

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended July 31, 2021

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 1-6140

**DILLARD'S, INC.**

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction  
of incorporation or organization)

**71-0388071**

(I.R.S. Employer  
Identification No.)

**1600 CANTRELL ROAD, LITTLE ROCK, ARKANSAS 72201**

(Address of principal executive offices)  
(Zip Code)

**(501) 376-5200**

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock	DDS	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS A COMMON STOCK as of August 28, 2021	16,627,015
CLASS B COMMON STOCK as of August 28, 2021	3,986,233



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## PART I. FINANCIAL INFORMATION

**Item 1. Financial Statements.**

**DILLARD'S, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)  
(In Thousands)

	July 31, 2021	January 30, 2021	August 1, 2020
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 669,474	\$ 360,339	\$ 82,868
Accounts receivable	34,445	36,693	28,631
Merchandise inventories	1,112,815	1,087,763	1,283,141
Federal and state income taxes	122,807	118,439	85,658
Other current assets	66,275	58,706	65,758
<b>Total current assets</b>	<b>2,005,816</b>	<b>1,661,940</b>	<b>1,546,056</b>
Property and equipment (net of accumulated depreciation and amortization of \$2,537,137, \$2,466,000 and \$2,434,355, respectively)	1,237,427	1,289,302	1,394,237
Operating lease assets	44,098	47,612	44,091
Deferred income taxes	26,792	23,453	23,289
Other assets	69,376	70,208	75,563
<b>Total assets</b>	<b>\$ 3,383,509</b>	<b>\$ 3,092,515</b>	<b>\$ 3,083,236</b>
<b>Liabilities and stockholders' equity</b>			
Current liabilities:			
Trade accounts payable and accrued expenses	\$ 881,543	\$ 758,363	\$ 586,865
Current portion of finance lease liabilities	356	695	986
Current portion of operating lease liabilities	12,113	13,819	13,758
Other short-term borrowings	—	—	229,600
<b>Total current liabilities</b>	<b>894,012</b>	<b>772,877</b>	<b>831,209</b>
Long-term debt	365,918	365,849	365,779
Finance lease liabilities	—	—	356
Operating lease liabilities	31,467	33,392	30,051
Other liabilities	282,533	279,389	284,527
Subordinated debentures	200,000	200,000	200,000
Commitments and contingencies			
Stockholders' equity:			
Common stock	1,240	1,240	1,240
Additional paid-in capital	955,198	954,131	952,522
Accumulated other comprehensive loss	(33,878)	(34,935)	(30,198)
Retained earnings	4,808,737	4,471,269	4,378,988
Less treasury stock, at cost	(4,121,718)	(3,950,697)	(3,931,238)
<b>Total stockholders' equity</b>	<b>1,609,579</b>	<b>1,441,008</b>	<b>1,371,314</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,383,509</b>	<b>\$ 3,092,515</b>	<b>\$ 3,083,236</b>

See notes to condensed consolidated financial statements.

**DILLARD'S, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**  
**(In Thousands, Except Per Share Data)**

	Three Months Ended		Six Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Net sales	\$ 1,570,378	\$ 919,044	\$ 2,898,921	\$ 1,705,699
Service charges and other income	31,054	26,139	60,046	61,060
	<u>1,601,432</u>	<u>945,183</u>	<u>2,958,967</u>	<u>1,766,759</u>
Cost of sales	927,210	639,847	1,701,299	1,328,316
Selling, general and administrative expenses	365,868	267,062	702,482	557,508
Depreciation and amortization	50,043	50,951	96,451	101,852
Rentals	5,099	5,639	10,210	11,189
Interest and debt expense, net	10,771	12,873	22,306	25,143
Other expense	2,134	2,104	7,098	4,208
(Gain) loss on disposal of assets	(9)	33	(24,682)	14
Income (loss) before income taxes	240,316	(33,326)	443,803	(261,471)
Income taxes (benefit)	54,660	(24,760)	99,900	(90,930)
<b>Net income (loss)</b>	<b>\$ 185,656</b>	<b>\$ (8,566)</b>	<b>\$ 343,903</b>	<b>\$ (170,541)</b>
Earnings (loss) per share:				
Basic and diluted	\$ 8.81	\$ (0.37)	\$ 16.03	\$ (7.33)

See notes to condensed consolidated financial statements.

