, 2014 through the period ended February 2, 2019.



Company / Index	February 1, 2014	January 31, 2015	January 30, 2016	January 28, 2017	February 3, 2018	February 2, 2019
Designer Brands Inc.	$ 100.00	$ 96.64	$ 66.98	$ 58.69	$ 58.91	$ 83.70
S&P MidCap 400 Index	$ 100.00	$ 109.29	$ 100.35	$ 129.21	$ 146.05	$ 140.24
S&P MidCap 400 Retail Index	$ 100.00	$ 120.42	$ 104.25	$ 105.52	$ 105.77	$ 106.42

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth various selected financial information. Such selected consolidated financial data should be read in conjunction with our Consolidated Financial Statements, including the notes thereto, set forth in Item 8. *Financial Statements and Supplementary Data* and Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* of this Annual Report on Form 10-K.

(in thousands, except percentages, per share and per square foot data, and store count)	Fiscal[1]				
	2018[2]	**2017**	**2016**	**2015**	**2014**
Statement of Operations Data:					
Total revenue	$ 3,183,738	$ 2,810,720	$ 2,718,299	$ 2,620,248	$ 2,496,092
Gross profit[3]	$ 935,191	$ 799,132	$ 779,898	$ 768,369	$ 755,021
Operating profit	$ 59,005	$ 125,058	$ 199,977	$ 213,551	$ 242,485
Net income (loss)	$ (20,466)	$ 67,452	$ 124,419	$ 136,034	$ 153,299
Diluted earnings (loss) per share[4]	$ (0.26)	$ 0.84	$ 1.51	$ 1.54	$ 1.69
Weighted average number of diluted shares outstanding	80,026	80,687	82,135	88,501	90,612
Balance Sheet Data:					
Cash and cash equivalents and investments	$ 169,087	$ 300,537	$ 287,091	$ 330,475	$ 447,128
Inventory	$ 645,317	$ 501,903	$ 499,995	$ 484,236	$ 450,836
Total assets	$ 1,620,584	$ 1,421,517	$ 1,436,884	$ 1,369,109	$ 1,438,243
Debt	$ 160,000	$ —	$ —	$ —	$ —
Total shareholders' equity	$ 832,377	$ 955,251	$ 942,234	$ 904,924	$ 1,011,120
Other Data:					
Comparable sales change[5]	6.1%	(0.4)%	(3.0)%	0.8%	1.8%
Number of U.S. Retail stores:					
Beginning of period	512	501	468	431	394
New stores	9	15	34	40	37
Closed stores	(5)	(4)	(1)	(3)	—
End of period	516	512	501	468	431
Number of Canada Retail stores:					
Beginning of period	—	—	—	—	—
Acquired stores	180	—	—	—	—
New stores	—	—	—	—	—
Closed stores	(41)	—	—	—	—
End of period	139	—	—	—	—
Store square footage:[6]					
U.S. Retail	10,529	10,485	10,336	9,805	9,277
Canada Retail	1,150	—	—	—	—
Net sales per average square foot:					
U.S. Retail	$ 260	$ 246	$ 246	$ 258	$ 261
Canada Retail[7]	$ 212	$ —	$ —	$ —	$ —
ABG stores serviced	287	293	395	379	371
Cash dividends per share	$ 1.00	$ 0.80	$ 0.80	$ 0.80	$ 0.75

(1) All fiscal years are based on a 52-week year, except for fiscal 2017, which is based on a 53-week year.

(2) On May 10, 2018, we acquired the remaining interest in TSL that we did not previously own. Beginning with our second quarter of fiscal 2018, TSL ceased being accounted for under the equity method of accounting and was accounted for as a consolidated wholly-owned subsidiary. On November 5, 2018, we completed the acquisition of Camuto Group.

(3) Gross profit is defined as net sales, which excludes commission, franchise and other revenue, less cost of sales.

(4) Diluted loss per share for fiscal 2018 included net after-tax charges of $155.3 million, or $1.92 per diluted share, primarily related to impairment charges, acquisition-related activities, the exit of the Town Shoes banner, other restructuring costs, and the net tax expense impact of finalizing the U.S. Tax Reform implementation assessment. Diluted earnings per share for fiscal 2017 included net after-tax charges of $55.5 million, or $0.68 per diluted share, primarily related to impairment charges, inventory write-downs, amortization of intangibles and the change in fair value of the contingent consideration liability associated with Ebuys, restructuring costs, foreign exchange net losses, and the initial net tax expense impact of implementing the U.S. Tax Reform.

(5) A store is considered comparable when in operation for at least 14 months at the beginning of the fiscal year. Stores are added to the comparable base at the beginning of the year and are dropped for comparative purposes in the quarter they are closed. Comparable sales includes e-commerce sales. Stores added due to the TSL acquisition that are in operation for at least 14 months at the beginning of fiscal 2019, along with its e-commerce sales, will be added to the comparable base beginning with the second quarter of fiscal 2019. 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.

(6) Store square footage represents the total amount of square footage as of the end of the fiscal year for stores and does not include ABG or square footage of the distribution and fulfillment centers.

(7) Canada Retail sales included in the calculation have been annualized on a full year basis. The calculation excludes the Town Shoes banner that was exited during fiscal 2018.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis of financial condition and results of operations contains forward-looking statements that involve various risks and uncertainties. See *Cautionary Statement* on page iii for a discussion of the uncertainties, risks and assumptions associated with these statements. This discussion is best read in conjunction with our Consolidated Financial Statements, including the notes thereto, set forth in Item 8. *Financial Statements and Supplementary Data* of this Annual Report on Form 10-K. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those listed under Item 1A. *Risk Factors* of this Annual Report on Form 10-K and included elsewhere in this Annual Report on Form 10-K.

Executive Overview

We gained momentum in fiscal 2018 by focusing on our strategies related to product, people, and marketing. We delivered positive comparable sales in each quarter of fiscal 2018 and our annual comparable sales increase of 6.1% was the best since fiscal 2011. Distorting the assortment growth to seasonal items, kids footwear, and athleisure product has been a key strategy to driving this growth. Our footwear has now had positive comparable sales for seven quarters in a row. We launched a new operating model in our U.S. stores this year that provided more hours and better aligned those hours to peak traffic times in the store. Related to marketing, we launched our new VIP Rewards program and made a significant investment in digital marketing. This resulted in increased customer spend and retention rate, and one of our strongest customer acquisition years in our history.

With our mission to inspire self-expression, we continue to innovate ways to create more of an emotional connection with our customers. We continue to learn from our nail bars and shoe repair test, with both expanding to more U.S. stores in fiscal 2019. Our e-commerce platform and industry-leading omni-channel infrastructure delivered double-digit gains in online demand, which we expect to continue to expand with increased digital marketing, proactive engagement, and improved technology.

We completed two significant acquisitions in fiscal 2018, TSL and Camuto Group. We elected to close the Town Shoes banner, which was unprofitable, to focus our time and capital on the profitable The Shoe Company, Shoe Warehouse, and DSW Canada banners. These go-forward banners had a strong year and were accretive to earnings per share in our first year of ownership. Camuto Group was acquired towards the end of fiscal 2018 and we are actively working on integrating the business. This acquisition gives us design and sourcing capabilities that we will use to expand our private brand assortment. The Camuto Group acquisition also provides new and profitable revenue streams that we previously did not have access to. As the industry continues to consolidate, we will continue to pursue opportunities to expand our market share.

Financial Summary

All fiscal years presented are based on a 52-week year, except for fiscal 2017, which is based on a 53-week year.

Total revenue increased to $3.2 billion for fiscal 2018 from $2.8 billion for fiscal 2017. The 13.3% increase in total revenue was driven by incremental revenue from acquired businesses, a 6.1% increase in comparable sales, and an increase for non-comparable store sales, partially offset by the loss of sales from the exit of Gordmans stores and Ebuys and an additional week of sales included in fiscal 2017. The comparable sales increase was driven by growth in all categories and channels.

In fiscal 2018, gross profit as a percentage of net sales was 29.5%, an increase of 100 basis points from 28.5% in the previous year. The increase in the gross profit rate was driven by margin expansion in the U.S. Retail segment and the impact of the exit of Ebuys during the current year, partially offset by lower margins for the acquired businesses. Effective inventory management delivered better in-stock rates, which resulted in an increase in regular price selling.

Net loss for fiscal 2018 was $20.5 million, or $0.26 loss per diluted share, which included net after-tax charges of $155.3 million, or $1.92 per diluted share, primarily related to impairment charges, acquisition-related activities, the exit of the Town Shoes banner, other restructuring costs, and the net tax expense impact of finalizing the U.S. Tax Reform implementation assessment. Net income for fiscal 2017 was $67.5 million, or $0.84 per diluted share, which included net after-tax charges of $55.5 million, or $0.68 per diluted share, primarily related to impairment charges, inventory write-downs, amortization of intangibles and the change in fair value of the contingent consideration liability associated with Ebuys, restructuring costs, foreign exchange net losses, and the initial net tax expense impact of implementing the U.S. Tax Reform.

In addition to the acquisitions of TSL and Camuto Group, we have continued making investments in our business that support our long-term growth objectives. During fiscal 2018, we invested $65.4 million in capital expenditures compared to $56.3 million during fiscal 2017. Our capital expenditures during fiscal 2018 were primarily related to nine new store openings, store remodels and business infrastructure. We plan to open approximately 11 to 16 new stores in fiscal 2019.

Results of Operations

The following represents selected components of our consolidated results of operations, with associated percentages of total revenue:

	Fiscal					
(dollars in thousands)	2018		2017		2016	
Revenue:						
Net sales	$ 3,174,420	99.7 %	$ 2,805,555	99.8 %	$ 2,713,355	99.8 %
Commission, franchise and other revenue	9,318	0.3	5,165	0.2	4,944	0.2
Total revenue	3,183,738	100.0	2,810,720	100.0	2,718,299	100.0
Cost of sales	(2,239,229)	(70.3)	(2,006,423)	(71.4)	(1,933,457)	(71.1)
Operating expenses	(826,042)	(25.9)	(622,546)	(22.1)	(605,016)	(22.3)
Income from equity investment in ABG-Camuto	1,298	0.0	—	—	—	—
Impairment charges	(60,760)	(1.9)	(89,440)	(3.2)	—	—
Change in fair value of contingent consideration liability	—	—	32,747	1.2	20,151	0.7
Operating profit	59,005	1.9	125,058	4.5	199,977	7.3
Interest income, net	1,288	0.0	2,789	0.1	2,141	0.1
Non-operating income (expenses), net	(49,616)	(1.6)	(1,885)	(0.1)	338	0.0
Income before income taxes and income (loss) from equity investment in TSL	10,677	0.3	125,962	4.5	202,456	7.4
Income tax provision	(29,833)	(0.9)	(59,567)	(2.1)	(78,778)	(2.9)
Income (loss) from equity investment in TSL	(1,310)	0.0	1,057	0.0	741	0.0
Net income (loss)	$ (20,466)	(0.6)%	$ 67,452	2.4 %	$ 124,419	4.5 %

Net Sales

Net sales for fiscal 2018 increased by 13.1% from fiscal 2017 and net sales for fiscal 2017 increased by 3.4% from fiscal 2016. The following summarizes the change in total net sales from the previous fiscal year:

	Fiscal		
(in thousands)	**2018**	**2017**	**2016**
Net sales for the previous fiscal year	$ 2,805,555	$ 2,713,355	$ 2,620,248
Increase (decrease) in comparable sales	158,225	(10,229)	(75,267)
Net sales during the 53rd week in fiscal 2017	(35,626)	35,626	—
Net increase from non-comparable store net sales and other changes	43,767	66,803	168,374
Incremental external net sales from 2018 acquired businesses	306,463	—	—
Loss of net sales from the exit of Gordmans and Ebuys	(103,964)	—	—
Total net sales	$ 3,174,420	$ 2,805,555	$ 2,713,355

The following summarizes net sales by segment:

	Fiscal		
(in thousands)	**2018**	**2017**	**2016**
U.S. Retail	$ 2,738,989	$ 2,577,711	$ 2,479,902
Canada Retail	220,325	—	—
Brand Portfolio[1]	86,138	—	—
Other[2]	128,968	227,844	233,453
Total net sales	$ 3,174,420	$ 2,805,555	$ 2,713,355

(1) Excludes intersegment net sales in fiscal 2018 of $9.8 million, which is eliminated in consolidation.

(2) Other represents net sales for ABG and Ebuys.

The following summarizes our comparable sales change:

	Fiscal		
	2018	**2017**	**2016**
U.S. Retail segment	6.0%	(0.5)%	(2.9)%
Other - ABG	7.4%	1.8 %	(3.7)%
Total Company	6.1%	(0.4)%	(3.0)%

Fiscal 2018 vs. Fiscal 2017 - The increase in total net sales was driven by incremental sales from acquired businesses, a 6.1% increase in comparable sales, and an increase for non-comparable store sales, partially offset by the loss of sales from the exit of Gordmans stores and Ebuys and an additional week of sales included in fiscal 2017. Within the U.S. Retail segment, comparable sales increased primarily due to higher comparable transactions driven by an increase in traffic, partially offset by a decline in comparable average dollar sales per transaction. We continue to have strong growth in digital demand, including an increase in our store fulfillment of digital orders and drop ship orders fulfilled directly by vendors.

Fiscal 2017 vs. Fiscal 2016 - The increase in total net sales was primarily driven by new store sales and the additional week of sales in fiscal 2017, partially offset by the decrease in comparable sales and the closure of Gordmans stores. Within the U.S. Retail segment, comparable sales decreased primarily due to a decline in comparable average dollar sales per transaction partially offset by higher comparable transactions.

Commission, franchise and Other Revenue

Commission, franchise and other revenue consists of commission income for First Cost design and buying services, royalties and other fees paid by franchisees, and rental income on owned properties.

Gross Profit

Gross profit is defined as net sales, which excludes commission, franchise and other revenue, less cost of sales, calculated as follows:

	Fiscal		
(dollars in thousands)	**2018**	**2017**	**2016**
Net sales	$ 3,174,420	$ 2,805,555	$ 2,713,355
Cost of sales	(2,239,229)	(2,006,423)	(1,933,457)
Gross profit	$ 935,191	$ 799,132	$ 779,898
Gross profit as a percentage of net sales	29.5%	28.5%	28.7%

The following summarizes gross profit as a percentage of net sales by segment:

	Fiscal		
	2018	**2017**	**2016**
U.S. Retail	30.7%	30.4%	30.1%
Canada Retail	25.4%	—%	—%
Brand Portfolio	15.7%	—%	—%
Other	19.6%	6.9%	14.7%

Fiscal 2018 vs. Fiscal 2017 - U.S. Retail segment gross profit improved due to higher initial markups and lower markdowns with decreases in store occupancy expenses, which were partially offset by higher shipping costs. Total Company margin also benefited from the impact of the exit of Ebuys during the current year, partially offset by lower margins for the acquired businesses. Cost of goods sold for the Brand Portfolio segment included $5.3 million of inventory step-up value that was all recognized during the fourth quarter of fiscal 2018.

Fiscal 2017 vs. Fiscal 2016 - The U.S. Retail segment gross profit improved due to increases in merchandise margin and decreases in store occupancy expenses, partially offset by an increase in distribution and fulfillment expenses. Merchandise margin for the U.S. Retail segment increased as a percentage of net sales due to higher initial markup partially offset by higher shipping costs. Related to ABG and Ebuys included in Other, the decrease in the gross profit rate was primarily driven by the additional write-downs of Ebuys inventory as a result of our decision to exit the business.

Operating Expenses

Fiscal 2018 vs. Fiscal 2017 - Operating expenses as a percentage of total revenue were 25.9% and 22.1% for fiscal 2018 and fiscal 2017, respectively. The increase as a percentage of total revenue over the prior year was driven by an increase in marketing investments, higher incentive compensation and the impact of acquisition-related costs, lease exit and restructuring charges.

Fiscal 2017 vs. Fiscal 2016 - Operating expenses as a percentage of total revenue were 22.1% and 22.3% for fiscal 2017 and fiscal 2016, respectively. The decrease as a percentage of total revenue over the prior year was driven by lower corporate expenses and lower new store opening costs, partially offset by higher marketing and technology expenses.

Income from equity investment in ABG-Camuto

We account for our equity investment in ABG-Camuto using the equity method of accounting, with the net earnings attributable to our 40% investment being classified within operating profit. ABG-Camuto is an integral part of the Brand Portfolio segment given the licensing agreement between us and ABG-Camuto, which allows us to sell licensed branded products to wholesale customers.

Impairment charges

During fiscal 2018, we recorded impairment charges of $60.8 million, including $41.8 million for Canada Retail segment goodwill, $13.9 million for an abandoned corporate internal-use software that was under development and $5.1 million primarily for leasehold improvements related to under-performing stores. With the TSL acquisition being accounted for as a step acquisition, the purchase price included the fair value of our previously held assets, which considered the valuation of the TSL enterprise. This valuation identified that the resulting goodwill was not supportable as the value of the acquired net assets exceeded the enterprise fair value. As a result, during fiscal 2018, we recorded a goodwill impairment charge that resulted in impairing all of the Canada Retail segment’s goodwill.

During fiscal 2017, as a result of recurring operating losses incurred by Ebuys since its acquisition, which led to our decision to exit the business, we recorded impairment charges of $53.8 million for goodwill, $31.9 million for intangible assets, and $3.8 million for property and equipment.

Change in fair value of contingent consideration liability

The purchase price for the acquisition of Ebuys in fiscal 2016 included a contingent consideration reflecting future amounts to be paid to the sellers of Ebuys contingent upon achievement of certain milestones. During fiscal 2017, we recorded a net gain of $32.7 million reflecting the elimination of the contingent consideration liability as a result of our decision to exit the Ebuys business. During fiscal 2016, we made fair value adjustments to the contingent consideration liability based on discounted cash flows of the projected earnings performance measure and recorded a net gain of $20.2 million as a result of the fair value adjustments net of accretion and other adjustments.

Non-operating Income (Expenses), net

Due to the acquisition of the remaining interest in TSL during the second quarter of fiscal 2018, we remeasured to fair value our previously held assets, which included our equity investment in TSL and notes and accounts receivable from TSL. As a result of the remeasurement, we recorded a loss of $34.0 million to non-operating income (expenses), net. Also during fiscal 2018, we reclassified a net loss of $12.2 million of foreign currency translation related to the previously held balances from accumulated other comprehensive loss to non-operating income (expenses), net.

Income Taxes

The effective tax rate for fiscal 2018 was 318.5% compared to 46.9% for fiscal 2017 and 38.8% for fiscal 2016. The effective tax rates reflect the impact of federal, state and local, and foreign taxes. On December 22, 2017, the U.S. Tax Reform was enacted in the U.S., which included the reduction in the federal statutory tax rate from 35% to 21%. During fiscal 2018, offsetting the favorable rate reduction from the U.S. Tax Reform, we had $2.1 million of tax expense due to finalizing the U.S. Tax Reform implementation and we had additional tax provision expense of approximately $20.0 million due to recording an additional valuation allowance and nondeductible discrete items, primarily related to the charges recorded as a result of the acquisition of TSL. During fiscal 2017, the effective tax rate was significantly impacted by the recognition of $10.1 million of additional net tax expense as a result of implementing U.S. Tax Reform.

Income (Loss) from Equity Investment in TSL

Income (loss) from equity investment in TSL includes our portion of the loss in TSL's operations, offset by the interest income on the notes receivable. Fiscal year 2018 only included the first quarter reflecting the pre-acquisition period whereas fiscal years 2017 and 2016 included the full year.

Liquidity and Capital Resources

Overview

Our primary ongoing operating cash flow requirements are for inventory purchases, capital expenditures for new stores, improving our information technology systems and infrastructure growth. Our working capital and inventory levels typically build seasonally.

On May 10, 2018, we acquired the remaining interest in TSL using cash on hand for $36.2 million CAD ($28.2 million United States dollars ("USD")), net of acquired cash of $8.5 million CAD ($6.6 million USD). On November 5, 2018, we completed the acquisition of Camuto Group for $171.3 million, net of acquired cash of $9.7 million. Also on November 5, 2018, we acquired a 40% interest in the newly formed ABG-Camuto joint venture for $56.8 million in partnership with Authentic Brands Group LLC. The purchase price of the Camuto Group acquisition, along with the acquired equity investment in ABG-Camuto, was funded with available cash and borrowings on the revolving line of credit of $160.0 million. The purchase price is subject to adjustment primarily based upon a working capital provision as provided by the purchase agreement.

As a result of our decision to exit the Town Shoes banner during fiscal 2018, we incurred $19.5 million of charges to exit the Town Shoes banner, which included lease exit charges, severance, and inventory write-downs.

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. We believe that cash generated from our operations, together with our current levels of cash and investments, as well as availability under our Credit Facility, are sufficient over the next 12 months and the foreseeable future to maintain our ongoing operations, support seasonal working capital requirements, fund capital expenditures, and repurchase common shares under our share repurchase program.

Operating Cash Flows

For fiscal 2018, our net cash provided by operations was $175.3 million compared to $191.0 million for fiscal 2017. The decrease in net cash provided by operating activities was driven by a decrease in net income after adjusting for non-cash activity, including depreciation and amortization, impairment charges, the loss on previously held assets in TSL, loss on foreign currency reclassified from accumulated other comprehensive loss, stock-based compensation expense, change in fair value of contingent consideration liability, the change in deferred income taxes, and lease exit non-cash charges. This decrease was significantly impacted by acquisition-related costs and lease exit obligations settled with landlords as a result of the closure of the Town Shoes Banner. This decrease was offset due to improvements in working capital. Net cash provided by operations in fiscal 2017 decreased to $191.0 million from $212.9 million for fiscal 2016. The decrease in net cash provided by operating activities was primarily driven by the timing of working capital payments due to the extra week in fiscal 2017, primarily related to occupancy-related payments. Net income was relatively flat after adjusting for non-cash activity, which primarily included impairment charges, the change in the fair value of the contingent consideration liability, depreciation and amortization, stock-based compensation expense, and the change in deferred income taxes.

Investing Cash Flows

For fiscal 2018, net cash used in investing activities was $282.0 million, which was due to the acquisitions of TSL and Camuto Group, capital expenditures of $65.4 million and $16.0 million of additional borrowings by TSL prior to the acquisition, partially offset by the net liquidation of our available-for-sale securities.

For fiscal 2017, net cash used in investing activities was $59.0 million, which included the payment of $56.3 million for capital expenditures and $57.4 million of additional borrowings by TSL.

For fiscal 2016, net cash used in investing activities was $27.3 million, which included $87.6 million for capital expenditures, offset by net proceeds from the sale of investments of $124.8 million, which were used to fund our share repurchases, payment of dividends and the acquisition of Ebuys.

Financing Cash Flows

For fiscal 2018, net cash provided by financing activities was $30.0 million, which was due to borrowings on our revolving line of credit of $160.0 million, offset by the payment of dividends and the repurchase of Class A common shares under the share repurchase program. For fiscal 2017 and 2016, net cash used in financing activities was $71.4 million and $110.5 million, respectively, primarily related to the payment of dividends and the repurchase of Class A common shares under the share repurchase program.

On August 17, 2017, the Board of Directors authorized the repurchase of an additional $500 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 fiscal 2018, we repurchased 2.0 million Class A common shares at a cost of $47.5 million, with $476.6 million of Class A common shares that remain authorized under the program as of February 2, 2019. The share repurchase program may be suspended, modified or discontinued at any time, and we have no obligation to repurchase any amount of our common shares under the program. Shares will be repurchased in the open market at times and in amounts considered appropriate based on price and market conditions.

Debt

Credit Facility- On August 25, 2017, we entered into a senior unsecured revolving credit agreement (the "Credit Facility") with a maturity date of August 25, 2022 that replaced our previous secured revolving credit agreement and letter of credit agreement. On October 10, 2018, the Credit Facility was amended to include the acquisition of Camuto Group as a permitted acquisition and, following the acquisition, to utilize an accordion feature that provided for an increase to the revolving line of credit. On November 5, 2018, following the acquisition of Camuto Group, the amended Credit Facility was increased with no change to the sub-limits. As of February 2, 2019, the Credit Facility provided a revolving line of credit up to $400 million, with sub-limits for the issuance of up to $50 million in letters of credit, swing loan advances of up to $15 million, and the issuance of up to $75 million in foreign currency revolving loans and letters of credit. The Credit Facility may be used to provide funds for working capital, capital expenditures, share repurchases, other expenditures, and permitted acquisitions as defined by the Credit Facility. Our Credit Facility allows the payments of dividends by us or our subsidiaries, provided that immediately before and after a dividend payment there is no event of default, as defined in our Credit Facility.

Loans issued under the revolving line of credit bear interest, at our option, at a base rate or an alternate base rate as defined in the Credit Facility plus a margin based on our leverage ratio, with an interest rate of 4.0% as of February 2, 2019. Any loans issued in CAD bear interest at the alternate base rate plus a margin based on our leverage ratio. Interest on letters of credit issued under the Credit Facility is variable based on our leverage ratio and the type of letters of credit, with an interest rate of 1.5% as of February 2, 2019. Commitment fees are based on the average unused portion of the Credit Facility at a variable rate based on our leverage ratio. As of February 2, 2019, we had $160.0 million outstanding borrowings under the Credit Facility and $4.5 million in letters of credit issued, resulting in $235.5 million available for borrowings. Interest expense related to the Credit Facility includes interest on borrowings and letters of credit, commitment fees and the amortization of debt issuance costs.

Debt Covenants- The Credit Facility contains financial and other covenants, including, but not limited to, limitations on indebtedness, liens and investments, as well as the maintenance of a leverage ratio not to exceed 3.25:1 and a fixed charge coverage ratio not to be less than 1.75:1. As a result of the acquisition of Camuto Group, we have elected to increase the leverage ratio whereby we must maintain a leverage ratio not to exceed 3.50:1 as of the end of the fourth quarter of fiscal 2018 and for the subsequent three quarters. A violation of any of the covenants could result in a default under the Credit Facility that would permit the lenders to restrict our ability to further access the Credit Facility for loans and letters of credit and require the immediate repayment of any outstanding loans under the Credit Facility. As of February 2, 2019, we were in compliance with all financial covenants.

Capital Expenditure Plans

We expect to spend approximately $70.0 million to $80.0 million for capital expenditures in fiscal 2019. Our future investments will depend primarily on the number of stores we open and remodel, infrastructure and information technology projects that we undertake and the timing of these expenditures. During fiscal 2019, we plan to open approximately 11 to 16 new stores. During fiscal 2018, the average investment required to open a new store was approximately $1.3 million prior to any tenant allowances we might receive, and included fixtures and leasehold improvements, inventory, and new store advertising and other expenses.