**DILLARD'S, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(Unaudited)**  
**(In Thousands)**

	Three Months Ended		Six Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Net income (loss)	\$ 185,656	\$ (8,566)	\$ 343,903	\$ (170,541)
Other comprehensive income:				
Amortization of retirement plan and other retiree benefit adjustments (net of tax of \$169, \$138, \$337 and \$276, respectively)	528	430	1,057	861
<b>Comprehensive income (loss)</b>	<b>\$ 186,184</b>	<b>\$ (8,136)</b>	<b>\$ 344,960</b>	<b>\$ (169,680)</b>

See notes to condensed consolidated financial statements.

**DILLARD'S, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(Unaudited)**  
**(In Thousands, Except Share and Per Share Data)**

**Three Months Ended July 31, 2021**

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total
Balance, May 1, 2021	\$ 1,240	\$ 954,131	\$ (34,406)	\$ 4,626,243	\$ (4,009,511)	\$ 1,537,697
Net income	—	—	—	185,656	—	185,656
Other comprehensive income	—	—	528	—	—	528
Issuance of 9,000 shares under equity plans	—	1,067	—	—	—	1,067
Purchase of 734,467 shares of treasury stock	—	—	—	—	(112,207)	(112,207)
Cash dividends declared:						
Common stock, \$0.15 per share	—	—	—	(3,162)	—	(3,162)
Balance, July 31, 2021	<u>\$ 1,240</u>	<u>\$ 955,198</u>	<u>\$ (33,878)</u>	<u>\$ 4,808,737</u>	<u>\$ (4,121,718)</u>	<u>\$ 1,609,579</u>

**Three Months Ended August 1, 2020**

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total
Balance, May 2, 2020	\$ 1,239	\$ 951,726	\$ (30,628)	\$ 4,391,039	\$ (3,916,970)	\$ 1,396,406
Net loss	—	—	—	(8,566)	—	(8,566)
Other comprehensive income	—	—	430	—	—	430
Issuance of 32,000 shares under equity plans	1	796	—	—	—	797
Purchase of 586,851 shares of treasury stock	—	—	—	—	(14,268)	(14,268)
Cash dividends declared:						
Common stock, \$0.15 per share	—	—	—	(3,485)	—	(3,485)
Balance, August 1, 2020	<u>\$ 1,240</u>	<u>\$ 952,522</u>	<u>\$ (30,198)</u>	<u>\$ 4,378,988</u>	<u>\$ (3,931,238)</u>	<u>\$ 1,371,314</u>

**Six Months Ended July 31, 2021**

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total
Balance, January 30, 2021	\$ 1,240	\$ 954,131	\$ (34,935)	\$ 4,471,269	\$ (3,950,697)	\$ 1,441,008
Net income	—	—	—	343,903	—	343,903
Other comprehensive income	—	—	1,057	—	—	1,057
Issuance of 9,000 shares under equity plans	—	1,067	—	—	—	1,067
Purchase of 1,359,360 shares of treasury stock	—	—	—	—	(171,021)	(171,021)
Cash dividends declared:						
Common stock, \$0.30 per share	—	—	—	(6,435)	—	(6,435)
Balance, July 31, 2021	<u>\$ 1,240</u>	<u>\$ 955,198</u>	<u>\$ (33,878)</u>	<u>\$ 4,808,737</u>	<u>\$ (4,121,718)</u>	<u>\$ 1,609,579</u>

**Six Months Ended August 1, 2020**

	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>	<b>Total</b>
Balance, February 1, 2020	\$ 1,239	\$ 951,726	\$ (31,059)	\$ 4,556,494	\$ (3,855,141)	\$ 1,623,259
Net loss	—	—	—	(170,541)	—	(170,541)
Other comprehensive income	—	—	861	—	—	861
Issuance of 32,000 shares under equity plans	1	796	—	—	—	797
Purchase of 1,585,593 shares of treasury stock	—	—	—	—	(76,097)	(76,097)
Cash dividends declared:						
Common stock, \$0.30 per share	—	—	—	(6,965)	—	(6,965)
Balance, August 1, 2020	<u>\$ 1,240</u>	<u>\$ 952,522</u>	<u>\$ (30,198)</u>	<u>\$ 4,378,988</u>	<u>\$ (3,931,238)</u>	<u>\$ 1,371,314</u>

See notes to condensed consolidated financial statements.



**DILLARD'S, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(In Thousands)**

	Six Months Ended	
	July 31, 2021	August 1, 2020
<b>Operating activities:</b>		
Net income (loss)	\$ 343,903	\$ (170,541)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and other deferred cost	97,695	103,140
(Gain) loss on disposal of assets	(24,682)	14
Proceeds from insurance	2,254	—
Loss on early extinguishment of debt	2,830	—
Changes in operating assets and liabilities:		
Decrease in accounts receivable	2,248	17,529
(Increase) decrease in merchandise inventories	(25,052)	181,866
Increase in other current assets	(10,878)	(5,148)
Increase in other assets	(1,107)	(124)
Increase (decrease) in trade accounts payable and accrued expenses and other liabilities	111,622	(290,268)
Decrease in income taxes	(6,532)	(130,977)
<b>Net cash provided by (used in) operating activities</b>	<b>492,301</b>	<b>(294,509)</b>
<b>Investing activities:</b>		
Purchase of property and equipment and capitalized software	(41,205)	(38,607)
Proceeds from disposal of assets	29,285	308
Proceeds from insurance	2,819	—
Distribution from joint venture	—	215
<b>Net cash used in investing activities</b>	<b>(9,101)</b>	<b>(38,084)</b>
<b>Financing activities:</b>		
Principal payments on long-term debt and finance lease liabilities	(339)	(572)
Issuance cost of line of credit	(2,972)	(3,001)
Increase in short-term borrowings	—	229,600
Cash dividends paid	(6,573)	(7,185)
Purchase of treasury stock	(164,181)	(80,458)
<b>Net cash (used in) provided by financing activities</b>	<b>(174,065)</b>	<b>138,384</b>
Increase (decrease) in cash and cash equivalents	309,135	(194,209)
Cash and cash equivalents, beginning of period	360,339	277,077
<b>Cash and cash equivalents, end of period</b>	<b>\$ 669,474</b>	<b>\$ 82,868</b>
<b>Non-cash transactions:</b>		
Accrued capital expenditures	\$ 14,496	\$ 7,994
Accrued purchase of treasury stock	6,840	2,962
Stock awards	1,067	797
Lease assets obtained in exchange for new operating lease liabilities	3,815	4,084

See notes to condensed consolidated financial statements.

**DILLARD'S, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1. Basis of Presentation**

The accompanying unaudited interim condensed consolidated financial statements of Dillard's, Inc. (the "Company") have been prepared in accordance with the rules of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended July 31, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending January 29, 2022 due to, among other factors, the seasonal nature of the business and the ongoing effect of the COVID-19 pandemic.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2021 filed with the SEC on March 29, 2021.

**COVID-19**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to impact the United States and global economies. The COVID-19 pandemic has had and may continue to have a significant impact on the Company's business, results of operations and financial position. The Company began closing stores on March 19, 2020 as mandated by state and local governments, and by April 9, 2020, all brick-and-mortar store locations were temporarily closed to the public. Our eCommerce capabilities allowed us to use our closed store locations (with limited staffing) to fill orders from our Internet store.

During the month ended May 30, 2020 (fiscal May), we re-opened most of our full-line stores, and by June 2, 2020 all Dillard's store locations had been re-opened. Following our re-opening, a very small number of our locations were temporarily closed to in-store shopping due to government mandate.