Off-Balance Sheet Liabilities and Other Contractual Obligations

We do not have any material off-balance sheet arrangements as defined by Item 303(a)(4) of Regulation S-K. The following table presents a summary of our minimum contractual commitments and obligations as of February 2, 2019:

	Payments due by Period				
(in thousands)	**Total**	**Less Than 1 Year**	**1 - 3 Years**	**3 -5 Years**	**More Than 5 Years**
Operating lease obligations[(1)]	$ 1,306,576	$ 242,662	$ 449,865	$ 310,016	$ 304,033
Debt, including estimated interest payments[(2)]	183,169	6,487	12,975	163,707	—
Minimum license commitments[(3)]	305,606	33,984	71,159	62,418	138,045
Purchase obligations[(4)]	19,634	15,278	4,356	—	—
Total	$ 1,814,985	$ 298,411	$ 538,355	$ 536,141	$ 442,078

(1) Operating lease obligations include real estate leases, including leased locations that were abandoned, and non-real estate leases. Future minimum lease payment requirements excludes contingent rental payments, maintenance, insurance, real estate taxes, and the amortization of deferred rent and construction and tenant allowances.

(2) Interest payments on our revolving line of credit were estimated using the effective interest rate as of February 2, 2019 and assuming interest payments on $160.0 million outstanding on our revolving line of credit through August 25, 2022, the maturity date of our Credit Facility.

(3) Minimum license commitments includes guaranteed minimum royalties, including amounts due to the ABG-Camuto joint venture, and fixed consulting and other fees due to other parties under various licensing agreements.

(4) Purchase obligations include commitments where we would not be able to cancel such obligations without payment or penalty, including items to be purchased for projects that were under construction or for which a lease has been signed.

Recent Accounting Pronouncements

The information related to recent accounting pronouncements as set forth in Note 1, *Significant Accounting Policies*, of the Consolidated Financial Statements included in this Annual Report on Form 10-K is incorporated herein by reference.

Critical Accounting Policies and Estimates

As discussed in Note 1, *Significant Accounting Policies*, of the Consolidated Financial Statements included in this Annual Report on Form 10-K, the preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States ("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 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 appraisal 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 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 consolidated financial statements.

We believe the following represent the most significant accounting policies, critical estimates and assumptions, among others, used in the preparation of our consolidated financial statements:

Policy	Judgments and Estimates	Effect if Actual Results Differ from Assumptions
Business Combinations. We account for business combinations using the acquisition method of accounting, which requires that once control is obtained, all the assets acquired and liabilities assumed be recorded at their respective fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires estimates and the use of valuation techniques when market value is not readily available. Any excess of purchase price over the fair value of net tangible and intangible assets acquired is allocated to goodwill.	The fair values for property and equipment were determined using the cost and market approaches. The fair value of inventories, which is made up of finished goods, was determined based on market assumptions for realizing a reasonable profit after selling costs. For intangible assets, we generally use an income approach to determine fair value. The income approach requires management to make significant estimates and assumptions. These estimates and assumptions may include the use of discount rates, growth rates, customer attrition rates, royalty rates, and forecasts of revenue and operating income. The discount rates applied to the projections reflect the risk factors associated with those projections.	Although we believe our estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could result in future impairment charges of long-lived assets and goodwill and other indefinite lived intangible assets, discussed in more detail below.

Policy	Judgments and Estimates	Effect if Actual Results Differ from Assumptions
Customer Allowances and Discounts. We reduce net sales by the amount of actual and remaining expected customer allowances and discounts.	Customer allowances are provided to our wholesale customers for margin assistance, co-op advertising support, and various other deductions. We estimate the reserves needed for margin assistance by reviewing inventory levels held by retailers, expected markdowns, gross margins realized, and other performance indicators. Other customer deductions are estimated using historical experience and anticipated future trends. Co-op advertising allowances are estimated based on arrangements with customers. We continually track the customer allowances and discounts provided to support our estimated reserves and adjust accordingly.	As of February 2, 2019, the reserve for customer allowances and discounts was $13.1 million.
Sales Returns. Sales and cost of sales are recognized upon customer receipt of merchandise, net of estimated returns.	We reduce net sales by the amount of expected returns and cost of sales by the amount of merchandise we expect to recover, which are estimated based on historical experience. We continually track our returns experience to support our estimated rate of sales returns and adjust accordingly.	As of February 2, 2019, the sales return reserve was $17.7 million.
Gift Cards. Amounts received from the sale of gift cards are recorded as a liability and are recognized as sales when the cards are redeemed for merchandise. Based on historical information, the likelihood of a gift card remaining unredeemed (referred to as “breakage”) can be reasonably estimated at the time of gift card issuance. Breakage income is recognized over the estimated average redemption period of redeemed gift cards.	Breakage income is recognized based on our estimate of gift cards that will not be redeemed and on the redemption patterns associated with our gift cards, both of which are estimated based on historical experience. We continually track our redemption patterns and unredeemed experience to support the amount of timing of breakage income to recognize.	During fiscal 2018, 2017 and 2016, gift card breakage was $4.6 million, $4.2 million, and $4.0 million, respectively.
Loyalty Programs. We offer a loyalty program to our customers in the U.S. and in Canada. Members under both programs earn points based on their level of spending, as well as for various other activities. Upon reaching a specified point threshold, members receive reward certificates that may be redeemed for purchases made within the stated expiration date. We record a reduction of net sales when points are awarded based on an allocation of the initial customer purchase and the stand alone value of the points earned. We maintain a deferred liability for the outstanding points and certificates based on historical conversion and redemption rates. The deferred liability is reduced and sales are recognized when certificates are redeemed or when points and certificates expire.	In calculating the loyalty program reserve, we estimate the number of points anticipated to be converted into certificates and redemption rates of issued certificates based on historical experience. During early fiscal 2018, we launched a new program for our customers in the U.S. that replaced our previous loyalty program, which results in certificates being earned sooner at a lower face value. Because of these changes, we have updated our assumptions based on our historical experience since the launch of the new program. We continue to monitor conversion and redemption rates and adjust accordingly.	As of February 2, 2019, the loyalty program reserve was $16.2 million.

Policy	Judgments and Estimates	Effect if Actual Results Differ from Assumptions
Cost of Sales and Inventories. The U.S. Retail segment accounts for inventory using the retail inventory method and is stated at the lower of cost or market. Under the retail inventory method, the valuation of inventories at cost and the resulting gross profits are determined by applying a calculated cost-to-retail ratio to the retail value of inventories. The cost basis of inventories reflected on the balance sheet is decreased by charges to cost of sales at the time the retail value of the inventory is lowered by markdowns. The Canada Retail and Brand Portfolio segments account for inventory using the weighted average cost method and is stated at the lower of cost or net realizable value. We monitor aged inventory for obsolete and slow moving inventory that may need to be liquidated at amounts below cost. Reductions to inventory values establish a new cost basis. Favorable changes in facts or circumstances do not result in an increase in the newly established cost basis. We perform physical inventory counts or cycle counts on all inventory on hand throughout the year and adjust the recorded balance to reflect the results. We record estimated shrinkage between physical inventory counts based on historical experience and recent results.	Inherent in the calculation of inventories are certain significant judgments and estimates, including setting the original merchandise retail value, markdowns, shrinkage, and liquidation values. Shrinkage is calculated as a percentage of sales from the last physical inventory date based on both historical experience as well as recent physical inventory results. Aged inventory may be written down using estimated liquidation values and cost of disposal based on historical experience.	If the reduction to inventories for markdowns, shrinkage, and aged inventories were to change by 10%, cost of sales would increase by approximately $3.7 million.
Accrual for Lease Obligations. We record a reserve when a leased space is abandoned due to closure or relocation.	Using our credit-adjusted risk-free rate to present value the liability, we estimate future lease obligations based on remaining lease payments, estimated or actual sublease income, and any other relevant factors.	As of February 2, 2019, our accrual for lease obligations was $16.5 million.
Asset Impairment of Long-lived Assets. We periodically evaluate the carrying amount of our long-lived assets, primarily property and equipment, when events and circumstances warrant such a review to ascertain if any assets have been impaired. The carrying amount of a long-lived asset or asset group is considered impaired when the carrying value of the asset or asset group exceeds the expected future cash flows from the asset or asset group. The impairment loss recognized is the excess of the carrying value of the asset or asset group over its fair value.	Our reviews are conducted at the lowest identifiable level, which typically is at the store level for the majority of our property and equipment. Fair value for property and equipment is typically based on projected discounted cash flows using a discount rate determined by management. We also review construction in progress projects, including internal-use software under development, for recoverability when we have a strategic shift in our plans.	During fiscal 2018, we recorded a $13.9 million impairment charge for an abandoned corporate internal-use software that was under development and $5.1 million of impairments primarily related to under-performing stores. A 10% change in our projected cash flows for our store fleet would not result in a material amount of additional impairment charges. To the extent these future projections or our strategies change, the conclusion regarding impairment may differ from our current estimates.

Policy	Judgments and Estimates	Effect if Actual Results Differ from Assumptions
Impairment of Goodwill and Other Indefinite Lived Intangible Assets. We evaluate goodwill and other indefinite lived intangible assets for impairment annually during our fourth quarter, or more frequently if an event occurs or circumstances change, such as material deterioration in performance or a significant and sustained decline in our stock price, that would indicate that impairment may exist. When evaluating goodwill for impairment, we may first perform a qualitative assessment to determine whether it is more likely than not that a reporting unit is impaired. If we do not perform a qualitative assessment, or if we determine that it is more likely than not that the carrying value of the reporting unit exceeds its fair value, we will calculate the estimated fair value of the reporting unit. Fair value is the price a willing buyer would pay for the reporting unit and is typically calculated using a discounted cash flow analysis. For certain reporting units, where deemed appropriate, we may also utilize a market approach for estimating fair value. We will first test other intangible assets for impairment, primarily tradenames with fair value based on the relief from royalty method. Goodwill impairment charges are calculated as the amount by which a reporting unit's carrying amount exceeds its fair value up to the amount of reported goodwill.	When assessing goodwill for impairment, our decision to perform a qualitative impairment assessment for an individual reporting unit is influenced by a number of factors, including the significance of the excess of the reporting unit's estimated fair value over carrying value at the last assessment date and the amount of time in between quantitative fair value assessments and the date of acquisition. Our impairment calculations contain uncertainties as we are required to make assumptions and to apply judgment when estimating future cash flows, including projected revenue growth and operating income, as well as selecting an appropriate discount rate and assumed royalty rate. Estimates of revenue growth and operating income are based on internal projections considering the reporting unit's past performance and forecasted growth, strategic initiatives, and the business environment impacting the reporting unit's performance. The discount rate and royalty rate are selected based on market participant assumptions. These estimates are highly subjective, and our ability to realize the future cash flows used in our fair value calculations is affected by factors such as the success of strategic initiatives, changes in economic conditions, changes in our operating performance and changes in our business strategies.	As of February 2, 2019, we had $25.9 million in goodwill within the U.S. Retail segment. We determined the fair value of the U.S. Retail segment was significantly in excess of its carrying value and a 10% decrease in fair value would not result in an impairment charge. Accordingly, we did not recognize an impairment charge during the current fiscal year for the U.S. Retail segment goodwill. However, as we periodically reassess estimated future cash flows and asset fair values, changes in our estimates and assumptions may cause us to realize material impairment charges in the future. On May 10, 2018, we acquired the remaining interest in TSL, which resulted in recording $43.0 million of goodwill, after adjustments. Based on the fair value of TSL using a discounted cash flow model, we determined that the value of the acquired net assets exceeded its fair value. As a result, during fiscal 2018, we recorded a goodwill impairment charge, which resulted in impairing all of Canada Retail segment's goodwill. On November 5, 2018, we completed the acquisition of Camuto Group and recorded $63.6 million of goodwill.
Foreign Tax Contingencies. During the due diligence procedures performed related to the acquisition of Camuto Group, we identified probable contingent liabilities associated with unpaid foreign payroll and other taxes that could also result in assessed penalties and interest.	We have developed an initial estimate of the range of outcomes related to these obligations of $13.4 million to $30.0 million for obligations we are aware of at this time, based on calculations used for recording the estimated expenses for the fourth quarter of fiscal 2018 and extrapolating to periods we believe are open for assessment under statute of limitations. We recorded a contingent liability for the low end of the range with an offsetting indemnification asset, which we expect to collect under the terms of the securities purchase agreement with the Sellers. We are continuing to assess the exposure and we may identify additional contingent liabilities. We believe that the Sellers are obligated to indemnify us for any payments to foreign taxing authorities for the periods prior to the close of the acquisition. Although a portion of the purchase price is held in escrow and another portion is held in a restricted account, there can be no assurance that we will successfully be reimbursed for all amounts that we may be obligated to settle with the foreign taxing authorities.	As of February 2, 2019, our liability for foreign tax contingencies was $13.4 million with an estimated range of outcomes of $13.4 million to $30.0 million for obligations we are aware of at this time.

Policy	Judgments and Estimates	Effect if Actual Results Differ from Assumptions
Income Taxes. We determine the aggregate amount of income tax expense to accrue and the amount which will be currently payable based upon tax statutes of each jurisdiction we do business in. Deferred tax assets and liabilities, as a result of these timing differences, are reflected on our balance sheet for temporary differences that will reverse in subsequent years. A valuation allowance is established against deferred tax assets when it is more likely than not that some or all of the deferred tax assets will not be realized. We review and update our tax positions as necessary to add any new uncertain tax positions taken, or to remove previously identified uncertain positions that have been adequately resolved. Additionally, uncertain positions may be remeasured as warranted by changes in facts or law.	Tax laws, regulations, and policies in various jurisdictions may be subject to significant change due to economic, political and other conditions, and significant judgment is required in estimating our provision and accruals for taxes. There may be transactions that occur during the ordinary course of business for which the ultimate tax determination is uncertain. The U.S. Tax Reform that was enacted in fiscal 2017 significantly changed how the U.S. taxes corporations and requires complex computations to be performed that were not previously required in U.S. tax law. The U.S. Treasury Department, the U.S. Internal Revenue Service, and other standard-setting bodies could interpret or issue guidance on how provisions of the U.S. Tax Reform will be applied or otherwise administered that is different from our interpretation. In addition, state, local or foreign jurisdictions may enact tax laws in response to the U.S. Tax Reform that could result in further changes to taxation and materially affect our financial position and results of operations.	As of February 2, 2019, we had a valuation allowance of $14.1 million and gross unrecognized tax benefits of $11.6 million. However, we may be required to make adjustments that may materially impact our provision for income taxes in the period in which the adjustments are made based on additional information, additional guidance or revised interpretations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have market risk exposure related to interest rates and foreign currency exchange rates. Market risk is measured as the potential negative impact on earnings, cash flows or fair values resulting from a hypothetical change in interest rates or foreign currency exchange rates over the next year. We currently do not utilize hedging instruments to mitigate these market risks.

Interest Rate Risk

We hold available-for-sale securities, which are not materially affected by changes in market interest rates. Also, as of February 2, 2019, we had $160.0 million outstanding on our revolving line of credit under our Credit Facility. Borrowings under our Credit Facility are based on a variable rate of interest, which exposes us to interest rate market risks, particularly during a period of rising interest rates. The impact of a hypothetical 100 basis point increase in interest rates on our revolving line of credit would not result in a material amount of additional expense over a 12-month period based on the balance as of February 2, 2019.

Foreign Currency Exchange Risk

We are exposed to the impact of foreign exchange rate risk primarily through our operations in Canada where the functional currency is the Canadian dollar, as well as foreign denominated cash accounts. A hypothetical 10% movement in the exchange rates could result in a $6.6 million foreign currency translation fluctuation, which would be recorded in accumulated other comprehensive loss within the consolidated balance sheets, and $1.5 million of foreign currency revaluation, which would be recorded in non-operating expenses, net within the consolidated statements of operations.

During the second quarter of fiscal 2018, as a result of acquiring the remaining interest in TSL, we reclassified a net loss of $12.2 million of foreign currency translation related to the previously held balances from accumulated other comprehensive loss to non-operating expenses, net.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and the Report of Independent Registered Public Accounting Firm thereon are filed pursuant to this Item 8 and are included in this report beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 Annual Report, that such disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for us (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Management assessed the effectiveness of our internal control system as of February 2, 2019. In making its assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013).* Based on this assessment, management concluded that our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting.

Under the rules and regulations of the SEC, we have elected to exclude the companies acquired during the year ended February 2, 2019 from management's assessment of effectiveness of the Company's internal control over financial reporting as of February 2, 2019. The companies acquired include TSL and Camuto Group. These acquisitions constitute 9.7% of total revenue in the consolidated statements of operations and 32.3% of total assets in the consolidated balance sheets as of and for the year ended February 2, 2019. In the Company's annual report on Form 10-K for the year ending February 1, 2020, management and the Company's independent registered public accounting firm will be required to provide an assessment as to the effectiveness of the Company's internal control over financial reporting, inclusive of the acquired companies.

Deloitte & Touche LLP, our independent registered public accounting firm, has issued an attestation report covering our internal control over financial reporting, as stated in its report on page F-1 of this Annual Report.

Changes in Internal Control over Financial Reporting

Except as noted in the following sentence, 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. As a result of acquiring Camuto Group, we have incorporated internal controls over significant processes specific to the acquisition that we believe are appropriate and necessary in consideration of accounting for the acquisition, consolidation, and financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information contained under the captions "**EXECUTIVE OFFICERS," "ELECTION OF DIRECTORS"** and "**OTHER DIRECTOR INFORMATION, BOARD COMMITTEES, AND CORPORATE GOVERNANCE INFORMATION"** in our definitive Proxy Statement for the 2019 Annual Meeting of Shareholders, to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act (the "Proxy Statement"), is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information contained under the captions "**COMPENSATION OF MANAGEMENT," "OTHER DIRECTOR INFORMATION, BOARD COMMITTEES, AND CORPORATE GOVERNANCE INFORMATION,"** "**REPORT OF THE COMPENSATION COMMITTEE"** and **"COMPENSATION DISCUSSION AND ANALYSIS"** in the Proxy Statement is incorporated herein by reference. Notwithstanding the foregoing, the information contained in the Proxy Statement under the caption "**REPORT OF THE COMPENSATION COMMITTEE"** shall be deemed furnished, and not filed, in this Annual Report on Form 10-K and shall not be deemed incorporated by reference into any filing we make under the Securities Act of 1933, as amended, or the Exchange Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained under the caption "**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT"** in the Proxy Statement is incorporated herein by reference.

Equity Compensation Plan Information

The following table sets forth additional information, as of February 2, 2019, about our Class A common shares that may be issued upon the exercise of options and other rights under our existing equity compensation plans and arrangements, divided between plans approved by our shareholders and plans or arrangements not submitted to our shareholders for approval. The information includes the number of shares covered by, and the weighted average exercise price of, outstanding options, warrants and other rights and the number of shares remaining available for future grants, excluding the shares to be issued upon exercise of outstanding options, warrants and other rights.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)(2)(3)	(b) Weighted-average exercise price of outstanding options, warrants and rights(2)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(3)
Equity compensation plans approved by security holders	5,977,650	$ 24.36	4,026,240
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	5,977,650	$ 24.36	4,026,240

(1) DSW Inc. 2005 Equity Incentive Plan.

(2) Includes 4,000,799 shares issuable pursuant to the exercise of outstanding stock options, 989,013 shares issuable pursuant to restricted stock units, 595,936 shares issuable pursuant to performance-based restricted stock units and 391,902 shares issuable pursuant to director stock units. Since the restricted stock units, performance-based restricted stock units and director stock units have no exercise price, they are not included in the weighted average exercise price calculation in column (b).

(3) DSW Inc. 2014 Equity Incentive Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information contained under the captions "**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS"** and "**OTHER DIRECTOR INFORMATION, BOARD COMMITTEES, AND CORPORATE GOVERNANCE INFORMATION"** in the Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information contained under the caption "**AUDIT AND OTHER SERVICE FEES"** in the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The documents listed below are filed as part of this Form 10-K:

(a)(2) Consolidated Financial Statement Schedules:

Schedules not filed are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements or the notes thereto.

(a)(3) and (b) Exhibits:

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated February 8, 2011, among DSW Inc., DSW MS LLC, and Retail Ventures, Inc. Incorporated by reference to Exhibit 2.1 to Form 8-K/A (file no. 001-32545) filed February 25, 2011.
2.2	Agreement of Purchase and Sale, dated October 31, 2012, among DSW Inc., 4300 East Fifth Avenue LLC, 4300 Venture 34910 LLC, and 4300 Venture 6729 LLC. Incorporated by reference to Exhibit 2.1 to Form 8-K (file no. 001-32545) filed November 1, 2012.
2.3##	Stock Purchase Agreement, dated February 16, 2016, among DSW Shoe Warehouse, Inc. and Ebuys, Inc. Incorporated by reference to Exhibit 2.1 to DSW's Form 8-K (file no. 001-32545) filed February 17, 2016.
2.4##	Securities Purchase Agreement, dated as of October 10, 2018, by and among DSW Shoe Warehouse, Inc., ABG-Camuto, LLC, Camuto Group LLC, Camuto Consulting, Inc., Camuto Owners (as defined therein), Clear Thinking Group LLC, in the person of Stuart H. Kessler, solely in its capacity as Sellers' Representative (as defined therein) and Buyer Parents (as defined therein), solely with respect to the Parent Specified Sections. Incorporated by reference to Exhibit 2.1 to Form 8-K (file no. 001-32545) filed October 11, 2018.
2.4.1##*	Amendment to Securities Purchase Agreement, dated October 10, 2018, by and among DSW Shoe Warehouse, Inc., ABG-Camuto, LLC, Camuto Group LLC, Camuto Consulting, Inc., Camuto Owners (as defined therein), Clear Thinking Group LLC, in the person of Stuart H. Kessler, solely in its capacity as Sellers' Representative (as defined therein) and Buyer Parents (as defined therein), solely with respect to the Parent Specified Sections.
2.4.2##*	Side Letter to Securities Purchase Agreement, dated January 31, 2019, by and among DSW Shoe Warehouse, Inc., ABG-Camuto, LLC, Camuto Group LLC, Camuto Consulting, Inc., Camuto Owners (as defined therein), Clear Thinking Group LLC, in the person of Stuart H. Kessler, solely in its capacity as Sellers' Representative (as defined therein) and Buyer Parents (as defined therein), solely with respect to the Parent Specified Sections.
3.1*	Amended and Restated Articles of Incorporation of Designer Brands Inc. dated March 19, 2019.
3.2	Amended and Restated Code of Regulations of DSW Inc. Incorporated by reference to Exhibit 3.2 to Form 10-K (file no. 001-32545) filed April 13, 2006.
4.1	Specimen Class A Common Shares Certificate. Incorporated by reference to the same exhibit to Form 10-K (file no. 001-32545) filed April 13, 2006.
10.1	Corporate Services Agreement, dated June 12, 2002, between Retail Ventures and Schottenstein Stores Corporation. Incorporated by reference to Exhibit 10.6 to Retail Ventures' Form 10-Q (file no. 001-10767) filed June 18, 2002.
10.1.1	Amendment to Corporate Services Agreement, dated July 5, 2005, among Retail Ventures, Schottenstein Stores Corporation and Schottenstein Management Company, together with Side Letter Agreement, dated July 5, 2005, among Schottenstein Stores Corporation, Retail Ventures, Inc., Schottenstein Management Company and DSW Inc. related thereto. Incorporated by reference to Exhibit 10.5 to Retail Ventures' Form 8-K (file no. 001-10767) filed July 11, 2005.
10.2#	Employment Agreement, dated March 4, 2005, between Deborah L. Ferrée and DSW Inc. Incorporated by reference to Exhibit 10.4 to Form S-1 (Registration Statement no. 333-123289) filed March 14, 2005.
10.2.1#	First Amendment to Employment Agreement, dated December 31, 2007, between Deborah L. Ferrée and DSW Inc. Incorporated by reference to Exhibit 10.2.1 to Form 10-K (file no. 001-32545) filed April 17, 2008.
10.2.2#	Second Amendment to Employment Agreement, dated February 12, 2016, between Deborah L. Ferrée and DSW Inc. Incorporated by reference to Exhibit 10.2.2 to Form 10-K (file no. 001-32545) filed March 24, 2016.
10.3#	DSW Inc. 2014 Long-Term Incentive Plan. Incorporated by reference to Appendix C to Schedule 14A (file no. 001-32545) filed April 30, 2014.
10.3.1#*	First Amendment to DSW Inc. 2014 Long-Term Incentive Plan, dated January 31, 2018.
10.3.2#	Form of Restricted Stock Units Award Agreement for Employees. Incorporated by reference to Exhibit 10.3.1 to Form 10-K (file no. 001-32545) filed March 26, 2015.
10.3.3#	Form of Stock Units for Automatic Grants to Non-employee Directors. Incorporated by reference to Exhibit 10.3.2 to Form 10-K (file no. 001-32545) filed March 26, 2015.
10.3.4#	Form of Nonqualified Stock Option Award Agreement for Employees. Incorporated by reference to Exhibit 10.3.3 to Form 10-K (file no. 001-32545) filed March 26, 2015.
10.3.5#	Form of Performance-Based Restricted Stock Units Award Agreement for Employees. Incorporated by reference to Exhibit 10.3.4 to Form 10-K (file no. 001-32545) filed March 26, 2015.