All stores are currently open and are operating at reduced hours from fiscal 2019 operating hours. While the availability of vaccinations has led to re-openings across the country and the easing of restrictions, the continuing financial impact to fiscal 2021 cannot be reasonably estimated at this time.

**Note 2. Accounting Standards**

***Recently Adopted Accounting Pronouncements***

*Simplifying the Accounting for Income Taxes*

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, as part of its initiative to reduce complexity in accounting standards. The amendments in this update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The amendments within ASU No. 2019-12 are effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, and early adoption is permitted. The adoption of this update did not have a material impact on the Company's consolidated financial statements.

*Facilitation of the Effects of Reference Rate Reform*

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform*, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference the London Inter-Bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. This guidance is optional for a limited period of time to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting. More specifically, the amendments in ASU 2020-04 provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. This guidance is effective from March 12, 2020 through

December 31, 2022. Entities may elect to adopt the amendments for contract modifications as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. The adoption of this update did not have a material impact on the Company's consolidated financial statements.

### **Recently Issued Accounting Pronouncements**

Management believes there is no other accounting guidance issued but not yet effective that would be relevant to the Company's current financial statements.

### **Note 3. Business Segments**

The Company operates in two reportable segments: the operation of retail department stores (“retail operations”) and a general contracting construction company (“construction”).

For the Company’s retail operations, the Company determined its operating segments on a store by store basis. Each store’s operating performance has been aggregated into one reportable segment. The Company’s operating segments are aggregated for financial reporting purposes because they are similar in each of the following areas: economic characteristics, class of consumer, nature of products and distribution methods. Revenues from external customers are derived from merchandise sales, and the Company does not rely on any major customers as a source of revenue. Across all stores, the Company operates one store format under the Dillard’s name where each store offers the same general mix of merchandise with similar categories and similar customers. The Company believes that disaggregating its operating segments would not provide meaningful additional information.

The following table summarizes the percentage of net sales by segment and major product line:

	Three Months Ended		Six Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Retail operations segment				
Cosmetics	13 %	14 %	14 %	14 %
Ladies’ apparel	24	21	23	21
Ladies’ accessories and lingerie	15	16	15	16
Juniors’ and children’s apparel	9	9	10	9
Men’s apparel and accessories	20	20	19	18
Shoes	14	13	14	14
Home and furniture	3	4	3	4
	98	97	98	96
Construction segment	2	3	2	4
Total	100 %	100 %	100 %	100 %

The following tables summarize certain segment information, including the reconciliation of those items to the Company's consolidated operations:

(in thousands of dollars)	Retail Operations	Construction	Consolidated
<b>Three Months Ended July 31, 2021</b>			
Net sales from external customers	\$ 1,539,396	\$ 30,982	\$ 1,570,378
Gross profit	641,240	1,928	643,168
Depreciation and amortization	49,981	62	50,043
Interest and debt expense (income), net	10,782	(11)	10,771
Income before income taxes	239,790	526	240,316
Total assets	3,339,862	43,647	3,383,509
<b>Three Months Ended August 1, 2020</b>			
Net sales from external customers	\$ 893,216	\$ 25,828	\$ 919,044
Gross profit	277,407	1,790	279,197
Depreciation and amortization	50,784	167	50,951
Interest and debt expense (income), net	12,885	(12)	12,873
(Loss) income before income taxes	(33,699)	373	(33,326)
Total assets	3,056,320	26,916	3,083,236
<b>Six Months Ended July 31, 2021</b>			
Net sales from external customers	\$ 2,836,132	\$ 62,789	\$ 2,898,921
Gross profit	1,194,241	3,381	1,197,622
Depreciation and amortization	96,319	132	96,451
Interest and debt expense (income), net	22,332	(26)	22,306
Income before income taxes	442,988	815	443,803
Total assets	3,339,862	43,647	3,383,509
<b>Six Months Ended August 1, 2020</b>			
Net sales from external customers	\$ 1,644,243	\$ 61,456	\$ 1,705,699
Gross profit	373,441	3,942	377,383
Depreciation and amortization	101,516	336	101,852
Interest and debt expense (income), net	25,176	(33)	25,143
(Loss) income before income taxes	(262,366)	895	(261,471)
Total assets	3,056,320	26,916	3,083,236