Exhibit No.	Description
10.4	Credit Agreement, dated August 25, 2017, among DSW Inc., as the lead borrower, certain of its Canadian subsidiaries that may become borrowers thereunder, the Company's domestic subsidiaries as guarantors, the lenders party thereto, and PNC Bank, National Association, as administrative agent for the lenders. Incorporated by reference to Exhibit 10.1 to Form 8-K (file no. 001-32545) filed August 31, 2017.
10.4.1	Second Amendment to Credit Agreement, dated as of October 10, 2018, by and among DSW Inc., the guarantors party thereto, the lenders party thereto and PNC Bank, National Association, as administrative agent. Incorporated by reference to Exhibit 10.1 to Form 8-K (file no. 001-32545) filed October 11, 2018.
10.5	Cost Sharing Agreement, dated November 1, 2012, between 4300 East Fifth Avenue LLC and 810 AC LLC, a wholly owned subsidiary of DSW. Incorporated by reference to Exhibit 10.1 to Form 8-K filed November 1, 2012.
10.6#	DSW Inc. 2005 Cash Incentive Compensation Plan. Incorporated by reference to Appendix B to Schedule 14A (file no. 001-32545) filed April 30, 2014.
10.7	Form of Indemnification Agreement between DSW Inc. and its officers and directors. Incorporated by reference to Exhibit 10.44 to Form S-1 (Registration Statement no. 333-123289) Amendment No. 4 filed June 27, 2005.
10.8	Management Agreement, dated November 1, 2012, between Schottenstein Property Group, LLC and 810 AC LLC, a wholly owned subsidiary of DSW. Incorporated by reference to Exhibit 10.2 to Form 8-K (file no. 001-32545) filed November 1, 2012.
10.9	Master Separation Agreement, dated July 5, 2005, between DSW Inc. and Retail Ventures, Inc. Incorporated by reference to Exhibit 10.1 to Form 8-K (file no. 001-10767) filed July 11, 2005.
10.9.1	Amendment to Master Separation Agreement between DSW Inc. and Retail Ventures, Inc., dated May 26, 2011. Incorporated by reference to Exhibit 10.1 to Form 8-K (file no. 001-32545) filed May 26, 2011.
10.10	Amended and Restated Supply Agreement dated May 30, 2006, between DSW Inc. and Stein Mart, Inc. Incorporated by reference to Exhibit 10.1 to Form 8-K (file no. 001-32545) filed June 5, 2006.
10.10.1	First Amendment to Amended and Restated Supply Agreement dated May 30, 2006, between DSW Inc. and Stein Mart, Inc. Entered into August 26, 2008. Incorporated by reference to Exhibit 10.11.1 to Form 10-K (file no. 001-32545) filed March 23, 2018.
10.10.2	Second Amendment to Amended and Restated Supply Agreement dated May 30, 2006, between DSW Inc. and Stein Mart, Inc. Entered into February 23, 2012. Incorporated by reference to Exhibit 10.11.2 to Form 10-K (file no. 001-32545) filed March 23, 2018.
10.10.3	Third Amendment to Amended and Restated Supply Agreement dated May 30, 2006, between DSW Inc. and Stein Mart, Inc. Entered into September 10, 2013. Incorporated by reference to Exhibit 10.11.3 to Form 10-K (file no. 001-32545) filed March 23, 2018.
10.10.4	Fourth Amendment to Amended and Restated Supply Agreement dated May 30, 2006, between DSW Inc. and Stein Mart, Inc. Entered into on July 31, 2014. Incorporated by reference to Exhibit 10.11.4 to Form 10-K (file no. 001-32545) filed March 23, 2018.
10.10.5	Fifth Amendment to Amended and Restated Supply Agreement dated May 30, 2006, between DSW Inc. and Stein Mart, Inc. Entered into on March 14, 2017. Incorporated by reference to Exhibit 10.11.5 to Form 10-K (file no. 001-32545) filed March 23, 2018.
10.10.6	Sixth Amendment to Amended and Restated Supply Agreement dated May 30, 2006, between DSW Inc. and Stein Mart, Inc. Entered into on December 6, 2017. Incorporated by reference to Exhibit 10.11.6 to Form 10-K (file no. 001-32545) filed March 23, 2018.
10.11#	Nonqualified Deferred Compensation Plan. Incorporated by reference to Exhibit 10.1 to Form 10-Q (file no. 001-32545) filed December 13, 2007.
10.12	Agreement of Lease, dated October 1, 2007, between 4300 Venture 34910 LLC, an affiliate of Schottenstein Stores Corporation and eTailDirect LLC re: fulfillment center. Incorporated by reference to Exhibit 10.1 to Form 8-K (file no. 001-32545) filed March 6, 2008.
10.12.1	Lease Amendment to Agreement of Lease, dated September 29, 2009, between 4300 Venture 34910 LLC, an affiliate of Schottenstein Stores Corporation and eTailDirect LLC re: fulfillment center. Incorporated by reference to Exhibit 10.1 to Form 10-Q (file no. 001-32545) filed December 3, 2009.
10.12.2	Second Lease Amendment to Agreement of Lease, dated November 30, 2010, between 4300 Venture 34910 LLC, an affiliate of Schottenstein Stores Corporation and eTailDirect LLC re: fulfillment center. Incorporated by reference to Exhibit 10.56.2 to Form 10-K (file no. 001-32545) filed March 22, 2011.
10.12.3	Third Lease Amendment to Agreement of Lease, dated March 1, 2013, between 4300 Venture 34910 LLC, a Schottenstein Affiliate, and eTailDirect LLC re: fulfillment center. Incorporated by reference to Exhibit 10.1 to Form 10-Q (file no. 001-32545) filed June 7, 2013.

Exhibit No.	Description
10.12.4*	Fourth Lease Amendment to Agreement of Lease, dated December 23, 2016, between 4300 Venture 34910 LLC, an affiliate of Schottenstein Stores Corporation and eTailDirect LLC re: fulfillment center.
10.13	Guaranty by DSW Inc. to 4300 Venture 34910 LLC, an affiliate of Schottenstein Stores Corporation re: Lease, dated October 1, 2007 between 4300 Venture 34910 LLC, an affiliate of Schottenstein Stores Corporation and eTailDirect LLC re: new fulfillment center for the business of dsw.com. Incorporated by reference to Exhibit 10.5 to Form 8-K (file no. 001-32545) filed March 6, 2008.
10.14#	Employment Agreement, dated March 27, 2009, between William L. Jordan and DSW Inc. Incorporated by reference to Exhibit 10.61 to Form 10-K (file no. 001-32545) filed April 1, 2009.
10.14.1#	First Amendment to Employment Agreement, dated November 9, 2015, between William L. Jordan and DSW Inc. Incorporated by reference to Exhibit 10.29.1 to Form 10-K (file no. 001-32545) filed March 24, 2016.
10.15#	Amended and Restated Executive Employment Agreement, dated March 19, 2014, between Roger Rawlins and DSW Inc. Incorporated by reference to Exhibit 10.50 to Form 10-K (file no. 001-32545) filed March 27, 2014.
10.15.1#	Standard Executive Severance Agreement, dated December 21, 2015, between Roger Rawlins and DSW Inc. Incorporated by reference to Exhibit 10.1 to Form 8-K (file no. 001-32545) filed December 22, 2015.
10.16#	Standard Executive Severance Agreement, dated January 4, 2016, between Simon Nankervis and DSW Inc. Incorporated by reference to Exhibit 10.39 to Form 10-K (file no. 001-32545) filed March 24, 2016.
10.17#	Standard Executive Severance Agreement, dated July 20, 2016, between Jared Poff and DSW Inc. Incorporated by reference to Exhibit 10.1 to Form 10-Q (file no.001-32545) filed September 1, 2016.
10.18#	Standard Executive Severance Agreement, dated May 1, 2017, between Michele Love and DSW Inc. Incorporated by reference to Exhibit 10.1 to Form 10-Q (file no. 001-32545) filed May 25, 2017.
21.1*	List of Subsidiaries.
23.1*	Consent of Independent Registered Public Accounting Firm.
24.1*	Powers of Attorney.
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*	XBRL Instance documents.

* Filed herewith.

\# Management contract or compensatory plan or arrangement.

\## Certain schedules to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K and Designer Brands Inc. agrees to furnish supplementary to the Securities and Exchange Commission a copy of any omitted schedule.

(c) Additional Financial Statement Schedules:

None.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

March 26, 2019	By:	/s/ Jared Poff
		Jared Poff, Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Signature	**Title**	**Date**
/s/ Roger Rawlins Roger Rawlins	Chief Executive Officer and Director (Principal Executive Officer)	March 26, 2019
/s/ Jared Poff Jared Poff	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 26, 2019
/s/ Mark Haley Mark Haley	Senior Vice President and Controller (Principal Accounting Officer)	March 26, 2019
* Jay L. Schottenstein	Executive Chairman of the Board and Director	March 26, 2019
* Peter Cobb	Director	March 26, 2019
* Joanne Zaiac	Director	March 26, 2019
* Elaine J. Eisenman	Director	March 26, 2019
* Carolee Lee	Director	March 26, 2019
* Joanna T. Lau	Director	March 26, 2019
* Joseph A. Schottenstein	Director	March 26, 2019
* Harvey L. Sonnenberg	Director	March 26, 2019
* Allan J. Tanenbaum	Director	March 26, 2019
* Ekta Singh-Bushell	Director	March 26, 2019

*By:	/s/ Jared Poff Jared Poff (Attorney-in-fact)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Designer Brands Inc.
Columbus, Ohio

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Designer Brands Inc. (formerly DSW Inc.) and subsidiaries (the "Company") as of February 2, 2019 and February 3, 2018, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows, for each of the three years in the period ended February 2, 2019, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of February 2, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 2, 2019 and February 3, 2018, and the results of its operations and its cash flows for each of the three years in the period ended February 2, 2019, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 2, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Town Shoes Limited and Camuto Group, which were acquired during 2018 and whose financial statements constitute approximately 9.7% of total revenue in the consolidated statements of operations and 32.3% of total assets in the consolidated balance sheets as of and for the year ended February 2, 2019. Accordingly, our audit did not include the internal control over financial reporting at Town Shoes Limited or Camuto Group.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP
Columbus, Ohio
March 26, 2019

We have served as the Company's auditor since 1997.

DESIGNER BRANDS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Fiscal		
	2018	2017	2016
Revenue:			
Net sales	$ 3,174,420	$ 2,805,555	$ 2,713,355
Commission, franchise and other revenue	9,318	5,165	4,944
Total revenue	3,183,738	2,810,720	2,718,299
Cost of sales	(2,239,229)	(2,006,423)	(1,933,457)
Operating expenses	(826,042)	(622,546)	(605,016)
Income from equity investment in ABG-Camuto	1,298	—	—
Impairment charges	(60,760)	(89,440)	—
Change in fair value of contingent consideration liability	—	32,747	20,151
Operating profit	59,005	125,058	199,977
Interest expense	(2,433)	(488)	(238)
Interest income	3,721	3,277	2,379
Interest income, net	1,288	2,789	2,141
Non-operating income (expenses), net	(49,616)	(1,885)	338
Income before income taxes and income (loss) from equity investment in TSL	10,677	125,962	202,456
Income tax provision	(29,833)	(59,567)	(78,778)
Income (loss) from equity investment in TSL	(1,310)	1,057	741
Net income (loss)	$ (20,466)	$ 67,452	$ 124,419
Basic and diluted earnings (loss) per share:			
Basic earnings (loss) per share	$ (0.26)	$ 0.84	$ 1.53
Diluted earnings (loss) per share	$ (0.26)	$ 0.84	$ 1.51
Weighted average shares used in per share calculations:			
Basic shares	80,026	80,160	81,536
Diluted shares	80,026	80,687	82,135

The accompanying Notes are an integral part of the Consolidated Financial Statements.

DESIGNER BRANDS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Fiscal		
	2018	2017	2016
Net income (loss)	$ (20,466)	$ 67,452	$ 124,419
Other comprehensive income (loss), net of income taxes:			
Foreign currency translation gain (loss)	(7,013)	3,681	6,831
Unrealized net gain (loss) on debt securities	192	(1,095)	127
Reclassification adjustment for net losses (gains) realized in net income (loss)	14,189	1,281	(196)
Total other comprehensive income, net of income taxes	7,368	3,867	6,762
Total comprehensive income (loss)	$ (13,098)	$ 71,319	$ 131,181

The accompanying Notes are an integral part of the Consolidated Financial Statements.

DESIGNER BRANDS INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	February 2, 2019	February 3, 2018
ASSETS		
Cash and cash equivalents	$ 99,369	$ 175,932
Investments	69,718	124,605
Accounts receivable, net	68,870	19,236
Inventories	645,317	501,903
Prepaid expenses and other current assets	71,945	49,197
Total current assets	955,219	870,873
Property and equipment, net	409,576	355,199
Goodwill	89,513	25,899
Intangible assets	46,129	135
Deferred tax assets	30,283	27,711
Equity investments	58,125	6,096
Notes receivable from TSL	—	115,895
Other assets	31,739	19,709
Total assets	$ 1,620,584	$ 1,421,517
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 261,625	$ 179,308
Accrued expenses	201,535	148,226
Total current liabilities	463,160	327,534
Debt	160,000	—
Non-current liabilities	165,047	138,732
Total liabilities	788,207	466,266
Commitments and contingencies		
Shareholders' equity:		
Common shares paid in-capital, no par value	978,794	961,245
Treasury shares, at cost	(373,436)	(325,906)
Retained earnings	254,718	354,979
Basis difference related to acquisition of commonly controlled entity	(24,993)	(24,993)
Accumulated other comprehensive loss	(2,706)	(10,074)
Total shareholders' equity	832,377	955,251
Total liabilities and shareholders' equity	$ 1,620,584	$ 1,421,517

The accompanying Notes are an integral part of the Consolidated Financial Statements.

DESIGNER BRANDS INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except per share data)

	Number of Shares			Amounts					
	Class A common shares	Class B common shares	Treasury shares	Common shares paid in capital	Treasury shares	Retained earnings	Basis difference related to acquisition of commonly controlled entity	Accumulated other comprehensive loss	Total
Balance, January 30, 2016	74,185	7,733	10,211	$ 930,011	$ (266,531)	$ 287,140	$ (24,993)	$ (20,703)	$ 904,924
Cumulative effect of accounting change	—	—	—	—	—	4,864	—	—	4,864
Net income	—	—	—	—	—	124,419	—	—	124,419
Stock-based compensation expense	—	—	—	12,687	—	—	—	—	12,687
Stock-based compensation issuances and exercises	642	—	—	3,693	—	—	—	—	3,693
Repurchase of Class A common shares	(2,380)	—	2,380	—	(50,000)	—	—	—	(50,000)
Excess tax detriments related to stock-based compensation	—	—	—	(40)	—	—	—	—	(40)
Dividends paid ($0.80 per share)	—	—	—	—	—	(65,073)	—	—	(65,073)
Other comprehensive income	—	—	—	—	—	—	—	6,762	6,762
Balance, January 28, 2017	72,447	7,733	12,591	946,351	(316,531)	351,350	(24,993)	(13,941)	942,236
Net income	—	—	—	—	—	67,452	—	—	67,452
Stock-based compensation expense	—	—	—	14,704	—	—	—	—	14,704
Stock-based compensation issuances and exercises	347	—	—	190	—	—	—	—	190
Repurchase of Class A common shares	(500)	—	500	—	(9,375)	—	—	—	(9,375)
Dividends paid ($0.80 per share)	—	—	—	—	—	(63,823)	—	—	(63,823)
Other comprehensive income	—	—	—	—	—	—	—	3,867	3,867
Balance, February 3, 2018	72,294	7,733	13,091	961,245	(325,906)	354,979	(24,993)	(10,074)	955,251
Net loss	—	—	—	—	—	(20,466)	—	—	(20,466)
Stock-based compensation expense	—	—	—	17,393	—	—	—	—	17,393
Replacement stock-based award value attributable to TSL acquisition	—	—	—	196	—	—	—	—	196
Stock-based compensation issuances and exercises	378	—	—	(40)	—	—	—	—	(40)
Repurchase of Class A common shares	(2,000)	—	2,000	—	(47,530)	—	—	—	(47,530)
Dividends paid ($1.00 per share)	—	—	—	—	—	(79,795)	—	—	(79,795)
Other comprehensive income	—	—	—	—	—	—	—	7,368	7,368
Balance, February 2, 2019	70,672	7,733	15,091	$ 978,794	$ (373,436)	$ 254,718	$ (24,993)	$ (2,706)	$ 832,377

The accompanying Notes are an integral part of the Consolidated Financial Statements.

DESIGNER BRANDS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal		
	2018	2017	2016
Cash flows from operating activities:			
Net income (loss)	$ (20,466)	$ 67,452	$ 124,419
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	79,048	80,861	82,824
Stock-based compensation expense	17,393	14,704	12,687
Deferred income taxes	(11,748)	(12,804)	6,861
Loss on previously held equity investment in TSL and notes receivable from TSL	33,988	—	—
Lease exit non-cash charges	7,237	—	—
Impairment charges	60,760	89,440	—
Change in fair value of contingent consideration liability	—	(32,747)	(20,151)
Loss on foreign currency reclassified from accumulated other comprehensive loss	13,963	1,281	—
Other	(3,445)	(775)	1,828
Change in operating assets and liabilities:			
Accounts receivable	36,151	(230)	(2,206)
Inventories	(4,162)	(1,908)	14,411
Prepaid expenses and other current assets	(12,310)	(15,895)	4,138
Accounts payable	(38,059)	(8,855)	(30,572)
Accrued expenses	16,984	10,492	18,667
Net cash provided by operating activities	175,334	191,016	212,906
Cash flows from investing activities:			
Cash paid for property and equipment	(65,355)	(56,282)	(87,580)
Purchases of available-for-sale investments	(16,735)	(133,153)	(95,905)
Sales of available-for-sale investments	71,136	187,866	220,744
Additional borrowings by TSL	(15,989)	(57,396)	(4,795)
Repayments of borrowings by TSL	1,160	—	—
Equity investment in ABG-Camuto	(56,827)	—	—
Business acquisitions, net of cash acquired	(199,403)	—	(59,776)
Net cash used in investing activities	(282,013)	(58,965)	(27,312)
Cash flows from financing activities:			
Borrowing on revolving line of credit	160,000	—	—
Cash paid for treasury shares	(47,530)	(9,375)	(50,000)
Dividends paid	(79,795)	(63,823)	(65,073)
Other	(2,711)	1,769	4,618
Net cash provided by (used in) financing activities	29,964	(71,429)	(110,455)
Effect of exchange rate changes on cash balances	1,351	—	—
Net increase (decrease) in cash, cash equivalents, and restricted cash	(75,364)	60,622	75,139
Cash, cash equivalents, and restricted cash, beginning of period	175,932	115,310	40,171
Cash, cash equivalents, and restricted cash, end of period	$ 100,568	$ 175,932	$ 115,310
Supplemental disclosures of cash flow information:			
Cash paid for income taxes	$ 41,695	$ 77,208	$ 56,529
Cash paid for interest on debt	$ 864	$ —	$ —
Non-cash investing and financing activities:			
Property and equipment purchases not yet paid	$ 13,537	$ 9,778	$ 8,882
Ebuys contingent purchase price	$ —	$ —	$ 53,355

The accompanying Notes are an integral part of the Consolidated Financial Statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Business Operations- On March 19, 2019, DSW Inc. changed its name to Designer Brands Inc. References to "DSW" refer to the DSW Designer Shoe Warehouse banner unless otherwise stated. The Company is a leading North American footwear and accessories designer, producer and retailer.

On November 5, 2018, we completed the acquisition of Camuto LLC, dba Camuto Group ("Camuto Group"), a footwear design and brand development organization, from Camuto Group LLC (the "Sellers"). The Camuto Group acquisition provides us a global production, sourcing and design infrastructure, including operations in Brazil and China, a new state-of-the-art distribution center in New Jersey, footwear licenses of brands, including Jessica Simpson and Lucky Brand, and branded e-commerce sites. Additionally, in partnership with Authentic Brands Group LLC, a global brand management and marketing company, we formed ABG-Camuto, LLC ("ABG-Camuto"), a joint venture in which we have a 40% interest. This joint venture acquired several intellectual property rights from the Sellers, including Vince Camuto, Louise et Cie, Sole Society, CC Corso Como, Enzo Angiolini and others, and will focus on licensing and developing new category extensions to support the global growth of these brands. We have entered into a licensing agreement with ABG-Camuto whereby we pay royalties on our net sales from the brands owned by ABG-Camuto.

On May 10, 2018, we acquired the remaining interest in Town Shoes Limited ("TSL") that we did not previously own. Beginning with our second quarter of fiscal 2018, TSL ceased being accounted for under the equity method of accounting and was accounted for as a consolidated wholly-owned subsidiary. TSL is a retailer of branded footwear in Canada, primarily under The Shoe Company, Shoe Warehouse, and DSW Designer Shoe Warehouse banners, as well as related e-commerce sites. Subsequent to the acquisition, and as a result of our strategic review, we decided to exit TSL's Town Shoes banner and all 38 locations were closed by the end of fiscal 2018.

Our Affiliated Business Group ("ABG") partners with other retailers to help build and optimize their in-store and online footwear businesses by leveraging our sourcing network to produce a merchandise assortment that meets their needs. ABG currently provides services to Stein Mart stores, Steinmart.com, and a Frugal Fannie's store through ongoing supply arrangements. During fiscal 2017, Gordmans (a previous ABG partner) filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code and announced a plan to close its stores. Stage Stores, Inc. acquired 58 Gordmans' stores and we provided services for these stores through the end of fiscal 2017 to support their transition.

On March 4, 2016, we acquired Ebuys, Inc. ("Ebuys"), an off-price footwear and accessories retailer operating in digital marketplaces. Due to recurring operating losses incurred by Ebuys since its acquisition, as well as increased competitive pressures in the digital marketplace, during fiscal 2017, we decided to exit the business and ended all operations in the first quarter of fiscal 2018.

On August 2, 2016, we signed an agreement with the Apparel Group as an exclusive franchise partner in the Gulf Coast region of the Middle East. During the fourth quarter of fiscal 2018, we provided our termination notice to the Apparel Group in accordance with the terms of the agreement.

As a result of the acquisition activity during fiscal 2018, we now present three reportable segments: the U.S. Retail segment, the Canada Retail segment, and the Brand Portfolio segment. The U.S. Retail segment, which was previously presented as the DSW segment, includes stores operated in the U.S. under the DSW Designer Shoe Warehouse banner and its related e-commerce site. The Canada Retail segment, which is the result of the TSL acquisition, includes stores operated in Canada under The Shoe Company, Shoe Warehouse, DSW Designer Shoe Warehouse banners and related e-commerce sites. The Brand Portfolio segment, which is the result of the Camuto Group acquisition, includes sales from wholesale, First Cost, and direct-to-consumer e-commerce sites. Our other operating segments, ABG and Ebuys, are below the quantitative and qualitative thresholds for reportable segments and are aggregated into Other for segment reporting purposes.

Fiscal Year- Our fiscal year ends on the Saturday nearest to January 31. References to a fiscal year 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, but occasionally will contain an additional week resulting in a 53-week fiscal year. The periods presented in these financial statements and selected financial data each consisted of 52 weeks, except for fiscal 2017, which consisted of 53 weeks.

Variable Interest Entities- We have certain joint ventures ("JVs") where each joint venture licenses brands and contracts with Camuto Group to provide design, buying and sourcing services. Under the JVs, Camuto Group is responsible for managing all aspects of the brands and the JVs pay royalties, commissions, or consulting fees to the other parties. We are responsible for providing all funding to support the working capital needs of the JVs. As a result, we have determined that we are the primary beneficiary of the JVs and consolidate the JVs within our financial statements. Assets and liabilities of the JVs in the aggregate are immaterial.

Principles of Consolidation- The consolidated financial statements include the accounts of Designer Brands Inc. and its subsidiaries, including the JVs. All intercompany accounts and transactions have been eliminated in consolidation. All amounts are in USD, unless otherwise noted.

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 date of the financial statements and reported amounts of revenue and expenses during the reporting period. Significant estimates are required as a part of sales returns allowances, customer allowances and discounts, depreciation and amortization, valuation of inventories, gift card breakage income, deferred revenue associated with loyalty programs, impairments of long-lived assets, intangibles and goodwill, legal reserves, foreign tax contingent liabilities, accrual for lease obligations, income taxes, self-insurance reserves, and valuations used to account for acquisitions. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, actual results could differ from these estimates.

Revenue Recognition- Sales from the U.S. Retail and Canada Retail segments are recognized upon customer receipt of merchandise, net of estimated returns and exclude sales tax. Customers can purchase products from one of our stores, online or from our mobile application. For products shipped directly to our customers, we recognize the sale upon the estimated customer receipt date based on historical delivery transit times. Revenue from shipping and handling is recorded in net sales while the related costs are included in cost of sales. For products shipped directly to our customers from our suppliers (referred to as “drop ship”), we record gross sales upon delivery based on the price paid by the customers as we have determined that we are the principal party responsible for the sale transaction.

Sales from the Brand Portfolio segment are recognized upon transfer of control. Generally, our wholesale customers arrange their own transportation of merchandise and control is transferred at the time of shipment. Sales are recorded at the transaction price, excluding sales tax, net of estimated reserves for customer returns, allowances and discounts. Direct-to-consumer sales are also recognized upon shipment of merchandise, net of estimated returns and exclude sales tax.

ABG supplies footwear to other retailers under supply arrangements. We maintain ownership of the merchandise we supply under these arrangements, including risk of loss, returns, shrink up to a certain percentage and loss of inventory value, until customer receipt. Furthermore, we are responsible for the footwear assortment, inventory fulfillment, and pricing at all locations and online. As a result, sales are recognized upon receipt by the end customer, net of estimated returns and exclude sales tax. The affiliated retailers provide the sales associates and retail space. We pay a percentage of net sales as rent, which is included in cost of sales as occupancy expense.

Gift Cards- Amounts received from the sale of gift cards are recorded as a liability and are recognized as sales when the cards are redeemed for merchandise. Based on historical information, the likelihood of a gift card remaining unredeemed (referred to as “breakage”) can be reasonably estimated at the time of gift card issuance. Breakage income is recognized over the estimated average redemption period of redeemed gift cards.

Loyalty Programs- We offer a loyalty program to our customers in the U.S. and a loyalty program to our customers in Canada. Members under both programs earn points based on their level of spending, as well as for various other activities. Upon reaching a specified point threshold, members receive reward certificates that may be redeemed for purchases made within the stated expiration date. We record a reduction of net sales when points are awarded based on an allocation of the initial customer purchase and the stand-alone value of the points earned. We maintain a deferred liability for the outstanding points and certificates based on historical conversion and redemption rates. The deferred liability is reduced and sales are recognized when certificates are redeemed or when points and certificates expire.

Commission Income- The Brand Portfolio segment earns commission income for serving retailers as the design and buying agent for products under private labels (referred to as "First Cost"). We recognize commission income at the point in time when the customer's freight forwarder takes control of the related merchandise, and is included in commission, franchise and other revenue in the consolidated statements of operations.

Franchise Revenue- Franchise revenue consists of royalties and other fees paid by franchisees, as well as merchandise sales to franchisees, and is included in commission, franchise and other revenue in the consolidated statements of operations. Royalties are earned based upon a percentage of reported franchise sales and are recognized on a monthly basis when earned. Merchandise sales and any related shipping charges are recognized as franchise revenue upon receipt of goods by the franchisee.

Other Revenue- Other revenue consists of rental income on owned properties and is included in commission, franchise and other revenue in the consolidated statements of operations.

Cost of Sales- Cost of sales from the U.S. Retail and Canada Retail segments is recognized net of estimated returns. In addition to the cost of merchandise sold, which includes freight and the impact of markdowns, shrinkage and other inventory valuation adjustments, we include in cost of sales expenses associated with distribution and fulfillment and store occupancy. Distribution and fulfillment expenses are comprised of labor costs, rent, depreciation, insurance, utilities, maintenance and other operating costs associated with the operations of the distribution and fulfillment centers. Store occupancy expenses include rent, utilities, repairs, maintenance, insurance, janitorial costs, and occupancy-related taxes, but excludes depreciation.

Cost of sales from the Brand Portfolio segment is recognized net of estimated returns. In addition to the cost of merchandise sold, which includes freight and the impact of inventory valuation adjustments, we include in cost of sales royalty expense for licensed brands.

Operating Expenses- Operating expenses include expenses related to store management and store payroll costs, advertising, store depreciation, new store costs, distribution costs associated with the Brand Portfolio segment, the Brand Portfolio segment's First Cost operations, ABG operations, franchise costs and related operations, and corporate expenses. Corporate expenses include expenses related to buying, information technology, depreciation and amortization expense for corporate assets, marketing, legal, finance, outside professional services, customer service center expenses, and payroll-related costs for associates.

Stock-Based Compensation- We recognize compensation expense for awards of stock options, restricted stock units ("RSUs"), and director stock units, based on the fair value on the grant date and on a straight-line basis over the requisite service period for the awards that vest. Stock-based compensation is included in operating expenses in the consolidated statements of operations.

New Store Opening Costs- Costs associated with the opening of new stores are expensed as incurred. During fiscal 2018, 2017 and 2016, new store opening costs, primarily pre-opening rent and marketing expenses, were $2.8 million, $2.6 million and $5.9 million, respectively.