Intersegment construction revenues of \$12.3 million and \$6.9 million for the three months ended July 31, 2021 and August 1, 2020, respectively, and \$16.6 million and \$18.3 million for the six months ended July 31, 2021 and August 1, 2020, respectively, were eliminated during consolidation and have been excluded from net sales for the respective periods.

The retail operations segment gives rise to contract liabilities through the customer loyalty program associated with Dillard's private label cards and through the issuances of gift cards. The loyalty program liability and a portion of the gift card liability is included in trade accounts payable and accrued expenses, and a portion of the gift card liability is included in other liabilities on the condensed consolidated balance sheets. Our retail operations segment contract liabilities are as follows:

Retail (in thousands of dollars)	July 31, 2021	January 30, 2021	August 1, 2020	February 1, 2020
Contract liabilities	\$ 59,713	\$ 68,021	\$ 58,186	\$ 75,229

During the six months ended July 31, 2021 and August 1, 2020, the Company recorded \$28.8 million and \$29.8 million, respectively, in revenue that was previously included in the retail operations contract liability balances of \$68.0 million and \$75.2 million at January 30, 2021 and February 1, 2020, respectively.

Construction contracts give rise to accounts receivable, contract assets and contract liabilities. We record accounts receivable based on amounts expected to be collected from customers. We also record costs and estimated earnings in excess of billings on uncompleted contracts (contract assets) and billings in excess of costs and estimated earnings on uncompleted contracts (contract liabilities) in other current assets and trade accounts payable and accrued expenses in the condensed consolidated balance sheets, respectively. The amounts included in the condensed consolidated balance sheets are as follows:

<b>Construction</b>				
<b>(in thousands of dollars)</b>	<b>July 31, 2021</b>	<b>January 30, 2021</b>	<b>August 1, 2020</b>	<b>February 1, 2020</b>
Accounts receivable	\$ 23,374	\$ 25,094	\$ 19,222	\$ 28,522
Costs and estimated earnings in excess of billings on uncompleted contracts	1,426	450	722	2,179
Billings in excess of costs and estimated earnings on uncompleted contracts	5,118	4,685	7,212	5,737

During the six months ended July 31, 2021 and August 1, 2020, the Company recorded \$4.1 million and \$4.7 million, respectively, in revenue that was previously included in billings in excess of costs and estimated earnings on uncompleted contracts of \$4.7 million and \$5.7 million at January 30, 2021 and February 1, 2020, respectively.

The remaining performance obligations related to executed construction contracts totaled \$51.8 million, \$76.2 million and \$127.0 million at July 31, 2021, January 30, 2021 and August 1, 2020, respectively.

#### Note 4. Earnings (Loss) Per Share Data

The following table sets forth the computation of basic and diluted earnings (loss) per share for the periods indicated (in thousands, except per share data).

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>July 31, 2021</b>	<b>August 1, 2020</b>	<b>July 31, 2021</b>	<b>August 1, 2020</b>
Net income (loss)	\$ 185,656	\$ (8,566)	\$ 343,903	\$ (170,541)
Weighted average shares of common stock outstanding	21,079	23,174	21,458	23,264
Basic and diluted earnings (loss) per share	\$ 8.81	\$ (0.37)	\$ 16.03	\$ (7.33)

The Company maintains a capital structure in which common stock is the only equity security issued and outstanding, and there were no shares of preferred stock, stock options, other dilutive securities or potentially dilutive securities issued or outstanding during the three and six months ended July 31, 2021 and August 1, 2020.