Marketing Expense- The cost of advertising is generally expensed when the advertising first takes place or when mailed. During fiscal 2018, 2017 and 2016, marketing costs were $121.4 million, $83.8 million and $76.7 million, respectively.

Non-Operating Income (Expenses), Net- Non-operating income (expenses), net includes gains and losses from foreign currency revaluation, realized gains and losses related to our investment portfolio, and fair value adjustments of pre-existing assets as a result of the acquisition of the remaining interest in TSL.

Income Taxes- We account for income taxes under the asset and liability method. We determine the aggregate amount of income tax expense to accrue and the amount which will be currently payable based upon tax statutes of each jurisdiction in which we do business. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and respective tax bases and operating loss and tax credit carryforwards, as measured using enacted tax rates expected to be in effect in the periods where temporary differences are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become realizable.

We review and update our tax positions as necessary to add any new uncertain tax positions taken, or to remove previously identified uncertain positions that have been adequately resolved. Additionally, uncertain positions may be remeasured as warranted by changes in facts or law. Accounting for uncertain tax positions requires estimating the amount, timing and likelihood of ultimate settlement. Although we believe that these estimates are reasonable, actual results could differ from these estimates.

Cash, Cash Equivalents, and Restricted Cash- Cash and cash equivalents represent cash, money market funds and credit card receivables that generally settle within three days. Restricted cash represents cash that is restricted as to withdrawal or usage and consisted of a mandatory cash deposit for certain outstanding letters of credit.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

(in thousands)	February 2, 2019	February 3, 2018	January 28, 2017
Cash and cash equivalents	$ 99,369	$ 175,932	$ 110,657
Restricted cash, included in prepaid expenses and other current assets	1,199	—	4,653
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	$ 100,568	$ 175,932	$ 115,310

Investments- We determine the balance sheet classification of investments at the time of purchase and evaluate the classification at each balance sheet date. All income generated from these investments is recorded as interest income. We hold investment securities in bonds and term notes that are classified as available-for-sale, which is based on our intention of the use of the investments. The unrealized holding gains or losses for the available-for-sale securities are reported in other comprehensive income. We account for our purchases and sales of investments on the trade date of the investment. We account for investments using the equity method of accounting when we exercise significant influence over the investment. If we do not exercise significant influence, we account for the investment using the cost method of accounting. Cost method investments are included in other assets on the consolidated balance sheets. We evaluate our investments for impairment and whether impairment is other-than-temporary at each balance sheet date.

Accounts Receivable- Accounts receivable are classified as current assets because the average collection period is generally shorter than one year. We monitor our exposure for credit losses based upon specific accounts receivable balances and record related allowances for doubtful accounts where a risk of default has been identified. We utilize an unrelated third-party provider for credit and collection services for receivables from the sale of wholesale products to certain retailers. This third-party provider guarantees payment for the majority of the serviced receivables.

Inventories- All of our inventory is made up of finished goods. The U.S. Retail segment inventory is accounted for using the retail inventory method and is stated at the lower of cost or market. Under the retail inventory method, the valuation of inventories at cost and the resulting gross profits are determined by applying a calculated cost-to-retail ratio to the retail value of inventories. The cost basis of inventories reflected on the balance sheet is decreased by charges to cost of sales at the time the retail value of the inventory is lowered by markdowns. As a result, earnings are negatively impacted as the merchandise is marked down prior to sale. The Canada Retail segment and the Brand Portfolio segment inventory is accounted for using the weighted average cost method and is stated at the lower of cost or net realizable value. We monitor aged inventory for obsolete and slow moving inventory that may need to be liquidated in the future at amounts below cost. Reductions to inventory values establish a new cost basis. Favorable changes in facts or circumstances do not result in an increase in the newly established cost basis.

We perform physical inventory counts or cycle counts on all inventory on hand throughout the year and adjust the recorded balance to reflect the results. We record estimated shrinkage between physical inventory counts based on historical experience and recent results.

Inherent in the calculation of inventories are certain significant judgments and estimates, including setting the original merchandise retail value, markdowns, shrinkage, and liquidation values. The ultimate amount realized from the sale of inventory and write offs from counts could differ from management estimates.

Concentration of Risks- Financial instruments, which principally subject us to concentration of credit risk, consist of cash and cash equivalents and investments. We invest excess cash when available through financial institutions in money market accounts and investment securities. At times, such amounts invested through banks may be in excess of Federal Deposit Insurance Corporation insurance limits, and we mitigate the risk by utilizing multiple banks.

We are also subject to concentration of vendor risk within the U.S. Retail and Canada Retail segments. During fiscal 2018, three key vendors together supplied approximately 20% of our retail merchandise.

Fair Value- Fair value is defined as the price that would be received to sell 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.

We measure available-for-sale investments at fair value on a recurring basis. These investments are measured using a market-based approach using inputs such as prices of similar assets in active markets (categorized as Level 2). The carrying value of cash and cash equivalents, accounts receivables and accounts payables approximated their fair values due to their short-term nature.

Property and Equipment- Property and equipment are stated at cost less accumulated depreciation determined by the straight-line method over the expected useful life of assets. The net book value of property or equipment sold or retired is removed from the asset and related accumulated depreciation accounts with any resulting net gain or loss included in results of operations. The estimated useful lives by class of asset are as follows:

	Useful Lives
Buildings	39 years
Building and leasehold improvements	3 to 20 years or the lease term if shorter
Furniture, fixtures and equipment	3 to 10 years
Software	5 to 10 years

Internal Use Software Costs- Costs related to software developed or obtained for internal use are expensed as incurred until the application development stage has been reached. Once the application development stage has been reached, certain qualifying costs are capitalized until the software is ready for its intended use. If a cloud computing arrangement includes a software license, the software license element of the arrangement is accounted for in a manner consistent with the acquisition of other software licenses. If the arrangement does not include a software license, the arrangement is accounted for as a service contract.

Impairment of Long-Lived Assets- We periodically evaluate the carrying amount of our long-lived assets, primarily property and equipment and definite-lived intangible assets, when events and circumstances warrant such a review to ascertain if any assets have been impaired. The carrying amount of a long-lived asset or asset group is considered impaired when the carrying value of the asset or asset group exceeds the expected future cash flows from the asset or asset group (categorized as Level 3 under the fair value hierarchy). The reviews are conducted at the lowest identifiable level. The impairment loss recognized is the excess of the carrying value of the asset or asset group over its fair value.

During fiscal 2018, we recorded impairment charges of $19.0 million, including $13.9 million for an abandoned corporate internal-use software that was under development and $5.1 million primarily for leasehold improvements related to under-performing stores ($1.5 million and $3.6 million for the U.S. Retail and Canada Retail segments, respectively). As a result of recurring operating losses incurred by Ebuys since its acquisition, which led to our decision to exit the business, during fiscal 2017, we recorded impairment charges of $31.9 million for intangible assets and $3.8 million for property and equipment, which resulted in writing off all of Ebuys' long-lived assets.

Goodwill- We evaluate goodwill for impairment annually during our fourth quarter, or more frequently if an event occurs or circumstances change that would indicate that impairment may exist. When evaluating goodwill for impairment, we may first perform a qualitative assessment to determine whether it is more likely than not that a reporting unit is impaired. If we do not perform a qualitative assessment, or if we determine that it is more likely than not that the carrying value of the reporting unit exceeds its fair value, we will calculate the estimated fair value of the reporting unit. Fair value is typically calculated using a discounted cash flow analysis. For certain reporting units, where deemed appropriate, we may also utilize a market approach for estimating fair value. Goodwill impairment charges are calculated as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying value of goodwill.

On May 10, 2018, as discussed in more detail in Note 2, *Acquisitions and Equity Method Investments*, we acquired the remaining interest in TSL, which resulted in recording $43.0 million of goodwill. Based on the fair value of TSL using a discounted cash flow model (categorized as Level 3 under the fair value hierarchy), we determined that the value of the acquired net assets exceeded its fair value. As a result, during fiscal 2018, we recorded a goodwill impairment charge that resulted in impairing all of Canada Retail segment's goodwill.

During fiscal 2017, due to recurring operating losses incurred by Ebuys since its acquisition, which led to our decision to exit the business, we recorded a goodwill impairment charge of $53.8 million, which resulted in writing off all of Ebuys' goodwill.

Self-Insurance Reserves- We record estimates for certain health and welfare, workers' compensation and casualty insurance costs that are self-insured programs. Self-insurance reserves include actuarial estimates of both claims filed, carried at their expected ultimate settlement value, and claims incurred but not yet reported. The liability represents an estimate of the ultimate cost of claims incurred as of the balance sheet date. Estimates for self-insurance reserves are calculated utilizing claims development estimates based on historical experience and other factors. We have purchased stop loss insurance to limit our exposure on a per person basis for health and welfare and on a per claim basis for workers' compensation and general liability, as well as on an aggregate annual basis.

Accounting for Leases- Many of our real estate operating leases contain predetermined fixed increases of the minimum rentals during the initial lease terms. For these leases, we recognize the related rental expense on a straight-line basis over the noncancelable terms of the lease. We record the difference between the amounts charged to expense and the rent paid as deferred rent and begin amortizing such deferred rent upon the delivery of the lease location by the lessor. In addition, we receive cash allowances from landlords, which are deferred and amortized on a straight-line basis over the noncancelable terms of the lease as a reduction of rent expense. Deferred rent and construction and tenant allowances are included in non-current liabilities on the consolidated balance sheets.

Accrual for Lease Obligations- We record a reserve when a leased space is abandoned due to closure or relocation. Using a credit-adjusted risk-free rate to present value the liability, we estimate future lease obligations based on remaining lease payments, estimated or actual sublease income, and any other relevant factors. On a quarterly basis, we reassess the reserve based on current market conditions.

Foreign Currency Translation and Transactions- Prior to our acquisition of the remaining interest in TSL, our equity investment in TSL and notes receivable from TSL, along with certain investments, were denominated in CAD and translated into USD at exchange rates in effect at the balance sheet date. Each quarter, the income or loss from TSL was recorded in USD at the average exchange rate for the period. The cumulative translation adjustments resulting from changes in exchange rates are included in the consolidated balance sheets as a component of accumulated other comprehensive loss. As a result of the acquisition, we reclassified a net loss of $12.2 million of foreign currency translation related to the previously held balances from accumulated other comprehensive loss to non-operating income (expenses), net.

Beginning with the second quarter of fiscal 2018, TSL became a wholly-owned subsidiary with CAD as their functional currency. Assets and liabilities of the Canadian business are translated into USD at exchange rates in effect at the balance sheet date or historical rates as appropriate. Each quarter, amounts included in our consolidated statements of operations from the Canadian business are translated at the average exchange rate for the period. The cumulative translation adjustments resulting from changes in exchange rates are included in the consolidated balance sheets as a component of accumulated other comprehensive loss. Transaction gains and losses are included in the consolidated statements of operations.

Deferred Compensation Plans- We provide deferred compensation plans, including defined contribution plans to eligible employees and a non-qualified deferred compensation plan for certain executives and members of the Board of Directors. Participants may elect to defer and contribute a portion of their eligible compensation to the plans up to limits stated in the plan documents, not to exceed the dollar amounts set by applicable laws. During fiscal 2018, 2017 and 2016, we recognized costs associated with matching contributions of $5.2 million, $4.4 million and $4.2 million, respectively.

Prior Period Reclassifications- Certain prior period reclassifications were made to conform to the current period presentation. Accounts receivable from related parties was reclassified to accounts receivable, net, and accounts payable to related parties was reclassified to accounts payable.

Recent Accounting Pronouncements- In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases*, which will change how we account for leases. For most leases, a liability will be recorded on the balance sheet based on the present value of future lease obligations with a corresponding right-of-use asset. Primarily for those leases currently classified by us as operating leases, we will recognize a single lease cost on a straight-line basis based on the combined amortization of the lease obligation and the right-of-use asset. Other leases will be required to be accounted for as financing arrangements similar to current accounting for capital leases. The standard is effective for us in the first quarter of fiscal 2019. In July 2018, the FASB issued ASU 2018-11, *Leases - Targeted Improvements*, that provided a practical expedient that removed the requirement to restate prior period financial statements upon adoption of the standard, which we plan to elect. The standard also provides a practical expedient, by class of underlying assets, to not separate non-lease components from the associated lease component. We have elected this practical expedient for all real estate leases. At transition, we also elected the package of practical expedients, which allows us to carry forward the historical lease classification and not reassess whether any expired or existing contracts are or contain leases. We did not elect the use of hindsight to determine the term of our leases at transition. We are progressing with our implementation plan, with remaining tasks primarily relating to updating our processes and controls and determining the related tax effects. We estimate approximately $1.0 billion of lease assets and $1.2 billion of lease liabilities, with an adjustment of $6.2 million to retained earnings for transition impairments related to previously impaired leased locations, to our opening balance sheet for fiscal 2019.

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other-Internal - Use Software*, which aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or acquire internal-use software. This update is effective for us in the first quarter of fiscal 2020 and early adoption is permitted. We plan to adopt this guidance using a prospective approach at the beginning of the first quarter of fiscal 2019. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

2. ACQUISITIONS AND EQUITY METHOD INVESTMENTS

Equity Investment in TSL- In fiscal 2014, we acquired a 49.2% interest in TSL for $75.1 million CAD ($68.9 million USD), which included an unsecured subordinated note from TSL that earned payment-in-kind interest at 12%. Our ownership stake provided 50% voting control and board representation equal to the co-investor. The co-investor held a put option to sell the remaining interest in TSL to us and we held a call option to purchase the remaining interest in TSL.

Activity related to our equity investment in TSL was as follows:

(in thousands)	Fiscal 2018	Fiscal 2017
Equity investment in TSL - beginning of period	$ 6,096	$ 15,830
Share of TSL's income (loss)	(3,553)	(5,095)
Foreign currency translation adjustments, included in other comprehensive income (loss)	(92)	(4,271)
Amortization of purchase price adjustments	(50)	(368)
Fair value adjustment for step acquisition	(2,401)	—
Equity investment in TSL - end of period	$ —	$ 6,096

Activity related to our notes receivable from TSL was as follows:

(in thousands)	Fiscal 2018	Fiscal 2017
Notes receivable from TSL - beginning of period	$ 115,895	$ 53,121
Payment-in-kind interest earned	1,800	6,520
TSL revolver interest earned	493	—
Foreign currency translation adjustments, included in other comprehensive income (loss)	(3,756)	3,384
Management service fee	294	1,162
Additional TSL loan	9,469	51,708
Repayments	(1,160)	—
Fair value adjustment for step acquisition	(31,587)	—
Contribution to step acquisition purchase price	(91,448)	—
Notes receivable from TSL - end of period	$ —	$ 115,895

Payment-in-kind interest earned was paid annually and was subsequently returned to TSL as additional amounts borrowed under the terms of the related note. Effective February 2, 2018, we entered into a secured loan agreement with TSL that allowed TSL to borrow up to $100 million CAD at a variable interest rate, as defined in the agreement, paid monthly.

Prior to our acquisition of the remaining interest in TSL, we provided certain information technology and management services under a management agreement, we licensed the use of our tradename and trademark, DSW Designer Shoe Warehouse, to TSL for a royalty fee based on a percentage of net sales from its Canadian DSW stores, and had various other transactions. All transactions in the aggregate and amounts due from TSL were immaterial for the periods presented.

Step Acquisition of TSL- On May 10, 2018, we acquired the remaining interest in TSL for $36.2 million CAD ($28.2 million USD), net of acquired cash of $8.5 million CAD ($6.6 million USD), by exercising our call option. This was accounted for as a step acquisition whereby we remeasured to fair value our previously held assets, which included our equity investment in TSL and notes and accounts receivable from TSL, and included these assets in the determination of the purchase price. During fiscal 2018, as a result of the remeasurement, we recorded a loss of $34.0 million to non-operating income (expenses), net, in the consolidated statements of operations. Also during fiscal 2018, we reclassified a net loss of $12.2 million of foreign currency translation adjustments related to the previously held balances from accumulated other comprehensive loss to non-operating income (expenses), net.

The final purchase price and the allocation of the total consideration to the fair values of the assets and liabilities acquired consisted of the following (in USD):

(in thousands)	Preliminary Purchase Price and Allocation as of May 10, 2018	Adjustments	Final Purchase Price and Allocation as of February 2, 2019
Purchase price:			
Cash consideration, net of cash acquired	$ 28,152	$ —	$ 28,152
Replacement stock-based awards attributable to pre-acquisition services	196	—	196
Fair value of pre-existing assets	92,242	—	92,242
	$ 120,590	$ —	$ 120,590
Fair value of assets and liabilities acquired:			
Inventories	$ 58,822	$ 7,250	$ 66,072
Other current assets	3,608	79	3,687
Property and equipment	41,601	(593)	41,008
Goodwill	37,044	5,978	43,022
Intangible assets	20,689	—	20,689
Accounts payable and other liabilities	(33,248)	52	(33,196)
Non-current liabilities	(7,926)	(12,766)	(20,692)
	$ 120,590	$ —	$ 120,590

The fair value of previously held assets was determined immediately before the business combination, primarily by considering the income valuation approach (discounted cash flow) and the market valuation approach (precedent comparable transactions). Additionally, other information such as current market, industry and macroeconomic conditions were utilized to assist in developing these fair value measurements. The fair value of intangible assets includes $15.7 million for tradenames, $3.6 million for favorable leasehold interests, which are amortized over the remaining lease term, and $1.4 million for customer relationships associated with the Canada loyalty program, which are amortized over three years. The fair value of unfavorable leasehold interests, included in non-current liabilities, was $7.6 million and are amortized over the remaining lease term. The fair value for tradenames was determined using the relief from royalty method of the income approach, the fair value for leasehold interests was determined based on the market valuation approach, and the fair value for customer relationships related to the loyalty program was determined using the replacement cost method. The fair values for property and equipment were determined using the cost and market approaches. The fair value of inventories, which is made up of finished goods, was determined based on market assumptions for realizing a reasonable profit after selling costs.

The goodwill represents the excess of the purchase price over the fair value of the net assets acquired. With this being a step acquisition, the purchase price included the fair value of our previously held assets, which considered the valuation of the TSL enterprise. This valuation identified that the resulting goodwill was not supportable as the value of the acquired net assets exceeded the enterprise fair value. As a result, during fiscal 2018, we recorded a goodwill impairment charge, net of adjustments as a result of recording adjustments to the preliminary purchase allocations, which resulted in impairing all of the Canada Retail segment's goodwill. A portion of the goodwill is not expected to be deductible for income tax purposes.

During fiscal 2018, our consolidated statements of operations included revenue and net losses for TSL of $220.3 million and $48.9 million, respectively, which included the pre-tax losses from the wind down of operations for the Town Shoes banner, the goodwill impairment charge of $41.8 million, long-lived asset impairment charges of $3.6 million and lease exit charges of $15.5 million. We incurred $3.1 million of acquisition-related costs as a result of the step acquisition (not included in the TSL net loss disclosed in the previous sentence), which were included in operating expenses in the consolidated statements of operations.

Acquisition of Camuto Group- On November 5, 2018, we completed the acquisition of Camuto Group for $171.3 million, net of acquired cash of $9.7 million. The purchase price of the acquisition, along with the acquired equity investment in ABG-Camuto (discussed below), was funded with available cash and borrowings on the revolving line of credit of $160.0 million.

The preliminary purchase price and the allocation of the total consideration to the fair values of the assets and liabilities acquired consisted of the following:

(in thousands)		Preliminary Purchase Price and Allocation as of November 5, 2018
Purchase price:		
Cash consideration, net of cash acquired	$	171,251
Fair value of assets and liabilities acquired:		
Accounts receivable	$	83,939
Inventories		74,499
Other current assets		7,197
Property and equipment		43,906
Goodwill		63,614
Intangible asset		27,000
Other assets		13,351
Accounts payable and other liabilities		(122,811)
Non-current liabilities		(19,444)
	$	171,251

The fair value of the intangible asset relates to customer relationships, which is amortized over a useful life of 10 years, and is based on the excess earnings method under the income approach. The fair value measurement is based on significant unobservable inputs, including discounted future cash flows and customer attrition rates. The fair values for property and equipment were determined using the cost and market approaches. The fair value of inventories, which is made up of finished goods, was determined based on market assumptions for realizing a reasonable profit after selling costs. The inventory valuation step-up was recognized to cost of goods sold during the fourth quarter of fiscal 2018 based on assumed inventory turns.

The goodwill represents the excess of the purchase price over the fair value of the net assets acquired, and was primarily attributable to an assembled workforce and acquiring an established design and sourcing process, which provides us the opportunity to expand our exclusive products offering at a lower cost in our retail segments. Goodwill is expected to be deductible for income tax purposes.

Non-current liabilities includes $12.7 million of estimated unpaid foreign payroll and other taxes. We recorded an offsetting indemnification asset to other assets, which we expect to collect under the terms of the securities purchase agreement with the Sellers. See Note 16, *Commitments and Contingencies*, for additional information.

The purchase price is subject to adjustments primarily based upon a working capital provision as provided by the purchase agreement. The allocation of the purchase price is based on certain preliminary valuations and analysis that have not been completed as of the date of this filing. Any subsequent changes in the estimated fair values assumed upon the finalization of more detailed analysis within the measurement period will change the allocation of the purchase price and will be adjusted during the period in which the amounts are determined. In addition, we have not completed the allocation of goodwill to our U.S. Retail and Brand Portfolio segments or the reporting units within the Brand Portfolio segment.

During fiscal 2018, our consolidated statements of operations included revenue and net losses for Camuto Group of $89.6 million and $16.2 million, respectively. We incurred $22.2 million of acquisition-related costs as a result of the acquisition (not included in the Camuto Group net loss disclosed in the previous sentence), which were included in operating expenses in the consolidated statements of operations.

Equity Investment in ABG-Camuto- On November 5, 2018, we acquired a 40% interest in the newly formed ABG-Camuto joint venture for $56.8 million in partnership with Authentic Brands Group LLC. Also on November 5, 2018, ABG-Camuto acquired several intellectual property rights from the Sellers and entered into a licensing agreement with us, which will earn royalties from the net sales of Camuto Group under the brands acquired.

Activity related to our equity investment in ABG-Camuto was as follows:

(in thousands)	Fiscal 2018
Balance at beginning of period	$ —
Initial investment in ABG-Camuto	56,827
Share of net earnings	1,298
Balance at end of period	$ 58,125

Combined Results- The following table provides the supplemental unaudited pro forma total revenue and net income of the combined entity had the acquisition dates of TSL and Camuto Group and the investment in ABG-Camuto been the first day of our fiscal 2017:

(in thousands)	Fiscal 2018	Fiscal 2017
Total revenue	$ 3,562,498	$ 3,487,314
Net income	$ 71,257	$ 15,676

The amounts in the supplemental pro forma results apply our accounting policies, eliminate intercompany transactions, assume the acquisition-related transaction costs were incurred in fiscal 2017, and reflect adjustments for additional expenses that would have been charged assuming borrowings on the revolving line of credit of $160.0 million and the same fair value adjustments to inventory, property and equipment, and acquired intangibles had been applied on the first day of our fiscal 2017. Related to the TSL acquisition, the supplemental pro forma results also exclude the loss related to the remeasurement of previously held assets, the net loss of foreign currency translation related to the previously held balances from accumulated other comprehensive loss, and the goodwill impairment charge. Because the ABG-Camuto investment was integral to the Camuto Group acquisition, the supplemental pro forma results include royalty expenses that would be due to ABG-Camuto using the guaranteed minimum royalties per the license agreement and the related earnings from our equity investment in ABG-Camuto had the transactions occurred on the first day of our fiscal 2017. Accordingly, these supplemental pro forma results have been prepared for comparative purposes only and are not intended to be indicative of results of operations that would have occurred had the acquisitions actually occurred in the prior year period or indicative of the results of operations for any future period.

3. REVENUE

Adoption of ASU 2014-09, Revenue from Contracts with Customers- During the first quarter of fiscal 2018, we adopted the new accounting standard for revenue recognition, ASU 2014-09 and the related amendments, using the full retrospective method where each prior period presented is restated. We recorded an increase to retained earnings as of January 31, 2016 (opening balance for fiscal 2016) of $4.9 million. The adoption of ASU 2014-09 had the following impacts:

- Income from the breakage of gift cards is classified within net sales and recognized proportionately over the expected redemption period, which was previously recognized as a reduction to operating expenses when the redemption of the gift card was deemed remote.
- The loyalty program is being treated as deferred revenue, which was previously treated using the incremental cost method and recognized to cost of sales.
- We changed other classifications between net sales, franchise and other revenue, cost of sales and operating expenses for various revenue-related transactions.
- We present our estimated returns allowance on a gross basis with returns liability recorded to accrued expenses and an asset for recovery to prepaid expenses and other current assets, which were previously presented on a net basis in accrued expenses.

As a result of adopting ASU 2014-09, we adjusted our consolidated statements of operations (including total comprehensive income (loss)) on a retrospective basis as follows:

	Fiscal 2017			Fiscal 2016		
(in thousands, except per share amounts)	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted
Net sales	$ 2,799,794	5,761	$ 2,805,555	$ 2,711,444	1,911	$ 2,713,355
Commission, franchise and other revenue	$ —	5,165	$ 5,165	$ —	4,944	$ 4,944
Total revenue	$ —	2,810,720	$ 2,810,720	$ —	2,718,299	$ 2,718,299
Cost of sales	$ (2,010,418)	3,995	$ (2,006,423)	$ (1,939,611)	6,154	$ (1,933,457)
Operating expenses	$ (607,723)	(14,823)	$ (622,546)	$ (591,816)	(13,200)	$ (605,016)
Operating profit	$ 124,960	98	$ 125,058	$ 200,168	(191)	$ 199,977
Income before income taxes and income from equity investment in TSL	$ 125,864	98	$ 125,962	$ 202,647	(191)	$ 202,456
Income tax provision	$ (59,617)	50	$ (59,567)	$ (78,853)	75	$ (78,778)
Net income	$ 67,304	148	$ 67,452	$ 124,535	(116)	$ 124,419
Total comprehensive income	$ 71,171	148	$ 71,319	$ 131,297	(116)	$ 131,181
Diluted earnings per share	$ 0.83	0.01	$ 0.84	$ 1.52	(0.01)	$ 1.51

As a result of adopting ASU 2014-09, we adjusted our consolidated balance sheets on a retrospective basis as follows:

	February 3, 2018		
(in thousands)	**As Reported**	**Adjustments**	**As Adjusted**
ASSETS			
Prepaid expenses and other current assets	$ 41,333	7,864	$ 49,197
Total current assets	$ 863,009	7,864	$ 870,873
Deferred tax assets	$ 27,671	40	$ 27,711
Total assets	$ 1,413,613	7,904	$ 1,421,517
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accrued expenses	$ 145,218	3,008	$ 148,226
Total current liabilities	$ 324,526	3,008	$ 327,534
Total liabilities	$ 463,258	3,008	$ 466,266
Retained earnings	$ 350,083	4,896	$ 354,979
Total shareholders' equity	$ 950,355	4,896	$ 955,251
Total liabilities and shareholders' equity	$ 1,413,613	7,904	$ 1,421,517

As a result of adopting ASU 2014-09, we adjusted our consolidated statements of cash flows on a retrospective basis as follows:

	Fiscal 2017			Fiscal 2016		
(in thousands)	**As Reported**	**Adjustments**	**As Adjusted**	**As Reported**	**Adjustments**	**As Adjusted**
Cash flows from operating activities:						
Net income	$ 67,304	148	$ 67,452	$ 124,535	(116)	$ 124,419
Adjustments to reconcile net income to net cash provided by operating activities:						
Deferred income taxes	$ (12,787)	(17)	$ (12,804)	$ 6,881	(20)	$ 6,861
Prepaid expenses and other current assets	$ (16,418)	523	$ (15,895)	$ 3,884	254	$ 4,138
Accrued expenses	$ 11,146	(654)	$ 10,492	$ 18,785	(118)	$ 18,667

Disaggregation of Revenue- The following table presents our revenue disaggregated by operating segments:

	Fiscal		
(in thousands)	**2018**	**2017**	**2016**
Net sales:			
U.S. Retail segment	$ 2,738,989	$ 2,577,711	$ 2,479,902
Canada Retail segment	220,325	—	—
Brand Portfolio segment	86,138	—	—
Other:			
ABG	123,335	140,887	149,586
Ebuys	5,633	86,957	83,867
Total Other	128,968	227,844	233,453
Total net sales	3,174,420	2,805,555	2,713,355
Commission, franchise and other revenue	9,318	5,165	4,944
Total revenue	$ 3,183,738	$ 2,810,720	$ 2,718,299

The U.S. Retail and Brand Portfolio segments and Other net sales recognized are primarily based on sales to customers in the U.S. and Canada Retail segment net sales recognized are based on sales to customers in Canada. Revenue realized from geographic markets outside of the U.S. and Canada have collectively been immaterial.

The following table presents total revenue by product and service category:

	Fiscal		
(in thousands)	**2018**	**2017**	**2016**
Net sales:			
U.S. Retail segment:			
Women's footwear	$ 1,866,121	$ 1,771,058	$ 1,710,825
Men's footwear	561,722	556,772	546,657
Accessories, kids and other	311,146	249,881	222,420
	2,738,989	2,577,711	2,479,902
Canada Retail segment:			
Women's footwear	123,323	—	—
Men's footwear	57,567	—	—
Accessories, kids and other	39,435	—	—
	220,325	—	—
Brand Portfolio segment:			
Wholesale	76,429	—	—
Direct-to-consumer	9,709	—	—
	86,138	—	—
Other - ABG and Ebuys	128,968	227,844	233,453
Total net sales	3,174,420	2,805,555	2,713,355
Commission, franchise and other revenue	9,318	5,165	4,944
Total revenue	$ 3,183,738	$ 2,810,720	$ 2,718,299

The above tables exclude intersegment revenues in fiscal 2018 of $10.2 million, which were eliminated in consolidation.

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

	Fiscal		
(in thousands)	**2018**	**2017**	**2016**
Gift cards:			
Beginning of period	$ 32,792	$ 30,829	$ 29,172
Gift cards redeemed and breakage recognized to net sales	(90,569)	(91,778)	(83,266)
Gift cards issued	92,775	93,741	84,923
End of period	$ 34,998	$ 32,792	$ 30,829
Loyalty programs:			
Beginning of period	$ 21,282	$ 19,889	$ 20,604
Loyalty certificates redeemed and expired and other adjustments recognized to net sales	(41,210)	(30,935)	(31,325)
Deferred revenue for loyalty points issued	36,079	32,328	30,610
End of period	$ 16,151	$ 21,282	$ 19,889

Customer Allowances- We reduce sales by the amount of actual and remaining expected customer allowances, discounts and returns, and cost of sales by the amount of merchandise we expect to recover. Customer allowances are provided to our wholesale customers for margin assistance, co-op advertising support, and various other deductions. We estimate the reserves needed for margin assistance by reviewing inventory levels held by retailers, expected markdowns, gross margins realized, and other performance indicators. Product returns and other customer deductions are estimated based on anticipated future returns using historical experience and trends. Co-op advertising allowances are estimated based on arrangements with customers. Customer allowance reserves are included in accrued expenses on the consolidated balance sheets.

The following table presents the changes and total balances for sales reserves:

	Fiscal		
(in thousands)	**2018**	**2017**	**2016**
Sales returns reserve:			
Beginning of period	$ 14,130	$ 14,149	$ 13,369
Net sales reduced for estimated returns	402,274	353,156	322,139
Actual returns during the period	(398,661)	(353,175)	(321,359)
End of period	$ 17,743	$ 14,130	$ 14,149
Customer allowances and discounts reserve:			
Beginning of period	$ —	$ —	$ —
Assumed liability in acquisitions	15,434	—	—
Net sales reduced for estimated allowances and discounts	10,669	—	—
Actual allowances and discounts during the period	(13,009)	—	—
End of period	$ 13,094	$ —	$ —

As of February 2, 2019 and February 3, 2018, the asset for recovery of merchandise returns was $10.1 million and $7.9 million, respectively, and is included in prepaid expenses and other current assets on the consolidated balance sheets.

4. RELATED PARTY TRANSACTIONS

Schottenstein Affiliates

As of February 2, 2019, the Schottenstein Affiliates, entities owned or controlled by Jay L. Schottenstein, the executive chairman of our Board of Directors, and members of his family, beneficially owned approximately 14% of the Company's outstanding common shares, representing approximately 49% of the combined voting power. As of February 2, 2019, the Schottenstein Affiliates beneficially owned 3.8 million Class A common shares and 7.7 million Class B common shares. We had the following related party transactions with Schottenstein Affiliates:

Leases- We lease our fulfillment center and certain store locations owned by Schottenstein Affiliates. See Note 15, *Leases*, for rent expense and future minimum lease payment requirements associated with the Schottenstein Affiliates.

Other Purchases and Services- During fiscal 2018, 2017 and 2016, we had other purchases and services from Schottenstein Affiliates of $6.5 million, $4.6 million and $2.3 million, respectively.

Due to Related Parties- As of February 2, 2019 and February 3, 2018, we had amounts due to related parties of $1.0 million and $0.9 million, respectively, included in accounts payable on the consolidated balance sheets.

ABG-Camuto

We have a 40% interest in ABG-Camuto. ABG-Camuto entered into a licensing agreement with us whereby we pay royalties on the net sales of the brands owned by ABG-Camuto. During the fourth quarter of fiscal 2018, we recorded $2.4 million of royalty expense payable to ABG-Camuto. As of February 2, 2019, we had $2.4 million payable to ABG-Camuto. See Note 16, *Commitments and Contingencies*, for future guaranteed minimum royalty payment requirements to ABG-Camuto.

5. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is based on net income (loss) and the weighted average of Class A and Class B common shares outstanding. Diluted earnings (loss) per share reflects the potential dilution of common shares adjusted for outstanding stock options, RSUs, and performance-based restricted stock units ("PSUs") calculated using the treasury stock method.

The following is a reconciliation of the number of shares used in the calculation of earnings (loss) per share:

	Fiscal		
(in thousands)	2018	2017	2016
Weighted average shares outstanding - Basic shares	80,026	80,160	81,536
Dilutive effect of stock-based compensation awards	—	527	599
Weighted average shares outstanding - Diluted shares	80,026	80,687	82,135

For fiscal 2018, 2017 and 2016, the number of potential shares that were not included in the computation of diluted earnings (loss) per share because the effect would be anti-dilutive was 3.2 million, 4.3 million and 3.1 million, respectively.

6. STOCK-BASED COMPENSATION

The DSW Inc. 2014 Long-Term Incentive Plan (the "Plan") provides for the issuance of stock-based compensation awards for eligible recipients. The Plan replaced the DSW Inc. 2005 Equity Incentive Plan but did not affect awards granted under that plan, some of which remain outstanding. Eligible recipients include key employees as well as directors. The maximum number of shares of Class A common shares underlying awards which may be issued over the term of the Plan cannot exceed 8.5 million shares. As of February 2, 2019, 4.0 million shares of Class A common shares remain available for future grants under the Plan.

Stock-based compensation expense consisted of the following:

	Fiscal		
(in thousands)	2018	2017	2016
Stock options	$ 4,900	$ 6,420	$ 5,788
Restricted and director stock units	12,493	8,284	6,899
	$ 17,393	$ 14,704	$ 12,687

Stock Options- Stock options are granted with an exercise price per share equal to the fair market value of our common stock on the grant date. Stock options generally vest 20% per year on a cumulative basis and remain exercisable for a period of 10 years from the date of grant.

Stock-based compensation expense is recognized only for those awards that are expected to vest, with forfeitures estimated based on our historical experience and future expectations. As of February 2, 2019, the total compensation cost related to unvested options not yet recognized was approximately $7.4 million, with a weighted average expense recognition period remaining of 1.6 years.

The following table summarizes the activity for outstanding stock options for fiscal 2018:

(in thousands, except per share amounts and years)	Shares Subject to Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding - beginning of period	4,333	$ 23.84		
Exercised	(188)	$ 12.49		
Forfeited	(144)	$ 24.25		
Outstanding - end of period	4,001	$ 24.36	6.3 years	$ 17,590
Vested and expected to vest - end of period	3,768	$ 24.39	6.2 years	$ 16,547
Exercisable - end of period	2,219	$ 25.16	5.2 years	$ 9,077

The aggregate intrinsic value is calculated as the amount by which the fair value of the underlying common shares exceeds the option exercise price. The total intrinsic value of options exercised during fiscal 2018, 2017 and 2016 was $2.1 million, $2.0 million and $3.6 million, respectively. The total fair value of options that vested during fiscal 2018, 2017 and 2016 was $0.8 million, $0.6 million and $2.7 million, respectively.

Stock Units- Grants of time-based RSUs generally cliff vest over three years and performance-based RSUs generally cliff vest over three years based upon the achievement of pre-established goals as of the end of the first year of the term. Stock units receive dividend equivalents in the form of additional stock units, which are subject to the same restrictions and forfeiture provisions as the original award. The grant date fair value of stock units is based on the closing market price of the Class A common shares on the date of the grant.

The following table summarizes the activity for unvested stock units for fiscal 2018:

	Time-Based RSUs		Performance-Based RSUs	
(shares in thousands)	**Number of Shares**	**Weighted Average Grant Date Fair Value**	**Number of Shares**	**Weighted Average Grant Date Fair Value**
Outstanding - beginning of period	436	$ 23.43	457	$ 23.69
Granted	750	$ 22.71	268	$ 22.22
Vested	(112)	$ 16.66	(122)	$ 28.76
Forfeited	(85)	$ 21.48	(7)	$ 21.96
Outstanding - end of period	989	$ 22.45	596	$ 21.87

The total fair value of time-based RSUs that vested during fiscal 2018, 2017 and 2016 was $1.7 million, $2.9 million and $3.7 million, respectively. As of February 2, 2019, the total compensation cost related to unvested time-based RSUs not yet recognized was $13.9 million, with a weighted average expense recognition period remaining of 1.9 years.

The total fair value of performance-based RSUs that vested during fiscal 2018, 2017 and 2016 was $3.2 million, $1.8 million and $1.4 million, respectively. As of February 2, 2019, the total compensation cost related to unvested performance-based RSUs not yet recognized was approximately $4.9 million, with a weighted average expense recognition period remaining of 1.8 years.

We issue stock units to directors who are not employees. Stock units are automatically granted to each director on the date of each annual meeting of shareholders based on the closing market price of the Class A common shares. In addition, each director eligible to receive compensation for board service may elect to have the cash portion of such compensation paid in the form of stock units. Stock units granted to directors vest immediately and directors are given the option to settle their units 30 days after the grant date, at a specified date more than 30 days following the grant date, or upon completion of service. Stock units granted to directors not yet settled, which are not subject to forfeiture, are considered to be outstanding for the purposes of computing basic earnings (loss) per share. As of February 2, 2019, we had 0.4 million director stock units not yet settled.

7. SHAREHOLDERS' EQUITY

Shares- Our Class A common shares will remain listed for trading on the NYSE under the ticker symbol "DSW" until it changes to "DBI" in April 2019. There is currently no public market for the Company's Class B common shares, but the Class B common shares can be exchanged for 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:

	February 2, 2019		February 3, 2018	
(in thousands)	**Class A**	**Class B**	**Class A**	**Class B**
Authorized shares	250,000	100,000	250,000	100,000
Issued shares	85,763	7,733	85,385	7,733
Outstanding shares	70,672	7,733	72,294	7,733
Treasury shares	15,091	—	13,091	—

We have authorized 100.0 million shares of no par value preferred shares with no shares issued for any of the periods presented.

Dividends- On March 19, 2019, the Board of Directors declared a quarterly cash dividend payment of $0.25 per share for both Class A and Class B common shares. The dividend will be paid on April 12, 2019 to shareholders of record at the close of business on April 1, 2019.

Share Repurchases- On August 17, 2017, the Board of Directors authorized the repurchase of an additional $500 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 fiscal 2018, we repurchased 2.0 million Class A common shares at a cost of $47.5 million, with $476.6 million of Class A common shares that remain authorized under the program as of February 2, 2019. The share repurchase program may be suspended, modified or discontinued at any time, and we have no obligation to repurchase any amount of our common shares under the program. Shares will be repurchased in the open market at times and in amounts considered appropriate based on price and market conditions.

Basis Difference Related to Acquisition of Commonly Controlled Entity- The basis difference related to acquisition of commonly controlled entity balance, as shown on our consolidated balance sheets, relates to a legal entity acquisition in fiscal 2012 from certain Schottenstein affiliates. The legal entity owned property that was previously leased by us. As this was a transaction between entities under common control, there was no adjustment to the historical cost carrying amounts of assets transferred to the Company. The difference between the historical cost carrying amounts and the consideration transferred was reflected as an equity transaction.

Accumulated Other Comprehensive Loss- Changes for the balances of each component of accumulated other comprehensive loss were as follows (all amounts are net of tax):

(in thousands)	Foreign currency translation	Available-for-sale securities	Total
Balance, January 30, 2016	$ (20,530)	$ (173)	$ (20,703)
Other comprehensive income before reclassifications	6,831	127	6,958
Amounts reclassified to non-operating expenses, net	—	(196)	(196)
Other comprehensive income (loss)	6,831	(69)	6,762
Balance, January 28, 2017	(13,699)	(242)	(13,941)
Other comprehensive income (loss) before reclassifications	3,681	(1,095)	2,586
Amounts reclassified to non-operating expenses, net	740	541	1,281
Other comprehensive income (loss)	4,421	(554)	3,867
Balance, February 3, 2018	(9,278)	(796)	(10,074)
Other comprehensive income (loss) before reclassifications	(7,013)	192	(6,821)
Amounts reclassified to non-operating expenses, net	13,963	226	14,189
Other comprehensive income	6,950	418	7,368
Balance, February 2, 2019	$ (2,328)	$ (378)	$ (2,706)

8. ACCOUNTS RECEIVABLE

Accounts receivable, net, consisted of the following:

(in thousands)	February 2, 2019	February 3, 2018
Customer accounts receivables:		
Serviced by third-party provider with guaranteed payment	$ 47,599	$ —
Serviced by third-party provider without guaranteed payment	280	—
Serviced in-house	9,892	5,529
Construction and tenant allowance receivables due from landlords	4,034	6,477
Accounts receivable due from related parties	—	1,704
Other receivables	8,004	5,526
Accounts receivable	69,809	19,236
Allowance for doubtful accounts	(939)	—
Accounts receivable, net	$ 68,870	$ 19,236

The following presents the activity in our balance in the allowance for doubtful accounts:

(in thousands)	Fiscal 2018
Allowance for doubtful accounts - beginning of period	$ —
Provision for bad debts	(939)
Allowance for doubtful accounts - end of period	$ (939)

9. INVESTMENTS

Investments in available-for-sale securities consisted of the following:

(in thousands)	February 2, 2019	February 3, 2018
Carrying value of investments	$ 70,195	$ 125,349
Unrealized gains included in accumulated other comprehensive loss	44	23
Unrealized losses included in accumulated other comprehensive loss	(521)	(767)
Fair value	$ 69,718	$ 124,605

10. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

(in thousands)	February 2, 2019	February 3, 2018
Land	$ 1,110	$ 1,110
Buildings	12,485	12,485
Building and leasehold improvements	437,116	404,852
Furniture, fixtures and equipment	487,494	423,597
Software	161,226	137,917
Construction in progress[(1)]	38,646	39,201
Total property and equipment	1,138,077	1,019,162
Accumulated depreciation and amortization	(728,501)	(663,963)
Property and equipment, net	$ 409,576	$ 355,199

(1) Construction in progress is comprised primarily of the construction of leasehold improvements and furniture and fixtures related to unopened stores and internal-use software under development.

11. GOODWILL AND INTANGIBLE ASSETS

Goodwill- Activity related to our goodwill was as follows:

	February 2, 2019			February 3, 2018		
(in thousands)	**Goodwill**	**Accumulated Impairments**	**Net**	**Goodwill**	**Accumulated Impairments**	**Net**
Beginning of period by segment:						
U.S. Retail	$ 25,899	$ —	$ 25,899	$ 25,899	$ —	$ 25,899
Other - Ebuys	53,790	(53,790)	—	53,790	—	53,790
	79,689	(53,790)	25,899	79,689	—	79,689
Activity during the period by segment:						
Canada Retail:						
Acquired TSL goodwill	43,022	—	43,022	—	—	—
Impairment charges	—	(41,845)	(41,845)	—	—	—
Currency translation adjustment	(974)	(203)	(1,177)	—	—	—
Brand Portfolio:						
Acquired Camuto Group goodwill	63,614	—	63,614	—	—	—
Other:						
Impairment charges	—	—	—	—	(53,790)	(53,790)
Eliminated Ebuys goodwill	(53,790)	53,790	—	—	—	—
	51,872	11,742	63,614	—	(53,790)	(53,790)
End of period by segment:						
U.S. Retail	25,899	—	25,899	25,899	—	25,899
Canada Retail	42,048	(42,048)	—	—	—	—
Brand Portfolio	63,614	—	63,614	—	—	—
Other - Ebuys	—	—	—	53,790	(53,790)	—
	$ 131,561	$ (42,048)	$ 89,513	$ 79,689	$ (53,790)	$ 25,899

Intangible Assets- Intangible assets consisted of the following:

(in thousands)	**Cost**	**Accumulated Amortization**	**Net**
February 2, 2019			
Definite-lived:			
Customer relationships	$ 28,375	$ (1,010)	$ 27,365
Favorable leasehold interests	3,513	(295)	3,218
Indefinite-lived trademarks and tradenames	15,546	—	15,546
	$ 47,434	$ (1,305)	$ 46,129
February 3, 2018			
Definite-lived:			
Online retailer and customer relationships	$ 3,767	$ (3,767)	$ —
Tradenames	1,260	(1,260)	—
Non-compete agreements	1,800	(1,800)	—
Indefinite-lived trademarks and tradenames	135	—	135
	$ 6,962	$ (6,827)	$ 135

The customer relationships are amortized by the straight-line method over three years associated with the Canada loyalty program and 10 years for Brand Portfolio customer relationships. Favorable leasehold interests are amortized over the remaining lease term.

12. ACCRUED EXPENSES

Accrued expenses consisted of the following:

(in thousands)	February 2, 2019	February 3, 2018
Gift cards and merchandise credits	$ 34,998	$ 32,792
Accrued compensation and related expenses	53,577	25,082
Accrued taxes	16,491	20,757
Loyalty programs deferred revenue	16,151	21,282
Sales returns	17,743	14,130
Customer allowances and discounts	13,094	—
Other[(1)]	49,481	34,183
	$ 201,535	$ 148,226

(1) Other is comprised of various other accrued expenses that we expect will settle within one year of the applicable period.

13. NON-CURRENT LIABILITIES

Non-current liabilities consisted of the following:

(in thousands)	February 2, 2019	February 3, 2018
Construction and tenant allowances	$ 71,634	$ 80,725
Deferred rent	35,934	37,116
Accrual for lease obligations	16,483	6,511
Foreign tax contingent liabilities	13,429	—
Unfavorable leasehold interests	5,779	—
Deferred tax liabilities	3,260	—
Other[(1)]	18,528	14,380
	$ 165,047	$ 138,732

(1) Other is comprised of various other accrued expenses that we expect will settle beyond one year from the end of the applicable period.

The accrual for lease obligations includes an office space we lease that expires in 2024. We sublease the entire office space to an unrelated third party at an annual rent that is lower than our total annual lease obligation. The sublease was renewed for a two-year term in June 2017, which can be terminated by the tenant at any time with 60 days' notice. As a result of our decision to exit the Ebuys business, which is included in our Other segment, during fiscal 2018, we exited a leased office space that expires in 2020 and a fulfillment center that expires in 2023 and recorded a lease exit charge of $6.3 million. Also during fiscal 2018, as a result of our decision to exit the Town Shoes banner, which is included in our Canada Retail segment, we closed or re-branded all Town Shoes banner stores and recorded lease exit charges of $15.5 million. The lease exit charges were recorded to operating expenses in the consolidated statements of operations with a related addition to the accrual for lease obligations that included the reserves for these leases based on the remaining lease payments and estimated sublease income. We incurred $19.5 million of charges related to the exit of the Town Shoes banner, which included lease exit charges, severance, and inventory write-downs. We assumed lease obligations as part of the acquisition of the Camuto Group.

The following table presents the changes and total balances for the accrual for lease obligations:

	Fiscal	
(in thousands)	2018	2017
Beginning of period	$ 6,511	$ 7,283
Assumed liability in acquisitions	6,792	—
Additions	23,507	—
Lease obligation payments, net of sublease income	(20,496)	416
Adjustments	169	(1,188)
End of period	$ 16,483	$ 6,511

14. DEBT

Credit Facility- On August 25, 2017, we entered into a senior unsecured revolving credit agreement (the "Credit Facility") with a maturity date of August 25, 2022 that replaced our previous secured revolving credit agreement and letter of credit agreement. On October 10, 2018, the Credit Facility was amended to include the acquisition of Camuto Group as a permitted acquisition and, following the acquisition, to utilize an accordion feature that provided for an increase to the revolving line of credit. On November 5, 2018, following the acquisition of Camuto Group, the amended Credit Facility was increased with no change to the sub-limits. As of February 2, 2019, the Credit Facility provided a revolving line of credit up to $400 million, with sub-limits for the issuance of up to $50 million in letters of credit, swing loan advances of up to $15 million, and the issuance of up to $75 million in foreign currency revolving loans and letters of credit. The Credit Facility may be used to provide funds for working capital, capital expenditures, share repurchases, other expenditures, and permitted acquisitions as defined by the Credit Facility. Our Credit Facility allows the payments of dividends by us or our subsidiaries, provided that immediately before and after a dividend payment there is no event of default, as defined in our Credit Facility.

Loans issued under the revolving line of credit bear interest, at our option, at a base rate or an alternate base rate as defined in the Credit Facility plus a margin based on our leverage ratio, with an interest rate of 4.0% as of February 2, 2019. Any loans issued in CAD bear interest at the alternate base rate plus a margin based on our leverage ratio. Interest on letters of credit issued under the Credit Facility is variable based on our leverage ratio and the type of letters of credit, with an interest rate of 1.5% as of February 2, 2019. Commitment fees are based on the average unused portion of the Credit Facility at a variable rate based on our leverage ratio. As of February 2, 2019, we had $160.0 million outstanding borrowings under the Credit Facility and $4.5 million in letters of credit issued, resulting in $235.5 million available for borrowings. Interest expense related to the Credit Facility includes interest on borrowings and letters of credit, commitment fees and the amortization of debt issuance costs.

Debt Covenants- The Credit Facility contains financial and other covenants, including, but not limited to, limitations on indebtedness, liens and investments, as well as the maintenance of a leverage ratio not to exceed 3.25:1 and a fixed charge coverage ratio not to be less than 1.75:1. As a result of the acquisition of Camuto Group, we have elected to increase the leverage ratio whereby we must maintain a leverage ratio not to exceed 3.50:1 as of the end of the fourth quarter of fiscal 2018 and for the subsequent three quarters. A violation of any of the covenants could result in a default under the Credit Facility that would permit the lenders to restrict our ability to further access the Credit Facility for loans and letters of credit and require the immediate repayment of any outstanding loans under the Credit Facility. As of February 2, 2019, we were in compliance with all financial covenants.

15. LEASES

We lease our stores, fulfillment centers and other facilities under various arrangements with related and unrelated parties. Generally, we are required to pay base rent, real estate taxes, maintenance, insurance and contingent rentals based on sales in excess of specified levels. In addition, we lease certain equipment and vehicles used in our operations. Rent expense shown below for related parties was attributable to lease activity with entities owned by Schottenstein Affiliates.

Rent expense, excluding real estate taxes, maintenance and insurance, consisted of the following:

	Fiscal		
(in thousands)	**2018**	**2017**	**2016**
Minimum rentals:			
Unrelated parties	$ 204,873	$ 178,353	$ 172,483
Related parties	9,220	9,150	8,091
Contingent rentals to unrelated parties	23,822	27,804	30,172
	$ 237,915	$ 215,307	$ 210,746

Operating lease obligations include real estate leases, including leased locations that were abandoned, and non-real estate leases. As of February 2, 2019, the following future minimum lease payment requirements excludes contingent rental payments, maintenance, insurance, real estate taxes, and the amortization of deferred rent and construction and tenant allowances:

(in thousands)	**Unrelated Parties**	**Related Parties**	**Total**
Fiscal 2019	$ 233,237	$ 9,425	$ 242,662
Fiscal 2020	227,001	9,364	236,365
Fiscal 2021	204,803	8,697	213,500
Fiscal 2022	170,030	6,518	176,548
Fiscal 2023	131,594	1,874	133,468
Future fiscal years thereafter	298,437	5,596	304,033
	$ 1,265,102	$ 41,474	$ 1,306,576

16. COMMITMENTS AND CONTINGENCIES

Contingent Consideration Liability- The contingent consideration liability resulted from the acquisition of Ebuys and was based on a defined earnings performance measure. The contingent consideration liability was measured at fair value with any differences between the final acquisition-date fair value and revised estimated fair value, as remeasured each reporting period, being recognized as an adjustment to income from operations. During fiscal 2017, as a result of recurring operating losses incurred by Ebuys since its acquisition, which led to our decision to exit the business, we eliminated the contingent consideration liability.

Activity for the contingent consideration liability for fiscal 2017 was as follows:

(in thousands)	**Fiscal 2017**
Contingent consideration liability - beginning of period	$ 33,204
Accretion in value	3,589
Fair value adjustments	(36,336)
Other adjustments	(457)
Contingent consideration liability - end of period	$ —

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 the 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.