#### Note 5. Commitments and Contingencies

Various legal proceedings, in the form of lawsuits and claims, which occur in the normal course of business, are pending against the Company and its subsidiaries. In the opinion of management, disposition of these matters, individually or in the aggregate, is not expected to have a material adverse effect on the Company's financial position, cash flows or results of operations.

At July 31, 2021, letters of credit totaling \$20.2 million were issued under the Company's revolving credit facility. See Note 7, *Revolving Credit Agreement*, for additional information.

**Note 6. Benefit Plans**

The Company has an unfunded, nonqualified defined benefit plan ("Pension Plan") for its officers. The Pension Plan is noncontributory and provides benefits based on years of service and compensation during employment. The Company determines pension expense using an actuarial cost method to estimate the total benefits ultimately payable to officers and allocates this cost to service periods. The actuarial assumptions used to calculate pension costs are reviewed annually. The Company contributed \$1.7 million and \$3.2 million to the Pension Plan during the three and six months ended July 31, 2021, respectively, and expects to make additional contributions to the Pension Plan of approximately \$3.2 million during the remainder of fiscal 2021.

The components of net periodic benefit costs are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Components of net periodic benefit costs:				
Service cost	\$ 1,067	\$ 1,090	\$ 2,134	\$ 2,180
Interest cost	1,438	1,536	2,875	3,072
Net actuarial loss	697	568	1,394	1,137
Net periodic benefit costs	\$ 3,202	\$ 3,194	\$ 6,403	\$ 6,389

The service cost component of net periodic benefit costs is included in selling, general and administrative expenses, and the interest cost and net actuarial loss components are included in other expense.

**Note 7. Revolving Credit Agreement**

The Company maintained an unsecured credit facility that provided a borrowing capacity of \$800 million with a \$200 million expansion option ("credit agreement") until the credit agreement was amended in April 2020 (the "2020 amended credit agreement"). After giving effect to the amendment, the 2020 amended credit agreement became secured by certain deposit accounts of the Company and certain inventory of certain subsidiaries.

In April 2021, the Company further amended its secured credit agreement (the "2021 amended credit agreement"). The borrowing capacity remained at \$800 million, subject to certain limitations as outlined in the 2021 amended credit agreement, with a \$200 million expansion option. The 2021 amended credit agreement is available to the Company for general corporate purposes including, among other uses, working capital financing, the issuance of letters of credit, capital expenditures and, subject to certain restrictions, the repayment of existing indebtedness and share repurchases. The Company pays a variable rate of interest on borrowings under the 2021 amended credit agreement and a commitment fee to the participating banks. The rate of interest on borrowings under the 2021 amended credit agreement is LIBOR plus 1.75% if average quarterly availability is less than 50% of the total commitment, as defined in the 2021 amended credit agreement ("total commitment"), and the rate of interest on borrowings is LIBOR plus 1.50% if average quarterly availability is greater than or equal to 50% of the total commitment. The commitment fee for unused borrowings is 0.30% per annum if average borrowings are less than 35% of the total commitment and 0.25% if average borrowings are greater than or equal to 35% of the total commitment. As long as availability exceeds \$80 million and certain events of default have not occurred and are not continuing, there are no financial covenant requirements under the 2021 amended credit agreement. The 2021 amended credit agreement matures on April 28, 2026.

At July 31, 2021, no borrowings were outstanding, and letters of credit totaling \$20.2 million were issued under the 2021 amended credit agreement leaving unutilized availability under the credit facility of \$716.0 million.

**Note 8. Stock Repurchase Programs**

In March 2018, the Company's Board of Directors authorized the repurchase of up to \$500 million of the Company's Class A Common Stock under an open-ended stock repurchase plan ("March 2018 Plan"). The March 2018 Plan permits the Company to repurchase its Class A Common Stock in the open market, pursuant to preset trading plans meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934 or through privately negotiated transactions and has no expiration date. As of July 31, 2021, \$2.1 million of authorization remained under the March 2018 Plan.