Foreign Tax Contingencies- During the due diligence procedures performed related to the acquisition of Camuto Group, we identified probable contingent liabilities associated with unpaid foreign payroll and other taxes that could also result in assessed penalties and interest. We have developed an initial estimate of the range of outcomes related to these obligations of $13.4 million to $30.0 million for obligations we are aware of at this time. As of February 2, 2019, we recorded a contingent liability of $13.4 million representing the low end of the range and an indemnification asset of $12.7 million representing the estimated amount as of the acquisition date, which we expect to collect under the terms of the securities purchase agreement with the Sellers. We are continuing to assess the exposure, which may result in material changes to these estimates, and we may identify additional contingent liabilities. We believe that the Sellers are obligated to indemnify us for any payments to foreign taxing authorities for the periods up to the acquisition date. Although a portion of the purchase price is held in escrow and another portion is held in a restricted bank account, there can be no assurance that we will successfully collect all amounts that we may be obligated to settle with the foreign taxing authorities.

Guarantee- As a result of a previous merger, we provided a guarantee for a lease commitment that is scheduled to expire in 2024 for a location that has been leased to a third party. If the third party does not pay the rent or vacates the premise, we may be required to make full rent payments to the landlord. As of February 2, 2019, the total future minimum lease payment requirements for this guarantee was approximately $17.0 million.

Contractual Obligations- As of February 2, 2019, we have entered into various noncancelable purchase and service agreements, including construction commitments for capital items to be purchased for projects that were under construction or for which a lease has been signed. In addition, we have license agreements that allow us to use third-party owned brands, including a license agreement with ABG-Camuto (a related party), that have guaranteed minimum royalty payments.

As of February 2, 2019, our noncancelable purchase obligations and future guaranteed minimum royalty payments are as follows:

		Guaranteed Minimum Royalties		
(in thousands)	Noncancelable Purchase Obligations	Unrelated Parties	Related Party	Total
Fiscal 2019	$ 15,278	$ 16,634	$ 17,350	$ 33,984
Fiscal 2020	4,356	18,021	17,350	35,371
Fiscal 2021	—	18,438	17,350	35,788
Fiscal 2022	—	13,859	17,350	31,209
Fiscal 2023	—	13,859	17,350	31,209
Future fiscal years thereafter	—	46,545	91,500	138,045
	$ 19,634	$ 127,356	$ 178,250	$ 305,606

17. INCOME TAXES

On December 22, 2017, the U.S. Tax Reform was enacted in the U.S., which significantly changed how the U.S. taxes corporations. The U.S. Tax Reform reduced the federal statutory tax rate from 35% to 21% and requires complex computations to be performed that were not previously required in U.S. tax law. The U.S. Treasury Department, the U.S. Internal Revenue Service, and other standard-setting bodies could interpret or issue guidance on how provisions of the U.S. Tax Reform will be applied or otherwise administered that is different from our interpretation. During fiscal 2017, we recognized $10.1 million of additional net tax expense based on our initial assessment of implementing the U.S. Tax Reform. During the fourth quarter of fiscal 2018, we have completed our determination of the accounting implications of the U.S. Tax Reform and recognized $2.1 million of additional net tax expense as a result of implementing the U.S. Tax Reform.

Income, including income (loss) from equity investment in TSL, before income taxes consisted of the following:

	Fiscal		
(in thousands)	2018	2017	2016
Domestic income	$ 123,172	$ 131,131	$ 205,812
Foreign losses, including income (loss) from equity investment in TSL	(113,805)	(4,112)	(2,615)
Income, including income (loss) from equity investment in TSL, before income taxes	$ 9,367	$ 127,019	$ 203,197

Income tax provision consisted of the following:

	Fiscal		
(in thousands)	**2018**	**2017**	**2016**
Current:			
Federal	$ 29,073	$ 60,041	$ 61,510
Foreign	188	901	954
State and local	12,268	11,382	9,181
Total current tax expense	41,529	72,324	71,645
Deferred:			
Federal	(2,234)	(10,431)	4,889
Foreign	(9,273)	927	674
State and local	(189)	(3,253)	1,570
Total deferred tax expense	(11,696)	(12,757)	7,133
Income tax provision	$ 29,833	$ 59,567	$ 78,778

The following presents a reconciliation of the income tax provision based on the U.S. federal statutory tax rate to the total tax provision (the U.S. federal statutory tax rate used below for fiscal 2017 excludes the impact of the revised rate due to the U.S. Tax Reform as that change is reflected in the net impact of implementing the U.S. Tax Reform):

	Fiscal		
(in thousands)	**2018**	**2017**	**2016**
Income tax provision at federal statutory rate	$ 1,966	$ 44,457	$ 71,119
State and local taxes, net of federal benefit	5,688	3,896	7,207
Foreign tax rate differential	(3,270)	922	802
Foreign impairment charges	11,196	—	—
Valuation allowance	8,157	834	763
Non-deductible compensation	2,219	54	32
Uncertain tax positions	2,611	1,245	865
Net impact of implementing the U.S. Tax Reform	2,144	10,079	—
Other	(878)	(1,920)	(2,010)
Income tax provision	$ 29,833	$ 59,567	$ 78,778

For fiscal 2018, the impact of taxation of the foreign operations on our total effective income tax rate was primarily related to significant current year Canadian pre-tax losses for which no benefit is being recognized.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

(in thousands)	February 2, 2019	February 3, 2018
Deferred tax assets:		
State bonus depreciation	$ 3,233	$ 3,171
Inventory	11,131	6,557
Construction and tenant allowances	3,048	1,311
Stock-based compensation	9,081	9,402
Gift cards	2,763	539
Accrued expenses	3,389	2,184
Accrued rewards	3,356	5,657
Accrued rent	13,441	11,284
Change in fair value of contingent consideration	—	9,108
Foreign net operating losses	13,627	—
Acquisition-related transaction costs	2,832	—
Other	4,540	4,886
	70,441	54,099
Less: valuation allowance	(14,097)	(2,736)
Total deferred tax assets, net of valuation allowance	56,344	51,363
Deferred tax liabilities:		
Property and equipment	(23,423)	(21,800)
Intangible assets	(3,287)	—
Prepaid expenses and other	(2,611)	(1,852)
	(29,321)	(23,652)
Net deferred tax assets	$ 27,023	$ 27,711

Deferred income taxes are reported within the consolidated balance sheets as follows:

(in thousands)	February 2, 2019	February 3, 2018
Deferred tax assets	$ 30,283	$ 27,711
Deferred tax liabilities included in non-current liabilities	(3,260)	—
Net deferred tax assets as shown above	$ 27,023	$ 27,711

We establish valuation allowances for deferred tax assets when the amount of expected future taxable income is not likely to support the use of the deduction or credit. As of February 2, 2019, the valuation allowance is primarily related to foreign net operating losses, which, if not utilized, a portion of the carryovers will begin to expire in fiscal 2034. The following presents the changes in valuation allowance:

	Fiscal		
(in thousands)	2018	2017	2016
Valuation allowance - beginning of period	$ 2,736	$ 1,972	$ 1,250
Additions charged to income tax provision	8,157	834	763
Additions related to acquisitions	6,124	—	—
Allowances taken or written off	(2,920)	(70)	(41)
Valuation allowance - end of period	$ 14,097	$ 2,736	$ 1,972

The U.S. Tax Reform included a mandatory one-time tax on accumulated earnings of foreign subsidiaries, and as a result, all previously unremitted earnings for which no U.S. deferred tax liability had been previously accrued have now been subject to U.S. tax. Notwithstanding the U.S. taxation of these amounts, we intend to continue to invest all of these earnings, as well as our capital in these subsidiaries, indefinitely outside of the U.S. and we do not expect to incur any significant, additional taxes related to such amounts.

Changes in gross unrecognized tax benefits were as follows:

	Fiscal		
(in thousands)	**2018**	**2017**	**2016**
Unrecognized tax benefits - beginning of period	$ 7,925	$ 6,773	$ 5,767
Additions for tax positions taken in the current year	4,105	1,835	2,513
Reductions for tax positions taken in prior years:			
Lapses of applicable statutes of limitations	—	(233)	(475)
Settlements	(422)	(450)	(1,032)
Unrecognized tax benefits - end of period	$ 11,608	$ 7,925	$ 6,773

Of the $11.6 million, $7.9 million and $6.8 million of total unrecognized tax benefits at February 2, 2019, February 3, 2018 and January 28, 2017, respectively, approximately $10.2 million, $6.7 million and $4.8 million, respectively, represent the amount of unrecognized tax benefits that, if recognized, would favorable affect the effective tax rate in future periods. While it is expected that the amount of unrecognized tax benefits will change in the next 12 months, any changes are not expected to have a material impact on our financial position, results of operations or cash flows. We recognize interest and penalties related to unrecognized tax benefits as a component of the income tax provision. As of February 2, 2019, February 3, 2018 and January 28, 2017, interest and penalties were $1.8 million, $0.9 million and $0.5 million, respectively.

We are no longer subject to U.S. federal income tax examinations for years prior to fiscal 2015 and state income tax examinations for years prior to 2013. We have two state income tax returns in the process of examination at this time. We estimate the range of possible changes that may result from any future tax examinations to be insignificant at this time.

18. SEGMENT REPORTING

Our three reportable segments, which are also operating segments, are the U.S. Retail segment, the Canada Retail segment, and the Brand Portfolio segment. We have determined that the Chief Operating Decision Maker ("CODM") is our Chief Executive Officer and we have identified such segments based on internal management reporting and responsibilities. The performance of each segment is based primarily on net sales and gross profit. As a result, we do not allocate operating expenses to the segments. Total assets by segment are not presented in the table below as the CODM does not evaluate, manage or measure performance of segments using total assets.

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

(in thousands)	U.S. Retail	Canada Retail	Brand Portfolio	Other	Corporate / Eliminations	Total
Fiscal 2018						
External revenue:						
Net sales	$ 2,738,989	$ 220,325	$ 86,138	$ 128,968	$ —	$ 3,174,420
Commission, franchise and other revenue	—	—	3,498	—	5,820	9,318
Total revenue	$ 2,738,989	$ 220,325	$ 89,636	$ 128,968	$ 5,820	$ 3,183,738
Intersegment revenue	$ —	$ —	$ 10,176	$ —	$ (10,176)	$ —
Gross profit[(1)]	$ 840,174	$ 55,937	$ 15,026	$ 25,252	$ (1,198)	$ 935,191
Income from Equity investment in ABG-Camuto	$ —	$ —	$ 1,298	$ —	$ —	$ 1,298
Cash paid for property and equipment	$ 32,544	$ 6,396	$ 447	$ 147	$ 25,821	$ 65,355
Depreciation and amortization	$ 49,552	$ 6,951	$ 1,971	$ 604	$ 19,970	$ 79,048
Fiscal 2017						
Revenue:						
Total net sales	$ 2,577,711	$ —	$ —	$ 227,844	$ —	$ 2,805,555
Commission, franchise and other revenue	—	—	—	—	5,165	5,165
Total revenue	$ 2,577,711	$ —	$ —	$ 227,844	$ 5,165	$ 2,810,720
Gross profit[(1)]	$ 783,399	$ —	$ —	$ 15,733	$ —	$ 799,132
Cash paid for property and equipment	$ 28,608	$ —	$ —	$ 3,483	$ 24,191	$ 56,282
Depreciation and amortization	$ 54,917	$ —	$ —	$ 4,524	$ 21,420	$ 80,861
Fiscal 2016						
Revenue:						
Total net sales	$ 2,479,902	$ —	$ —	$ 233,453	$ —	$ 2,713,355
Commission, franchise and other revenue	—	—	—	—	4,944	4,944
Total revenue	$ 2,479,902	$ —	$ —	$ 233,453	$ 4,944	$ 2,718,299
Gross profit[(1)]	$ 745,488	$ —	$ —	$ 34,410	$ —	$ 779,898
Cash paid for property and equipment	$ 51,076	$ —	$ —	$ 1,180	$ 35,324	$ 87,580
Depreciation and amortization	$ 56,653	$ —	$ —	$ 4,863	$ 21,308	$ 82,824

(1) Gross profit is defined as net sales, which excludes commission, franchise and other revenue, less cost of sales.

As of February 2, 2019, long-lived assets, consisting of property and equipment, net, included $374.1 million in the U.S. with the remaining $35.5 million in other countries. As of February 3, 2018, long-lived assets outside of the U.S. were immaterial. No single customer accounts for ten percent or more of consolidated total revenue. However, the Brand Portfolio segment has four customers that make up approximately 60% of its total revenue, excluding intersegment revenue, and the loss of any or all of these customers would have a material adverse effect on the Brand Portfolio segment.

19. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables contain selected quarterly consolidated financial data for fiscal 2018 and 2017 that have been prepared on the same basis as the accompanying audited consolidated financial statements and include all adjustments necessary for a fair presentation, in all material respects, of the information set forth therein on a consistent basis:

	Fiscal 2018 Quarters Ended(1)			
(in thousands, except per share data)	**May 5, 2018**	**August 4, 2018**	**November 3, 2018**	**February 2, 2019**
Total revenue	$ 712,102	$ 795,268	$ 833,003	$ 843,365
Gross profit	$ 205,225	$ 254,495	$ 271,083	$ 204,388
Operating profit (loss)	$ 38,470	$ 24,469	$ 53,089	$ (57,023)
Net income (loss)(2)	$ 24,297	$ (38,356)	$ 39,319	$ (45,726)
Diluted earnings (loss) per share(6)	$ 0.30	$ (0.48)	$ 0.48	$ (0.58)

	Fiscal 2017 Quarters Ended(3)			
(in thousands, except per share data)	**April 29, 2017**	**July 29, 2017**	**October 28, 2017**	**February 3, 2018(5)**
Total revenue	$ 692,038	$ 683,012	$ 710,992	$ 724,678
Gross profit	$ 197,085	$ 199,297	$ 208,727	$ 194,023
Operating profit	$ 40,652	$ 46,866	$ 3,370	$ 34,170
Net income(4)	$ 22,818	$ 28,677	$ 4,005	$ 11,952
Diluted earnings per share(6)	$ 0.28	$ 0.36	$ 0.05	$ 0.15

(1) During fiscal 2018, operating results were impacted by the following pre-tax items for the quarters presented:

	Fiscal 2018 Quarters Ended			
(in thousands)	**May 5, 2018**	**August 4, 2018**	**November 3, 2018**	**February 2, 2019**
Lease exit and other termination costs	$ 3,994	$ 409	$ 16,301	$ 2,337
Acquisition-related costs and target acquisition costs	$ 508	$ 5,104	$ 12,982	$ 9,335
Impairment charges (adjustments)	$ —	$ 36,240	$ (7,163)	$ 31,683
Fair value adjustments of TSL's previously held assets	$ —	$ 33,988	$ —	$ —
Camuto Group Inventory step-up	$ —	$ —	$ —	$ 5,300
Restructuring expenses	$ —	$ 2,708	$ 563	$ 2,342
Foreign currency transaction losses (gains)	$ 1,978	$ 13,318	$ 94	$ (1)

(2) During the fourth quarter of fiscal 2018, we recognized $2.1 million of additional net tax expense as a result of finalizing the U.S. Tax Reform implementation assessment.

(3) During fiscal 2017, operating results were impacted by the following pre-tax items related to Ebuys for the quarters presented:

	Fiscal 2017 Quarters Ended			
(in thousands)	**April 29, 2017**	**July 29, 2017**	**October 28, 2017**	**February 3, 2018**
Impairment charges	$ —	$ —	$ 82,701	$ 6,739
Inventory write-downs	$ —	$ —	$ —	$ 9,257
Loss (gain) due to change in fair value of contingent consideration liability	$ 1,084	$ 1,168	$ (31,178)	$ (3,821)

(4) During the fourth quarter of fiscal 2017, we recognized $10.1 million of additional net tax expense as a result of our initial assessment for implementing the U.S. Tax Reform.

(5) The fourth quarter of fiscal 2017 includes an additional week of activity when compared to the previous quarters during fiscal 2017 due to fiscal 2017 consisting of 53 weeks. The additional week added $35.6 million of sales, $15.9 million of gross margin, $7.9 million of operating profit, and $4.9 million of net income, or $0.06 diluted earnings per share.

(6) The sum of the quarterly diluted earnings (loss) per share amounts may not equal the fiscal year amount due to rounding and the use of weighted average shares outstanding for each period.

AMENDMENT NO. 1 TO SECURITIES PURCHASE AGREEMENT

Reference is hereby made to the Securities Purchase Agreement, dated as of October 10, 2018 (the "Purchase Agreement"), by and among DSW Shoe Warehouse, Inc., a Missouri corporation ("HoldCo"); ABG-Camuto, LLC, a Delaware limited liability company ("Buyer IPCo" and, together with HoldCo, "Buyers"); Camuto Group LLC, a Delaware limited liability company; Camuto Consulting Inc., a Connecticut corporation; the Camuto Owners (as defined in the Purchase Agreement); Clear Thinking Group LLC, in the person of Stuart H. Kessler, solely in its capacity as Sellers' Representative; and, solely with respect to the sections specified therein, each of DSW Inc., an Ohio corporation, and Authentic Brands Group LLC, a Delaware limited liability company. Terms with initial capital letters used but not defined herein have the meanings assigned to them in the Purchase Agreement.

Pursuant to Section 10.3 of the Purchase Agreement, the Parties agree to amend the Purchase Agreement (this "Amendment No. 1") as follows:

1. The following text in Section 1.2(b)(1) of the Purchase Agreement:

"(1) with respect to the adjustments set forth in clauses (i), (ii), (iv) and (vi), 5.07% of such adjustments shall be attributable to the Base CG OpCo Purchase Price and 94.93% of such adjustments shall be attributable to the Base CCI OpCo Purchase Price;"

shall be replaced in its entirety with the following text:

"(1) with respect to the adjustments set forth in clauses (i), (ii), (iv) and (vi), 94.93% of such adjustments shall be attributable to the Base CG OpCo Purchase Price and 5.07% of such adjustments shall be attributable to the Base CCI OpCo Purchase Price;"

2. Section 1.2(c)(iii) of the Purchase Agreement is replaced in its entirety with the following text:

"(iii) HoldCo and Buyer IPCo, as applicable, shall pay, in accordance with the payoff instructions set forth in the Payoff Letters, the Payoff Amounts set forth in the Payoff Letters delivered by Sellers in accordance with Section 5.8;"

The Parties agree that the foregoing amendments reflect the original intent of the Parties in entering into the Purchase Agreement on October 10, 2018.

3. The following text will be added to Section 8.2(f) of the Sellers' Disclosure Schedule:

"9. Any amounts paid by HoldCo, following consultation with Sellers, to BCL-ED Newco LLC ("BCL-ED"), in respect of periods prior to the Closing, in connection with non-payment by Bernard Chaus, Inc., or any of its Affiliates (together "Chaus"), of any profits or commissions that BCL-ED may demand to be paid by Chaus in respect of Chaus sales of ready-to-wear goods in connection with Sellers' business arrangements with QVC, Inc. or any of its Affiliates and Subsidiaries."

4. The following sentence shall be added to the end of Section 5.11(b) of the Purchase Agreement:

"Any net Intercompany Liabilities of the Acquired Companies that are not eliminated or otherwise cease to be Intercompany Liabilities pursuant to the foregoing provisions of this Section 5.11(b) shall be deemed to be forgiven and cancelled as of the Closing Date (even if discovered after the Closing Date); provided that, following the Closing, unless otherwise consented to by Holdco, (a) with respect to any such Intercompany Liability payable to any Acquired Company that is not wholly owned, directly or indirectly, by Sellers as of immediately prior to the Closing, Sellers shall cause such Intercompany Liability to be paid in full promptly following discovery thereof, and (b) with respect to any Intercompany Liability payable by any Acquired Company that is not wholly owned, directly or indirectly by Sellers as of immediately prior to the Closing, Sellers shall cause the right to receive payment in respect of such Intercompany Liability to be assigned (without any further consideration) to CG OpCo or CCI OpCo (or an Acquired Company that is a wholly owned Subsidiary thereof) promptly following discovery thereof, in each case, such that following the consummation of such step, the applicable Intercompany Liability ceases to be an Intercompany Liability."

5. Section 1.6(c) of the Purchase Agreement shall be deleted in its entirety.

6. Except for the amendment expressly set forth in this Amendment No. 1, the Parties agree that the Purchase Agreement shall remain unchanged and in full force and effect.

7. With the exception of Section 10.8, Sections 10.1 through 10.11 of the Purchase Agreement are incorporated herein *mutatis mutandis*.

*[Signature Pages Follow]*IN WITNESS WHEREOF, each of the undersigned has duly executed this Amendment (or caused this Amendment to be executed on its behalf by its officer or representative thereunto duly authorized) as of the date first above written.

DSW SHOE WAREHOUSE, INC.

By: ________________________________
Name:
Title:

ABG-CAMUTO, LLC

By: ________________________________
Name:
Title:

CAMUTO GROUP, LLC

By: ________________________________
Name:
Title:

CAMUTO CONSULTING ING.

By: ________________________________
Name:
Title:

EXHIBIT 2.4.2

Side Letter to Securities Purchase Agreement

January 31, 2019

CCI 1 LLC (f/k/a Camuto Group LLC)
c/o Clear Thinking Group, LLC
401 Towne Centre Drive
Hillsborough, NJ 08844
Attention: Stuart H. Kessler
President

Re: Preliminary Closing Statement

Ladies and Gentlemen:

Reference is made to that certain Securities Purchase Agreement dated as of October 10, 2018, as amended by Amendment No. 1 thereto (the "Purchase Agreement"), by and among DSW Shoe Warehouse, Inc., a Missouri corporation ("HoldCo"); ABG-Camuto, LLC, a Delaware limited liability company ("Buyer IPCo" and, together with HoldCo, "Buyers"); Camuto Group LLC, a Delaware limited liability company ("Group"); Camuto Consulting Inc., a Connecticut corporation ("Consulting" and, together with Group, "Sellers"); the Camuto Owners (as defined in the Purchase Agreement); Clear Thinking Group LLC, in the person of Stuart H. Kessler, solely in its capacity as Sellers' Representative (as defined in the Purchase Agreement); and, solely with respect to the sections specified therein, each of DSW Inc., an Ohio corporation, and Authentic Brands Group LLC, a Delaware limited liability company. Capitalized terms used but not defined herein have the respective meanings ascribed to such terms in the Purchase Agreement.

The Closing Date under the Purchase Agreement was November 5, 2018. Pursuant to Section 1.3(b) of the Purchase Agreement, Buyers are obligated to prepare and deliver to Sellers the Preliminary Closing Statement no later than 90 days after the Closing Date, which is February 3, 2019 (the "Delivery Deadline").

The Parties hereby agree:

(A) to extend the Delivery Deadline for the Preliminary Closing Statement to February 28, 2019 (the "Revised Deadline"); and
(B) that neither Buyer shall be deemed to have breached the Purchase Agreement in requesting such extension from Sellers, and that none of Buyers' or Sellers' rights set forth in Section 1.3 of the Purchase Agreement, or otherwise, shall be waived or forfeited by agreeing to the Revised Deadline.

Except as set forth herein, the Purchase Agreement is ratified and confirmed in all respects. All terms and conditions of the Purchase Agreement not in conflict with the terms of this letter agreement shall remain in full force and effect. Sections 10.1 through 10.11 of the Purchase Agreement are incorporated herein *mutatis mutandis*.

[*remainder of page intentionally left blank; signature page follows*]Sincerely,

DSW Shoe Warehouse, Inc.

By: ________
Name:
Title:

DSW Inc.

By: ________
Name:
Title:

ABG-Camuto, LLC

By:_________
Name:
Title:

Authentic Brands Group LLC

By: _________
Name:
Title:

Accepted and Agreed:

Clear Thinking Group LLC,
as Sellers' Representative

By: _________
Name: Stuart H. Kessler
Title: President

OWNERS:

U.S. Trust Company of Delaware, as Trustee of the trust held under Article FIRST of that certain trust agreement dated May 13, 2010 between Vincent Camuto, as Grantor, and U.S. Trust Company of Delaware, as Trustee, as directed by Alexander V. Del Cielo, as Trust Advisor

By:____
Name:
Title:

ESTATE OF VINCENT CAMUTO

By:____
Name: Louise Camuto
Title: Co-Executor

By:____
Name: Robert Camuto
Title: Co-Executor

U.S. Trust Company of Delaware, as Trustee of the trust held under Article FIRST of that certain trust agreement dated May 13, 2010 between Vincent Camuto, as Grantor, and U.S. Trust Company of Delaware, as Trustee, as directed by Alexander V. Del Cielo, as Trust Advisor

By: ______________________________________
Name:
Title:

U.S. Trust Company of Delaware, as Trustee of the trust held f/b/o Robert Camuto under Article TENTH of that certain trust agreement dated May 13, 2010 between Vincent Camuto, as Grantor, and U.S. Trust Company of Delaware, as Trustee, as directed by Alexander V. Del Cielo, as Trust Advisor

By: ______________________________________
Name:
Title:

U.S. Trust Company of Delaware, as Trustee of the trust held f/b/o Andrea Camuto under Article TENTH of that certain trust agreement dated May 13, 2010 between Vincent Camuto, as Grantor, and U.S. Trust Company of Delaware, as Trustee, as directed by Alexander V. Del Cielo, as Trust Advisor

By: ______________________________________
Name:
Title:

U.S. Trust Company of Delaware, as Trustee of the trust held f/b/o John Vincent Camuto under Article TENTH of that certain trust agreement dated May 13, 2010 between Vincent Camuto, as Grantor, and U.S. Trust Company of Delaware, as Trustee, as directed by Alexander V. Del Cielo, as Trust Advisor

By: ______________________________________
Name:
Title:

U.S. Trust Company of Delaware, as Trustee of the trust held f/b/o Christopher Camuto under Article TENTH of that certain trust agreement dated May 13, 2010 between Vincent Camuto, as Grantor, and U.S. Trust Company of Delaware, as Trustee, as directed by Alexander V. Del Cielo, as Trust Advisor

By: ______________________________________
Name:
Title:

U.S. Trust Company of Delaware, as Trustee of the trust held f/b/o Philip Vincent Camuto under Article TENTH of that certain trust agreement dated May 13, 2010 between Vincent Camuto, as Grantor, and U.S. Trust Company of Delaware, as directed by Alexander V. Del Cielo, as Trust Advisor

By: ______________________________________
Name:
Title:

Louise Camuto, as Trustee of the trust held f/b/o Philip Vincent Camuto under Article TENTH of that certain trust agreement dated May 13, 2010 between Vincent Camuto, as Grantor, and U.S. Trust Company of Delaware, as directed by Alexander V. Del Cielo, as Trust Advisor

UNITED STATES OF AMERICA,

STATE OF OHIO,

OFFICE OF SECRETARY OF STATE

I, Frank LaRose, Secretary of State of the State of Ohio, do hereby certify that the paper to which this is attached is a true and correct copy from the original record now in my official custody as Secretary of State.

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 19th day of March, A.D. 2019.

Ohio Secretary of State

Validation Number:

201907803018

DATE:	DOCUMENT ID	DESCRIPTION	FILING	EXPED	PENALTY	CERT	COPY
05/25/2011	201114500282	DOMESTIC/AMENDED RESTATED ARTICLES (AMA)	50.00	300.00		.00	.00

Receipt

This is not a bill. Please do not remit payment.

PORTER WRIGHT MORRIS & ARTHUR LLP
41 S HIGH ST STE 2800
COLUMBUS, OH 43215

STATE OF OHIO

CERTIFICATE

Ohio Secretary of State, Jon Husted

379756

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

DSW INC.

and, that said business records show the filing and recording of:

Document(s)	Document No(s):
DOMESTIC/AMENDED RESTATED ARTICLES	**201114500282**

United States of America
State of Ohio
Office of the Secretary of State

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 25th day of May, A.D. 2011.

Jon Husted

Ohio Secretary of State

Prescribed by:

The Ohio Secretary of State
Central Ohio: (614) 466-3910
Toll Free: 1-877-SOS-FILE (1-877-767-3453)

www.sos.state.oh.us
e-mail: busserv@sos.state.oh.us

Expedite this Form: (Select One)	
Mail Form to one of the Following:	
◉ Yes	PO Box 1390 Columbus, OH 43216 *** Requires an additional fee of $100 ***
○ No	PO Box 1329 Columbus, OH 43216

Certificate of Amendment by Shareholders or Members

(Domestic)

Filing Fee $50.00

(CHECK ONLY ONE (1) BOX)

(1) Domestic for Profit	PLEASE READ INSTRUCTIONS	(2) Domestic Nonprofit	
☑ Amended (122-AMAP)	☐ Amendment (125-AMDS)	☐ Amended (126-AMAN)	☐ Amendment (128-AMD)

Complete the general information in this section for the box checked above.

Name of Corporation: DSW Inc.

Charter Number: 379756

Name of Officer: William L. Jordan

Title: Secretary

☑ Please check if additional provisions attached.

The above named Ohio corporation, does hereby certify that:

☑ A meeting of the ☑ shareholders ☐ directors (*nonprofit only*)

☐ members was duly called and held on May 19, 2011 (Date)

CLIENT SERVICE CENTER
2011 MAY 25 AM 10: 53
RECEIVED
SECRETARY OF STATE

at which meeting a quorum was present in person or by proxy, based upon the quorum present, an affirmative vote was cast which entitled them to exercise 98.87 % as the voting power of the corporation.

☐ In a writing signed by all of the ☐ shareholders ☐ directors (*nonprofit amended articles only*)
☐ members who would be entitled to the notice of a meeting or such other proportion not less than a majority as the articles of regulations or bylaws permit.

Clause applies if amended box is checked.

Resolved, that the following amended articles of incorporations be and the same are hereby adopted to supercede and take the place of the existing articles of incorporation and all amendments thereto.

All of the following information must be completed if an amended box is checked.
If an amendment box is checked, complete the areas that apply.

FIRST: The name of the corporation is: DSW Inc.

SECOND: The place in the State of Ohio where its principal office is located is in the City of:

Columbus (city, village or township) Franklin (county)

THIRD: The purposes of the corporation are as follows:

The purposes for which the Corporation is formed is to engage in any lawful act or activity for which corporations may be formed under Chapter 1701 of the Ohio Revised Code.

FOURTH: The number of shares which the corporation is authorized to have outstanding is: 370,000,000 (see attached)
(Does not apply to box (2))

REQUIRED
Must be authenticated **(signed)** by an authorized representative
(See Instructions)

[signature]
Authorized Representative

May 25, 2011
Date

William L. Jordan
(Print Name)

Authorized Representative

Date

(Print Name)

ADDITIONAL PROVISIONS TO THE AMENDED AND RESTATED ARTICLES OF INCORPORATION OF DSW INC.

FOURTH (Cont'd): The number of shares which the corporation is authorized to have outstanding is the authorized number of shares of the corporation. One Hundred Seventy Million (170,000,000) of the authorized number of shares of the corporation shall be Class A Common Shares, without par value (the "Class A Common Shares"), One Hundred Million (100,000,000) shall be Class B Common Shares, without par value (the "Class B Common Shares"; and together with the Class A Common Shares, the "Common Shares"), and One Hundred Million (100,000,000) shall be preferred shares, without par value (the "Preferred Shares").

The designations, preferences, privileges and voting powers of shares of each class and the restrictions or qualifications thereof are as follows:

Section 1. Common Shares. Except as specifically otherwise provided herein, the Class A and Class B Common Shares shall be identical and shall entitle the holders thereof to the same rights and privileges.

(a) *Voting Rights.* The voting rights of the Common Shares shall be as follows:

i. each outstanding Class A Common Share shall entitle the holder thereof to one (1) vote on each matter properly submitted to the shareholders, or to the holders of the Class A Common Shares, for their vote, consent, waiver, release or other action;

ii. each outstanding Class B Common Share shall entitle the holder thereof to eight (8) votes on each matter properly submitted to the shareholders, or to the holders of the Class B Common Shares, for their vote, consent, waiver, release or other action; and

iii. the holders of Class A Common Shares and Class B Common Shares shall vote as a single class upon all matters submitted to the shareholders of the corporation except as otherwise provided by law.

(b) *Dividend and Other Rights of Common Shares.* Holders of Class A Common Shares and Class B Common Shares will share in any dividend declared by the Board of Directors, subject to any preferential rights of any outstanding Preferred Shares. The corporation shall not subdivide or combine any of the Common Shares, or pay any dividend or other distribution on any of the Common Shares, or accord any other payment, benefit or preference to any of the Common Shares, except by extending such subdivision, combination, distribution, payment, benefit or preference equally to all Common Shares. If dividends are declared that are payable in Common Shares, such dividends shall be payable in Class A

Common Shares to holders of Class A Common Shares and in Class B Common Share to holders of Class B Common Shares.

(c) *Conversion Rights.* The Class A Common Shares have no conversion rights. The conversion rights of the Class B Common Shares are as follows:

i. The holder of any Class B Common Shares, may, at his or her option on delivery to the corporation of his or her written notice electing to convert those Class B Common Shares to Class A Common Shares, and on surrender at the office of the corporation or office of the transfer agent for those Class B Common Shares of the certificate or certificates for the Class B Common Shares, duly endorsed to the corporation, be entitled to receive one Class A Common Share for each Class B Common Share converted in this manner. Such conversion will be deemed to have occurred at the close of business on the business day on which written notice of such voluntary conversion is received by the corporation, and the corporation and the transfer agent will promptly deliver evidence of such holder's ownership of Class A Common Shares in the form of a share certificate or automated deposit; provided, however, that any such surrender on any date when the stock transfer books of the corporation shall be closed shall be deemed to have occurred immediately prior to the close of business on the next succeeding day on which such stock transfer books are opened.

ii. The corporation may, as a condition to the transfer or the registration of transfer of, or the voluntary conversion of, Class B Common Shares, require the furnishing of such affidavits or other proof as it deems necessary to establish or verify the ownership of such Class B Common Shares. A good faith determination by the Board of Directors that ownership of Class B Common Shares cannot be established will be conclusive and binding on a holder of shares of the corporation.

iii. Neither fractional shares, nor scrip or other certificates evidencing fractional shares, will be issued by the corporation on conversion of the Class B Common Shares, but the corporation will pay in lieu of these fractional shares the full value in cash to the holders who would but for this provision be entitled to receive fractions of shares.

iv. Class B Common Shares converted pursuant to the articles of the corporation will be retired.

v. The corporation will at all times reserve and keep available out of its authorized but unissued Class A Common Shares solely for the purpose of effecting conversion of its Class B Common Shares the full number of Class A Common Shares deliverable on conversion of all Class B Common Shares from time to time outstanding.

Section 2. Preferred Shares

(a) The directors of the corporation are authorized to adopt amendments to the Articles of Incorporation in respect of any unissued Preferred Shares and thereby to fix or change, to the full extent now or hereafter permitted by Ohio law, the express terms of the Preferred Shares, or of any one or more series of the Preferred Shares, including without limitation, the division of such shares into series and the designation and authorized number of shares of each series; dividend or distribution rights; redemption rights and price; liquidation rights, preferences and price; sinking fund requirements; voting rights; conversion rights; and restrictions on the issuance of shares of the same series or of any other class or series.

(b) All shares of each series of the Preferred Shares shall be identical with each other in all respects.

FIFTH: No shareholder of the corporation shall have, as a matter of right, the pre-emptive right to purchase, subscribe for or otherwise acquire any shares of any class, now or hereafter authorized, or to purchase, subscribe for or otherwise acquire securities or other obligations convertible into or exchangeable for any such shares or which by warrants or otherwise entitle the holders thereof to purchase, subscribe for or otherwise acquire any such shares.

SIXTH:

Section 1. Authority of the Corporation to Deal in its Securities. The directors of the corporation shall have the power to cause the corporation from time to time and at any time to purchase, hold, sell, transfer or otherwise deal with (i) any shares issued by it, (ii) any security or other obligation of the corporation that confers upon the holder thereof the right to convert the same into shares authorized by the articles of the corporation, and (iii) any security or other obligation that confers upon the holder thereof the right to purchase shares authorized by the articles of the corporation. The corporation shall have the right to repurchase, if and when any shareholder desires to sell, or on the happening of any event is required to sell, any shares issued by the corporation.

Section 2. Limitation on Authority to Issue Class B Common Shares. The authority granted in this Article SIXTH shall not limit the plenary authority of the directors to purchase, hold, sell, transfer or otherwise deal with any shares or other securities issued by the corporation or authorized by its Articles. Notwithstanding the foregoing, to the extent that any of the Class B Common Shares are hereafter surrendered in exchange for Class A Common Shares, the Class B Common Shares so surrendered shall be retired. Except in connection with a subdivision of, or dividend or other distribution on, the Class B Common Shares, the directors of the corporation shall not have the power to cause the corporation to reissue, sell, transfer or otherwise deal with such retired Class B Common Shares.

SEVENTH:

Section 1. Definitions. For purposes of this Article SEVENTH:

(a) The "corporation" shall include all subsidiary corporations and all partnerships, joint ventures, associations and other entities in which the corporation owns (directly or indirectly) fifty percent or more of the outstanding voting shares, voting power, partnership interests or similar ownership interests.

(b) "SSC" means Schottenstein Stores Corporation, a Delaware corporation, and all successors to SSC by merger, consolidation or otherwise, and all subsidiary corporations and all partnerships, joint ventures, associations and other entities in which SSC owns (directly or indirectly) fifty percent or more of the outstanding voting shares, voting power, partnership interests or similar ownership interests, but shall not include the corporation and its subsidiaries.

(c) "Family Trust" means one or more trusts established for the benefit of any of Jay L. Schottenstein, Susan S. Diamond, Ann S. Deshe, Lori Schottenstein, Geraldine Schottenstein, any of their respective spouses, children or lineal descendants, or any person controlled by any such trust or trusts.

(d) "Related Entities" means SSC and its subsidiaries.

(e) "Related Persons" means directors of the corporation and directors of one or more of the Related Entities and corporations, partnerships, associations or other organizations in which one or more of such directors has a financial interest.

Section 2. Corporate Opportunity

(a) In anticipation that SSC will remain a substantial shareholder of the corporation, and the Related Entities may engage in the same or similar activities or lines of business and have interests in the same areas of corporate opportunities, and in recognition of the benefits to be derived by the corporation through its continued contractual, corporate and business relations with SSC (including services of officers and directors of SSC as officers and directors of the corporation), the provisions of this Section 2 are set forth to regulate and define the conduct of certain affairs of the corporation as they may involve the Related Entities and their respective officers and directors, and the powers, rights, duties and liabilities of the corporation and its officers, directors and shareholders in connection therewith.

(b) The Related Entities shall have the right to, and shall have no duty not to, (i) engage in the same or similar activities or lines of business as the corporation, (ii) do business with any supplier or customer of the corporation, and (iii) unless restricted by contract, employ or otherwise engage any officer or employee of the corporation, and neither the Related Entities nor any of their respective officers or directors (except as provided in Paragraph (c) of this Section 2) shall be liable to the corporation or its shareholders for breach of any fiduciary duty by reason of any such activities of the Related Entities or of such person's participation therein. In the event that a Related Entity acquires knowledge of a potential transaction or matter which may be a corporate opportunity for both the corporation and such Related Entity, the Related Entity shall have no duty to communicate or offer such corporate opportunity to the corporation and shall not be liable to the corporation or its shareholders for breach of any fiduciary duty as a shareholder of the corporation by reason of the fact that it pursues or acquires such corporate opportunity for itself, directs such corporate opportunity to another person or entity, or does not communicate information regarding such corporate opportunity to the corporation.

(c) In the event that a director or officer of the corporation who is also a director or officer of a Related Entity acquires knowledge of a potential transaction or matter which may be a corporate opportunity for both the corporation and such Related Entity, such director or officer of the corporation shall not be liable to the corporation or its shareholders by reason of the fact that the Related Entity pursues or acquires such corporate opportunity for itself or directs such corporate opportunity to another person or does not communicate information regarding such corporate opportunity to the corporation, if such director or officer acts in a manner consistent with the following policy:

i. a corporate opportunity offered to any person who is an officer of the corporation, and who is also a director but not an officer of a Related Entity, shall belong to the corporation, unless such opportunity is expressly offered to such person in writing solely in his capacity as a director of the a Related Entity, in which case such opportunity shall belong to such Related Entity;

ii. a corporate opportunity offered to any person who is a director but not an officer of the corporation, and who is also a director or officer of a Related Entity, shall belong to the corporation only if such opportunity is expressly offered to such person in writing solely in his or her capacity as a director of the corporation, and otherwise shall belong to the Related Entity; and

iii. a corporate opportunity offered to any person who is an officer, whether or not such person is also a director, of both the corporation and a Related Entity shall belong to the corporation only if such opportunity is expressly offered to such person in writing solely in his or her capacity as an officer or director of the corporation, and otherwise shall belong to the Related Entity.

(d) For the purposes of this Section 2, a "corporate opportunity" shall include, but not be limited to, any business opportunity which the corporation is financially able to undertake, is, from its nature, in the line of the corporation's business and is of practical advantage to it, and is one in which the corporation has an interest or a reasonable expectancy, where the circumstances are such that the self-interest of the Related Entity or the officer or directors, as the case may be, would be brought into conflict with that of the corporation if the Related Entity should embrace the opportunity.

(e) If any contract, agreement, arrangement or transaction between the corporation and a Related Entity involves a corporate opportunity and is approved in accordance with the procedures set forth in Section 3 of this Article SEVENTH, the Related Entity and its officers and directors shall be deemed to have fulfilled their fiduciary duties to the corporation and its shareholders with respect thereto under this Section 2. Any such contract, agreement, arrangement or transaction involving a corporate opportunity not so approved shall not by reason thereof result in any breach of any fiduciary duty, but shall be governed by the other provisions of this Section 2, these Articles and the code of regulations of the corporation (the "Regulations") and Chapter 1701 of the Ohio Revised Code.

Section 3. Contract, Action or Transaction Not Voidable

(a) In anticipation that (i) the corporation will have continued contractual, corporate and business relations with the Related Entities, and in anticipation that the corporation may enter into contracts or otherwise transact business with the Related Entities and that the corporation may derive benefits therefrom and (ii) the corporation may from time to time enter into contractual, corporate or business relations with one or more of the Related Persons, the provisions of this Section 3 are set forth to regulate and define certain contractual relations and other business relations of the corporation as they may involve Related Entities and Related Persons, and the powers, rights, duties and liabilities of the corporation and its officers, directors and shareholders in connection therewith. The provisions of this Section 3 are in addition to, and not in limitation of, the provisions of Chapter 1701 of the Ohio Revised Code and the other provisions of these Articles of Incorporation. Any contract or business relation which does not comply with the procedures set forth in this Section 3 shall not by reason thereof be deemed void or voidable or result in any breach of any fiduciary duty, but shall be governed by the provisions of these Articles, the Regulations and Chapter 1701 of the Ohio Revised Code.

(b) No contract, action or transaction (or any amendment, modification or termination thereof) between the corporation and one or more of the Related Entities or between the corporation and one or more of the Related Persons shall be void or voidable solely for the reason that any Related Entity or any Related Person are parties thereto, or solely because any Related Person is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because such Related Person's votes are counted for such purpose, and the Related Entity or Related Person shall not be liable to the corporation or its shareholders by reason of entering into, performance or consummation of any such contract, action, or transaction if:

i. the material facts as to his or their relationship or interest and as to the contract, action or transaction are disclosed or are known to the Board of Directors or the committee thereof and the Board of Directors or committee thereof, in good faith reasonably justified by such facts, authorizes the contract, action, or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors constitute less than a quorum of the directors or committee;

ii. the material facts as to his or their relationship or interest and as to the contract, action or transaction are disclosed or are known to the shareholders entitled to vote thereon and the contract, action or transaction is specifically approved at a meeting of the shareholders held for such purpose by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power of the corporation held by persons not interested in the contract, action or transaction; or

iii. the contract, action or transaction is fair as to the corporation as of the time it is authorized or approved by the Board of Directors, a committee of the Board of Directors, or the shareholders; provided, however, that nothing contained in this Section 3 shall limit or otherwise affect the liability of directors under Section 1701.95 of the Ohio Revised Code.

(c) Directors of the corporation who are also directors or officers of any Related Entity or Related Person may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract, agreement, arrangement or transaction.

Section 4. The directors, by the affirmative vote of a majority of those in office, and irrespective of any financial or personal interest in any of them, shall have the authority to establish reasonable compensation, which may include pension, disability, and death benefits, for services to the corporation by directors and officers, or to delegate such authority to one or more officers or directors.

Section 5. Any person or entity purchasing or otherwise acquiring any interest in shares of the corporation shall be deemed to have notice of and to have consented to the provisions of this Article SEVENTH.

Section 6. This Article SEVENTH shall remain in effect so long as SSC and the Family Trusts (or any of them) shall hold (as a group) shares of the corporation entitled to ten percent (10%) or more of the combined voting power of all shares of the corporation regularly entitled to vote for the election of directors.

Section 7. Neither the alteration, amendment or repeal of this Article SEVENTH, nor the adoption of any provision inconsistent with this Article SEVENTH, shall eliminate or reduce the effect of this Article SEVENTH in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article SEVENTH would accrue or arise, prior to such alteration, amendment, repeal or adoption.

EIGHTH: None of the provisions of Section 1701.831 of the Ohio Revised Code relating to control share acquisitions, shall be applicable to this corporation.

NINTH: None of the provisions of Chapter 1704 of the Ohio Revised Code relating to transactions affecting control shall be applicable to this corporation.

TENTH: Notwithstanding any provision of the Ohio Revised Code requiring for any purpose the vote, consent, waiver or release of the holders of shares of the corporation entitling them to exercise two-thirds, or any other proportion (but less than all), of the voting power of the corporation or of any class or classes of shares thereof, for such purpose the vote, consent, waiver or release of the holders of shares entitling them to exercise not less than a majority of the voting power of the corporation, or of such class or classes shall be required.

ELEVENTH: Notwithstanding any provision of the Ohio Revised Code now or hereafter in effect, no shareholder shall have the right to vote cumulatively in the election of directors.

UNITED STATES OF AMERICA,
STATE OF OHIO,
OFFICE OF SECRETARY OF STATE

I, Frank LaRose, Secretary of State of the State of Ohio, do hereby certify that the paper to which this is attached is a true and correct copy from the original record now in my official custody as Secretary of State.

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 19th day of March, A.D. 2019.

Ohio Secretary of State

Validation Number:
201907803018

DATE:	DOCUMENT ID	DESCRIPTION	FILING	EXPED	PENALTY	CERT	COPY
11/01/2013	201330500323	DOMESTIC/AMENDMENT TO ARTICLES (AMD)	50.00	300.00		.00	.00

Receipt

This is not a bill. Please do not remit payment.

PORTER WRIGHT MORRIS & ARTHUR LLP
41 S HIGH ST STE 2800
COLUMBUS, OH 43215

STATE OF OHIO
CERTIFICATE

Ohio Secretary of State, Jon Husted

379756

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

DSW INC.

and, that said business records show the filing and recording of:

Document(s)	Document No(s):
DOMESTIC/AMENDMENT TO ARTICLES	**201330500323**

Effective Date: 11/01/2013

United States of America
State of Ohio
Office of the Secretary of State

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 1st day of November, A.D. 2013.

Jon Husted

Ohio Secretary of State

Form 540 Prescribed by:
JON HUSTED
Ohio Secretary of State

Central Ohio: (614) 466-3910
Toll Free: (877) SOS-FILE (767-3453)
www.OhioSecretaryofState.gov
Busserv@OhioSecretaryofState.gov

Makes checks payable to Ohio Secretary of State

Mail this form to one of the following:
Regular Filing (non expedite)
P.O. Box 1329
Columbus, OH 43216

Expedite Filing **(Two-business day processing time requires an additional $100.00).**
P.O. Box 1390
Columbus, OH 43216

Certificate of Amendment
(For-Profit, Domestic Corporation)
Filing Fee: $50

Check appropriate box:

(•) Amendment to existing Articles of Incorporation (125-AMDS)

( ) Amended and Restated Articles (122-AMAP) - The following articles supersede the existing articles and all amendments thereto.

Complete the following information:

Name of Corporation: DSW Inc.

Charter Number: 379756

Check one box below and provide information as required:

( ) The articles are hereby amended by the **Incorporators**. Pursuant to Ohio Revised Code section 1701.70(A), incorporators may adopt an amendment to the articles by a writing signed by them if initial directors are not named in the articles or elected and before subscriptions to shares have been received.

( ) The articles are hereby amended by the **Directors.** Pursuant to Ohio Revised Code section 1701.70 (A), directors may adopt amendments if initial directors were named in articles or elected, but subscriptions to shares have not been received. Also, Ohio Revised Code section 1701.70(B) sets forth additional cases in which directors may adopt an amendment to the articles.

The resolution was adopted pursuant to Ohio Revised Code section 1701.70(B) (In this space insert the number 1 through 10 to provide basis for adoption.)

(•) The articles are hereby amended by the **Shareholders** pursuant to Ohio Revised Code section 1701.71.

A copy of the resolution of amendment is attached to this document.

Note: If amended articles were adopted, they must set forth all provisions required in original articles except that articles amended by directors or shareholders need not contain any statement with respect to initial stated capital. See Ohio Revised Code section 1701.04 for required provisions.

Required

Must be signed by all incorporators, if amended by incorporators, or an authorized officer if amended by directors or shareholders, pursuant to Ohio Revised Code section 1701.73(B) and (C).

If authorized representative is an individual, then they must sign in the "signature" box and print their name in the "Print Name" box.

If authorized representative is a business entity, not an individual, then please print the business name in the "signature" box, an authorized representative of the business entity must sign in the "By" box and print their name in the "Print Name" box.

William Jordan

Signature

By (if applicable)

William L. Jordan

Print Name

Signature

By (if applicable)

Print Name

✓

DSW INC.
Attachment to Certificate of Amendment

Resolutions Adopted by the Shareholders

RESOLVED, that the Amended and Restated Articles of Incorporation of the corporation be amended by changing and replacing Article FOURTH of the Amended and Restated Articles of Incorporation so that, as amended, Article FOURTH shall be and read as follows:

FOURTH: The number of shares which the corporation is authorized to have outstanding is 450,000,000. Two Hundred Fifty Million (250,000,000) of the authorized number of shares of the corporation shall be Class A Common Shares, without par value (the "Class A Common Shares"), One Hundred Million (100,000,000) shall be Class B Common Shares, without par value (the "Class B Common Shares"; and together with the Class A Common Shares, the "Common Shares"), and One Hundred Million (100,000,000) shall be preferred shares, without par value (the "Preferred Shares").

Effective November 2, 2013 (the "Effective Time"), (i) every one outstanding Class A Common Share shall be split into two fully paid and non-assessable Class A Common Shares and (ii) every one outstanding Class B Common Share shall be split into one fully paid and non-assessable Class B Common Share and one fully paid and non-assessable Class A Common Share (the "Stock Split"). The Stock Split shall occur without any further action on the part of the corporation or the holders of the Common Shares and whether or not certificates representing such holders' shares prior to the Stock Split are surrendered for cancellation.

The designations, preferences, privileges and voting powers of shares of each class and the restrictions or qualifications thereof are as follows:

Section 1. Common Shares. Except as specifically otherwise provided herein, the Class A and Class B Common Shares shall be identical and shall entitle the holders thereof to the same rights and privileges.

(a) *Voting Rights.* The voting rights of the Common Shares shall be as follows:

i. each outstanding Class A Common Share shall entitle the holder thereof to one (1) vote on each matter properly submitted to the shareholders, or to the holders of the Class A Common Shares, for their vote, consent, waiver, release or other action;

ii. each outstanding Class B Common Share shall entitle the holder thereof to eight (8) votes on each matter properly submitted to the shareholders, or to the holders of the Class B Common Shares, for their vote, consent, waiver, release or other action; and

iii. the holders of Class A Common Shares and Class B Common Shares shall vote as a single class upon all matters submitted to the shareholders of the corporation except as otherwise provided by law.

(b) *Dividend and Other Rights of Common Shares.* Holders of Class A Common Shares and Class B Common Shares will share in any dividend declared by the Board of Directors, subject to any preferential rights of any outstanding Preferred Shares. The corporation shall not subdivide or combine any of the Common Shares, or pay any dividend or other distribution on any of the Common Shares, or accord any other payment, benefit or preference to any of the Common Shares, except by extending such subdivision, combination, distribution, payment, benefit or preference equally to all Common Shares. Except as otherwise specifically provided herein, if dividends are declared that are payable in Common Shares, such dividends shall be payable in Class A Common Shares to holders of Class A Common Shares and in Class B Common Shares to holders of Class B Common Shares.

(c) *Conversion Rights.* The Class A Common Shares have no conversion rights. The conversion rights of the Class B Common Shares are as follows:

i. The holder of any Class B Common Shares, may, at his or her option on delivery to the corporation of his or her written notice electing to convert those Class B Common Shares to Class A Common

Shares, and on surrender at the office of the corporation or office of the transfer agent for those Class B Common Shares of the certificate or certificates for the Class B Common Shares, duly endorsed to the corporation, be entitled to receive one Class A Common Share for each Class B Common Share converted in this manner. Such conversion will be deemed to have occurred at the close of business on the business day on which written notice of such voluntary conversion is received by the corporation, and the corporation and the transfer agent will promptly deliver evidence of such holder's ownership of Class A Common Shares in the form of a share certificate or automated deposit; provided, however, that any such surrender on any date when the stock transfer books of the corporation shall be closed shall be deemed to have occurred immediately prior to the close of business on the next succeeding day on which such stock transfer books are opened.

ii. The corporation may, as a condition to the transfer or the registration of transfer of, or the voluntary conversion of, Class B Common Shares, require the furnishing of such affidavits or other proof as it deems necessary to establish or verify the ownership of such Class B Common Shares. A good faith determination by the Board of Directors that ownership of Class B Common Shares cannot be established will be conclusive and binding on a holder of shares of the corporation.

iii. Neither fractional shares, nor scrip or other certificates evidencing fractional shares, will be issued by the corporation on conversion of the Class B Common Shares, but the corporation will pay in lieu of these fractional shares the full value in cash to the holders who would but for this provision be entitled to receive fractions of shares.

iv. Class B Common Shares converted pursuant to the articles of the corporation will be retired.

v. The corporation will at all times reserve and keep available out of its authorized but unissued Class A Common Shares solely for the purpose of effecting conversion of its Class B Common Shares the full number of Class A Common Shares deliverable on conversion of all Class B Common Shares from time to time outstanding.

Section 2. Preferred Shares

(a) The directors of the corporation are authorized to adopt amendments to the Articles of Incorporation in respect of any unissued Preferred Shares and thereby to fix or change, to the full extent now or hereafter permitted by Ohio law, the express terms of the Preferred Shares, or of any one or more series of the Preferred Shares, including without limitation, the division of such shares into series and the designation and authorized number of shares of each series; dividend or distribution rights; redemption rights and price; liquidation rights, preferences and price; sinking fund requirements; voting rights; conversion rights; and restrictions on the issuance of shares of the same series or of any other class or series.

(b) All shares of each series of the Preferred Shares shall be identical with each other in all respects.

UNITED STATES OF AMERICA,

STATE OF OHIO,

OFFICE OF SECRETARY OF STATE

I, Frank LaRose, Secretary of State of the State of Ohio, do hereby certify that the paper to which this is attached is a true and correct copy from the original record now in my official custody as Secretary of State.

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 19th day of March, A.D. 2019.

Ohio Secretary of State

Validation Number:

201907803018

DATE	DOCUMENT ID	DESCRIPTION	FILING	EXPED	CERT	COPY
03/19/2019	201906301920	AMENDMENT TO ARTICLES (AMD)	50.00	300.00	0.00	0.00

Receipt

This is not a bill. Please do not remit payment.

PORTER, WRIGHT, MORRIS & ARTHUR LLP
41 S. HIGH ST. - STE. 2800
COLUMBUS, OH 43215

STATE OF OHIO
CERTIFICATE

Ohio Secretary of State, Frank LaRose

379756

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

DESIGNER BRANDS INC.

and, that said business records show the filing and recording of:

Document(s)	Document No(s):
AMENDMENT TO ARTICLES	**201906301920**

Effective Date: 03/19/2019

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 19th day of March, A.D. 2019.

United States of America
State of Ohio
Office of the Secretary of State

Ohio Secretary of State

Form 540 Prescribed by:

OFFICE OF THE
Ohio Secretary of State

Toll Free: (877) SOS-FILE (877-767-3453) | Central Ohio: (614) 466-3910
www.OhioSecretaryofState.gov | Busserv@OhioSecretaryofState.gov
File online or for more information: www.OHBusinessCentral.com

Certificate of Amendment
(For-Profit, Domestic Corporation)
Filing Fee: $50
Form Must Be Typed

Check appropriate box:

☒ Amendment to existing Articles of Incorporation (125-AMDS)

☐ Amended and Restated Articles (122-AMAP) - The following articles supersede the existing articles and all amendments thereto.

Complete the following information:

Name of Corporation: DSW INC.

Charter Number: 379756

Check one box below and provide information as required:

☐ The articles are hereby amended by the **Incorporators**. Pursuant to Ohio Revised Code section 1701.70 (A), incorporators may adopt an amendment to the articles by a writing signed by them if initial directors are not named in the articles or elected and before subscriptions to shares have been received.

☒ The articles are hereby amended by the **Directors.** Pursuant to Ohio Revised Code section 1701.70(A), directors may adopt amendments if initial directors were named in articles or elected, but subscriptions to shares have not been received. Also, Ohio Revised Code section 1701.70(B) sets forth additional cases in which directors may adopt an amendment to the articles.

The resolution was adopted pursuant to Ohio Revised Code section 1701.70(B) (In this space insert the number 1 through 10 to provide basis for adoption.) 1701.70(B)(6)

☐ The articles are hereby amended by the **Shareholders** pursuant to Ohio Revised Code section 1701.71.

☐ The articles are hereby amended and restated pursuant to Ohio Revised Code section 1701.72.

If you are amending the total number of shares, please complete this box so the appropriate filing fee is charged.

Total number of shares previously listed in the Articles or other Amendments with the Ohio Secretary of State:

With the submission of this amendment, NEW total number of shares:

A copy of the resolution of amendment is attached to this document.

Note: If amended articles were adopted, they must set forth all provisions required in original articles except that articles amended by directors or shareholders need not contain any statement with respect to initial stated capital. See Ohio Revised Code section 1701.04 for required provisions.

By signing and submitting this form to the Ohio Secretary of State, the undersigned hereby certifies that he or she has the requisite authority to execute this document.

Required

Must be signed by all incorporators, if amended by incorporators, or an authorized officer if amended by directors or shareholders, pursuant to Ohio Revised Code section 1701.73(B) and (C).

If authorized representative is an individual, then they must sign in the "signature" box and print their name in the "Print Name" box.

If authorized representative is a business entity, not an individual, then please print the business name in the "signature" box, an authorized representative of the business entity must sign in the "By" box and print their name in the "Print Name" box.

DSW Inc.

Signature

By (if applicable)

Michelle Krall

Print Name

Signature

By (if applicable)

Print Name

DOC ID ----> 201836502416

DATE	DOCUMENT ID	DESCRIPTION	FILING	EXPED	CERT	COPY
01/02/2019	201836502416	NAME RESERVATION (NRO)	39.00	0.00	0.00	0.00

Receipt

This is not a bill. Please do not remit payment.

PORTER, WRIGHT, MORRIS & ARTHUR LLP
41 S. HIGH ST. - STE. 2800
COLUMBUS, OH 43215

STATE OF OHIO
CERTIFICATE
Ohio Secretary of State, Jon Husted

4273711

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

DESIGNER BRANDS INC.

and, that said business records show the filing and recording of:

Document(s)		Document No(s):
NAME RESERVATION	**Effective Date: 12/31/2018**	**201836502416**

United States of America
State of Ohio
Office of the Secretary of State

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 2nd day of January, A.D. 2019.

Jon Husted

Ohio Secretary of State

DOC ID ----> 201836502416

Form 534B Prescribed by:

JON HUSTED
Ohio Secretary of State

Toll Free: (877) SOS-FILE (877-767-3453) | Central Ohio: (614) 466-3910
www.OhioSecretaryofState.gov | *busserv@OhioSecretaryofState.gov*
File online or for more information: *www.OHBusinessCentral.com*

For screen readers, follow instructions located at this path.

Name Reservation / Transfer / Cancellation

Reservation Filing Fee: $39 (160-NRO)
Transfer Filing Fee: $25 (185-NRT)
Cancellation Filing Fee: $25 (184-RNX)
Form Must Be Typed

CHECK ONLY ONE (1) BOX

☒ (1) Original Name Reservation
Applicant is reserving the name on behalf of a: proposed new corporation, limited liability company or business trust; or an existing corporation, limited liability company, or business trust intending to change its name.

☐ (2) Name Reservation Transfer — Reservation Number:

Reserved Name:

☐ (3) Name Reservation Cancellation — Reservation Number:

Reserved Name:

Complete only if box (1) is checked

Please reserve the first name available (only one name may be reserved per form) in the order of preference listed below. I understand that I am not granted the reservation until I receive written confirmation from the Secretary of State's office stating that the name has been reserved for me. The name reservation is valid for a period of 180 days from the date of filing.

Designer Brands Inc.
First Choice

Second Choice

Third Choice

Applicant Information

DSW Inc.
Name (Business Entity or Individual)

810 DSW Drive
Mailing Address

City	State	ZIP Code
Columbus	Ohio	43219

DOC ID ----> 201836502416

Complete only if box (2) is checked

Transferee Name (New Applicant Name)

Mailing Address

City

State

ZIP Code

By signing and submitting this form to the Ohio Secretary of State, the undersigned hereby certifies that he or she has the requisite authority to execute this document.

Required

This document must be signed by the applicant or by any authorized representative of the applicant.

If authorized representative is an individual, then they must sign in the "signature" box and print their name in the "Print Name" box.

If authorized representative is a business entity, not an individual, then please print the business name in the "signature" box, an authorized representative of the business entity must sign in the "By" box and print their name in the "Print Name" box.

DSW Inc.

Signature

/s/ Michelle Krall

By (if applicable)

Michelle Krall

Print Name

Signature

By (if applicable)

Print Name

DSW INC.
Attachment to Certificate of Amendment

Resolutions Adopted by the Board of Directors

RESOLVED, that the Amended and Restated Articles of Incorporation of the corporation be amended by changing and replacing Article FIRST so that, as amended, Article FIRST, shall be and read as follows:

FIRST: The name of the corporation is: Designer Brands Inc.

DMS/11876221v.1

EXHIBIT 10.3.1

First Amendment to the
DSW Inc.
2014 Long-Term Incentive Plan

Background Information

A. DSW Inc. (the “Company”) previously adopted and currently maintains the DSW Inc. 2014 Long-Term Incentive Plan (the “Plan”).

B. The Company desires to amend the Plan, effective for awards granted on or after January 1, 2018, to eliminate the automatic right to full vesting of awards upon a participant’s retirement and instead provide for such an acceleration of vesting at retirement only if the Compensation Committee of the Company’s Board of Directors approves of such terms in an individual award agreement.

C. Section 9.01 of the Plan gives the Company’s Board of Directors the authority to amend the Plan at any time.

Amendment

1. Section 5.01(C)(3) is deleted and replaced with the following:

   Exercisability of Stock Appreciation Value Awards. Regardless of the vesting schedule set forth in any Award Agreement, but subject to Section 10.10 below, Stock Appreciation Value Awards that are not exercisable at Termination shall be fully and immediately exercisable (A) in the case of any Employee, if the Employee Terminates because of death or Disability, (B) in the case of a Consultant, the Consultant Terminates because of death or Disability, or (C), in the case of a Director, if the Director Terminates because of death or Disability. Unless the Committee provides otherwise in an Award Agreement (but subject to Section 10.10), Stock Appreciation Value Awards that are not exercisable when the Employee, Consultant, or Director Terminates for any other reason shall be forfeited.

2. The second to last sentence in Section 5.02(2)(A) is deleted and replaced with the following:

   Unless the Committee provides otherwise in an Award Agreement, if a Participant Terminates for any other reason, any Restricted Stock or Restricted Stock Units that had not previously vested as of the date when the Participant Terminates for any other reason shall be forfeited.

3. The remainder of the Plan shall remain unchanged.

The Company has caused this First Amendment to be executed on its behalf, by its officer duly authorized, as of the ____ date of January, 2018.

By: ________________________________

Its: ________________________________

EXHIBIT 10.12.4

FOURTH LEASE AMENDMENT

THIS FOURTH LEASE AMENDMENT (“Amendment”) is executed as of this ____ day of ____________, 2016, by and between 4300 VENTURE 34910 LLC, a Delaware limited liability company (“Landlord”), and eTAILDIRECT LLC, a Delaware limited liability company (“Tenant”).

Background:

A. Landlord and Tenant entered into a certain Industrial Lease-Net dated as of October 1, 2007 (the “Initial Lease”), as amended by that certain First Lease Amendment dated September 29, 2009 (the “First Amendment”), that Second Lease Amendment dated November 29, 2010, and that Third Lease Amendment dated March 13, 2013 (the “Third Amendment”) whereby Tenant leased from Landlord and Landlord leased to Tenant certain premises now consisting of approximately 631,396 square feet of first floor space plus approximately 100,000 square feet of basement space (collectively the “**Leased Premises**”), all located in Building 3 of the Columbus International Aircenter (the “Building”), commonly known as 4134 East Fifth Avenue in the City of Columbus, County of Franklin, State of Ohio;

B. Landlord and Tenant desire to amend the Lease to, among other things, provide for the demise of approximately 82,718 additional square feet currently occupied by Republic Airlines (the “**Expansion Space 2017**”).

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants herein contained and each act performed hereunder by the parties, Landlord and Tenant hereby agree that the Initial Lease is amended as follows:

1. Delivery of the Expansion Space. The Expansion Space 2017 is shown on Exhibit A-4 hereto and incorporated herein. The “**Delivery Date**” for Expansion Space 2017 shall be January 1, 2017, and Landlord shall deliver the Expansion Space 2017 on such date, free and clear of any other occupancy rights. Upon delivery, the Expansion Space 2017 shall be a part of the Leased Premises for all purposes under the Lease, except as specifically provided for herein. The later of the date Landlord so delivers the Expansion Space 2017 and January 1, 2017 shall be the “**Effective Date**”. The Rent Date, as hereinafter defined, shall be extended on a day for day basis for each day beyond the Delivery Date that Landlord delays in delivering the Expansion Space 2017 to Tenant.

2. Revised Delivery Schedule for Expansions of the Leased Premises; Revised Rent.

(a) As of the Effective Date, the table set forth in Section 1.2 of the Lease is hereby deleted and restated as follows:

Date of Delivery by Landlord	Square Footage Delivered	Total Square Footage (1st Flr.)	Basement Square Footage	Expansion Space Square Footage	Expansion Space 2017 Square Footage
October 1, 2007	267,450	267,450	0	0	0
September 1, 2010	79,270	346,720	0	0	0
December 1, 2010	8,073	354,793	0	0	0
June 1, 2011	186,571	541,364	0	0	0
March 1, 2012	100,000	541,364	100,000	0	0
September 1, 2012	90,032	631,396	100,000	0	0
March 1, 2013	40,000	671,396	100,000	40,000	0
January 1, 2017	82,718	754,114	100,000	40,000	82,718

(b) As of the Effective Date, the table set forth in Section 1.6(b) of the Lease is hereby deleted and restated as set forth on Exhibit A, attached hereto and incorporated herein. The parties agree that Tenant’s Annual Rent shall not be increased to include the Expansion Space 2017 until April 1, 2017 (the “**Rent Date**”). For the sake of clarity, after the Effective Date the entire Premises shall be 854,114 square feet.

3. Tenant’s Work; Landlord’s Approval. Landlord shall deliver the Expansion Space 2017 broom clean and free of all related improvements and fixtures located upon the Expansion Space 2017. Landlord further agrees that the structure, roof, foundation and slab of the Expansion Space 2017 shall be delivered in good working order and in compliance with all applicable laws. Tenant shall, at its sole cost and expense, build out the Expansion Space 2017 in full compliance with Section 9.4 of the Lease (Alterations) and in accordance with the plans and specifications to be

approved by Landlord, which approval shall not be unreasonably withheld or delayed. At Tenant's cost, Tenant shall furnish all fixturing and other improvements needed for Tenant's use. Landlord shall have no obligation to perform improvements to the Expansion Space 2017 nor any obligation to contribute to or reimburse expenses relating to the improvements in the Expansion Space 2017.

4. Term. The Term of the Lease is hereby extended for a period of 5 years to expire on September 30, 2022. Tenant shall retain the two (2) 5-year options provided for by the Lease.

5. Additional Rent.

With respect to the Expansion Space 2017 only: As of the Rent Date, the sum of Tenant's Pro Rata Share (5.2324% calculated on the basis of 82,718 sq. ft./1,580,873 sq. ft.) of (i) Impositions (Section 5.1), (ii) Landlord's Insurance Premiums (Article 6), (iii) Maintenance Costs (exclusive of the 10% supervision/administrative fee and inclusive of the costs for snow and ice removal) (Sections 9.1 and 14.2) and (iv) an administrative fee of fifteen percent (15%) on Maintenance Costs (exclusive of the 10% supervision/administrative fee and inclusive of the costs for snow and ice removal) and Landlord Insurance Premiums, shall not exceed (i) $2.00 per square foot per Lease Year (prorated for any partial Lease Year) during the balance of the Term, (ii) $2.25 per square foot per Lease Year (prorated for any partial Lease Year) during the First Option Term (if exercised), and (iii) $2.50 per square foot per Lease Year (prorated for any partial Lease Year) during the Second Option Term (if exercised).

6. Representations and Warranties.

(a) Tenant represents and warrants to Landlord as follows: (i) The execution, delivery and performance of this Amendment will not result in any breach of, or constitute any default under, any agreement or other instrument to which Tenant is a party or by which Tenant might be bound; (ii) The execution, delivery and performance by Tenant of this Amendment have been duly authorized by Tenant, and there are no third party consents required for Tenant to enter into this Amendment or to perform its obligations hereunder; and (iii) The person executing this Amendment on behalf of Tenant represents and warrants that such person is duly authorized to act on behalf of Tenant in executing this Amendment, and that this Amendment constitutes a valid and legally binding obligation of Amendment enforceable against Tenant in accordance with its terms.

(b) Landlord hereby represents and warrants to Tenant as follows: (i) The execution, delivery and performance of this Amendment will not result in any breach of, or constitute any default under, any agreement or other instrument to which Landlord is a party or by which Landlord or the Leased Premises might be bound and will not result in the imposition of any lien or encumbrance against the Leased Premises or the Lease; (ii) The execution, delivery and performance by Landlord of this Amendment have been duly authorized by Landlord, and all third party consents required for this Amendment have been obtained by

Landlord, specifically including but not limited to the consent and approval of Landlord's mortgage lender, if any; and (iii) The person executing this Amendment on behalf of Landlord represents and warrants that such person is duly authorized to act on behalf of Landlord in executing this Amendment, and that this Amendment constitutes a valid and legally binding obligation of Landlord enforceable against Landlord in accordance with its terms.

(c) Republic Airlines Space. The parties acknowledge that the Expansion Space 2017 is currently leased to Republic Airlines pursuant to a lease dated November 19, 2001, as amended by Lease Expansion Agreement dated July 21, 2003, Lease Extension and Modification Agreement dated July 8, 2005, Lease Amendment No. 2 and Consent dated May 14, 2015 and Lease Amendment No. 3 dated July 25, 2016 (collectively, the "RA Lease") and that Landlord has negotiated a modification of the RA Lease that obligates Republic Airlines to surrender the Expansion Space 2017 on or before December 31, 2016. In the event that Landlord is unable to deliver the Premises on or before December 31, 2016 as a result of the failure of the bankruptcy court approval the RA amendment, this amendment shall be null and void with no further force or effect. In connection with that modification and in consideration of Tenant's agreement to enter into this Amendment, Landlord covenants to Tenant that the Expansion Space 2017 annual rent and additional rent provided hereunder does not exceed the annual rent or additional rent (on a per square foot basis) provided under the RA Lease during the same time period and that such covenant is true now and shall continue to be true for so long as this Lease and the RA Lease continue to be in full force and effect (and continuing until whichever is later).

7. Incorporation of Background. The above Background paragraphs are hereby incorporated into this Amendment as if fully set forth herein.

1. Definitions; Definition of Lease. Except as otherwise provided herein, the capitalized terms used in this Amendment shall have the definitions set forth in the Initial Lease. As used in the Initial Lease and herein, "Lease"

shall mean the Initial Lease, First Lease Amendment, Second Lease Amendment, and Third Lease Amendment as modified by and together with this Amendment.

2. Entire Agreement. The Lease, as amended by this Amendment, constitutes the entire agreement between Landlord and Tenant regarding the Lease and the subject matter contained herein and supersedes any and all prior and/or contemporaneous oral or written negotiations, agreements or understandings.

3. Lease Ratification. The Lease, as modified herein, is in full force and effect, and the parties hereby ratify the same. Each party represents and warrants to the other that there is no existing default under the Lease and that there is no event which, with the giving or notice or passage of time, would constitute a default under the Lease. The Lease and this Amendment shall be binding upon the parties and their respective successors and assigns. To the extent the terms and conditions of the Lease conflict with or are inconsistent with this Amendment, the terms and conditions of this Amendment shall control.

4. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed a part of an original and all of which together shall constitute one agreement. Signature pages may be detached from the counterparts and attached to a single copy of this Amendment to form one document.

5. DSW's Consent to Amendment; Ratification of Guaranty. DSW Inc. has, and assumes, no obligations, liabilities or responsibilities under this Lease, except that DSW Inc. delivered to Landlord a Guaranty dated as of October 1, 2008 under which DSW Inc. guaranteed the performance of Tenant under the Initial Lease. DSW Inc. delivered the Guaranty as an inducement to Landlord to enter into the Initial Lease. DSW Inc. hereby consents to this Amendment, and DSW Inc. hereby affirms and ratifies the Guaranty as to Tenant's performance under the Lease, as modified by this Amendment.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed on the day and year first written above.

LANDLORD:
4300 VENTURE 34910 LLC,
a Delaware limited liability company

By: ________________________________

Print Name: _________________________

Title: _______________________________

TENANT:
eTAILDIRECT LLC
a Delaware limited liability company

By: _________________________________
William L. Jordan, EVP / Chief Administrative Officer

[acknowledgments appear on the following pages]

DSW Inc., an Ohio corporation, joins in this Amendment solely for purpose of paragraph 12 of this Amendment, and for no other purpose. Except for the obligations of DSW Inc. expressly set forth in paragraph 12 of this Amendment, DSW Inc. has, and assumes, no obligations, liabilities or responsibilities under this Amendment. Subject to the foregoing:

DSW INC., an Ohio corporation

By: _________________________________
William L. Jordan, EVP / Chief Administrative Officer

STATE OF OHIO :
COUNTY OF FRANKLIN : ss.

The foregoing instrument was acknowledged before me this _______ day of ________________, 2016, by _____________________________________, ___________________ of Schottenstein Professional Asset Management Corporation, a Delaware corporation, General Partner of Jubilee Limited Partnership, an Ohio limited partnership, Managing Member of Jubilee-Aircenter L.L.C., a Delaware limited liability company, Managing Member of 4300 East Fifth Avenue LLC, an Ohio limited liability company, Member of 4300 VENTURE 34910 LLC, a Delaware limited liability company for and on behalf of said limited liability company.

____
Notary Public
My commission expires on: ______

STATE OF OHIO :
COUNTY OF FRANKLIN : ss.

The foregoing instrument was acknowledged before me this _______ day of ___________________, 2016, by William L. Jordan, EVP/Chief Administrative Officer, of eTAILDIRECT LLC, a Delaware limited liability company, for and on behalf of said company.

____
Notary Public
My commission expires on: ______

EXHIBIT 21.1

DESIGNER BRANDS INC.
LIST OF SUBSIDIARIES

Ref. No.	Name	Jurisdiction of Incorporation	Parent Company No.
1	Designer Brands Inc.	Ohio	N/A
2	DSW Shoe Warehouse, Inc.	Missouri	1
3	Brand Card Services LLC	Ohio	1
4	DSW Information Technology LLC	Ohio	1
5	eTailDirect LLC	Delaware	2
6	Ebuys, Inc.	California	2
7	DSW MS LLC	Ohio	1
8	DSW Leased Business Division LLC aka Affiliated Business Group	Ohio	2
9	810 AC LLC	Ohio	1
10	DSW PR LLC	Puerto Rico	2
11	Retail Ventures Services, Inc.	Ohio	7
12	DSW Shoe Warehouse Lux S.a.r.l.	Luxembourg	2
13	DSW Canada TS, Inc.	Canada	12
14	Camuto LLC	Ohio	2
15	Designer Brand Licensing LLC	Ohio	2
16	Camuto Overseas Holding Subsidiary LLC	Ohio	14
17	Victory Assessoria EM Compras EIRELLA	Brazil	16
18	CGA Design Ltd	Hong Kong	16
19	CGA Dongguan Ltd	China	18
20	VCJS LLC	Connecticut	14
21	VCS Group LLC	Delaware	14
22	Article II JV, LLC	Delaware	21
23	BC/VC Ventures LLC	Delaware	21
24	Vince Camuto LLC	Connecticut	14
25	CCI Operations LLC	Ohio	14
26	VC Footwear LLC	Connecticut	25
27	Camuto Castillo LLC	Delaware	25
28	VC Line Building Services LLC	Connecticut	25
29	Hot on Time LLC	Connecticut	25
30	Sole Society Group Inc.	Delaware	25
31	ABG Camuto LLC	Delaware	15

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-126244, 333-159849, 333-172631 and 333-203015 on Form S-8, No. 333-213190 on Form S-3; and Post-Effective Amendment No. 1 on Form S-8 and Post-Effective Amendment No. 2 on Form S-3 to the Registration Statement No. 333-172631 on Form S-4 of our report dated March 26, 2019, relating to the consolidated financial statements of Designer Brands Inc. (formally DSW Inc.) and subsidiaries, and the effectiveness of Designer Brands Inc. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Designer Brands Inc. for the year ended February 2, 2019.

/s/ DELOITTE & TOUCHE LLP
Columbus, Ohio
March 26, 2019

EXHIBIT 24.1

POWER OF ATTORNEY

Each director and/or officer of Designer Brands Inc. (the "Corporation") whose signature appears below hereby appoints Jared Poff and Mark Haley as the undersigned's attorney or any of them individually as the undersigned's attorney, to sign, in the undersigned's name and behalf and in any and all capacities stated below, and to cause to be filed with the Securities and Exchange Commission (the "Commission"), the Corporation's Annual Report on Form 10-K (the "Form 10-K") for the fiscal year ended February 2, 2019, and likewise to sign and file with the Commission any and all amendments to the Form 10-K, and the Corporation hereby appoints such persons as its attorneys-in-fact and each of them as its attorney-in-fact with like authority to sign and file the Form 10-K and any amendments thereto granting to each attorney-in-fact full power of substitution and revocation, and hereby ratifying all that any such attorney-in-fact or the undersigned's substitute may do by virtue hereof.

IN WITNESS WHEREOF, we have hereunto set our hands effective as of the 19th date of March 2019.

Signature	Title
/s/ Jay L. Schottenstein Jay L. Schottenstein	Executive Chairman of the Board and Director
/s/ Roger Rawlins Roger Rawlins	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Jared Poff Jared Poff	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Mark Haley Mark Haley	Senior Vice President and Controller (Principal Accounting Officer)
/s/ Peter Cobb Peter Cobb	Director
/s/ Elaine J. Eisenman Elaine J. Eisenman	Director
/s/ Joanna T. Lau Joanna T. Lau	Director
/s/ Carolee Lee Carolee Lee	Director
/s/ Joseph A. Schottenstein Joseph A. Schottenstein	Director
/s/ Ekta Singh-Bushell Ekta Singh-Bushell	Director
/s/ Harvey L. Sonnenberg Harvey L. Sonnenberg	Director
/s/ Allan J. Tanenbaum Allan J. Tanenbaum	Director
/s/ Joanne Zaiac Joanne Zaiac	Director

EXHIBIT 31.1

CERTIFICATIONS

I, Roger Rawlins, certify that:

1. I have reviewed this Annual Report on Form 10-K 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.

Date:	March 26, 2019	By:	/s/ Roger Rawlins
			Roger Rawlins
			Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Jared Poff, certify that:

1. I have reviewed this Annual Report on Form 10-K 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.

Date:	March 26, 2019	By:	/s/ Jared Poff
			Jared Poff, Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

SECTION 1350 CERTIFICATION*

In connection with the Annual Report of Designer Brands Inc. (the "Company") on Form 10-K for the fiscal year ended February 2, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Roger Rawlins, 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.

Dated:	March 26, 2019	By:	/s/ Roger Rawlins
			Roger Rawlins, Chief Executive Officer

* This Certification is being furnished as required by Rule 13a-14(b) under the Securities 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 Annual Report of Designer Brands Inc. (the "Company") on Form 10-K for the fiscal year ended February 2, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jared Poff, Executive Vice President and Chief Financial 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.

Dated:	March 26, 2019	By:	/s/ Jared Poff
			Jared Poff,
			Executive Vice President and Chief Financial Officer

* This Certification is being furnished as required by Rule 13a-14(b) under the Securities 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.