The following is a summary of share repurchase activity under the March 2018 Plan for the periods indicated (in thousands, except per share data):

	Three Months Ended		Six Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Cost of shares repurchased	\$ 112,207	\$ 14,268	\$ 171,021	\$ 76,097
Number of shares repurchased	734	587	1,359	1,586
Average price per share	\$ 152.77	\$ 24.31	\$ 125.81	\$ 47.99

All repurchases of the Company's Class A Common Stock above were made at the market price at the trade date. All amounts paid to reacquire these shares were allocated to treasury stock.

On May 15, 2021, the Company announced that its Board of Directors approved a new stock repurchase program authorizing the Company to repurchase up to \$500 million of its Class A Common Stock. This new open-ended authorization permits the Company to repurchase its Class A Common Stock in the open market, pursuant to preset trading plans meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934 or through privately negotiated transactions and has no expiration date.

#### Note 9. Income Taxes

During the three and six months ended July 31, 2021, income tax expense differed from what would be computed using the statutory federal income tax rate primarily due to the effects of state and local income taxes.

The Company was in a net operating loss position for the fiscal year ended January 30, 2021. The Coronavirus Aid, Relief and Economic Security ("CARES") Act, signed into law on March 27, 2020, allows for net operating loss carryback to years in which the statutory federal tax rate was 35% rather than the current 21%. During the three and six months ended August 1, 2020, income tax benefit differed from what would be computed using the current statutory federal tax rate of 21% primarily due to the recognition of a net tax benefit of \$17.4 million and \$32.1 million, respectively, related to the rate differential in the carryback year. Income tax benefit for the three and six months also included the effects of state and local income taxes.

#### Note 10. Reclassifications from Accumulated Other Comprehensive Loss ("AOCL")

Reclassifications from AOCL are summarized as follows (in thousands):

Details about AOCL Components	Amount Reclassified from AOCL				Affected Line Item in the Statement Where Net Income Is Presented
	Three Months Ended		Six Months Ended		
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020	
<b>Defined benefit pension plan items</b>					
Amortization of actuarial losses	\$ 697	\$ 568	\$ 1,394	\$ 1,137	Total before tax (1)
	169	138	337	276	Income tax expense
	<u>\$ 528</u>	<u>\$ 430</u>	<u>\$ 1,057</u>	<u>\$ 861</u>	Total net of tax

(1) This item is included in the computation of net periodic pension cost. See Note 6, *Benefit Plans*, for additional information.

**Note 11. Changes in Accumulated Other Comprehensive Loss**

Changes in AOCL by component (net of tax) are summarized as follows (in thousands):

	Defined Benefit Pension Plan Items			
	Three Months Ended		Six Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Beginning balance	\$ 34,406	\$ 30,628	\$ 34,935	\$ 31,059
Amounts reclassified from AOCL	(528)	(430)	(1,057)	(861)
Ending balance	\$ 33,878	\$ 30,198	\$ 33,878	\$ 30,198

**Note 12. Leases**

The Company leases retail stores, office space and equipment under operating leases. As of July 31, 2021, January 30, 2021 and August 1, 2020, right-of-use operating lease assets, which are recorded in operating lease assets in the condensed consolidated balance sheets, totaled \$44.1 million, \$47.6 million and \$44.1 million, respectively, and operating lease liabilities, which are recorded in current portion of operating lease liabilities and operating lease liabilities, totaled \$43.6 million, \$47.2 million and \$43.8 million, respectively.

In determining our operating lease assets and operating lease liabilities, we apply an incremental borrowing rate to the minimum lease payments within each lease agreement. GAAP requires the use of the rate implicit in the lease whenever that rate is readily determinable; furthermore, if the implicit rate is not readily determinable, a lessee may use its incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. To estimate our specific incremental borrowing rates that align with applicable lease terms, we utilize a model consistent with the credit quality of our outstanding debt instruments.

Renewal options of five or 10 years exist on the majority of leased properties. The Company has sole discretion in exercising the lease renewal options. We do not recognize operating lease assets or operating lease liabilities at lease inception for renewal periods unless we are reasonably certain of exercising the renewal options. The depreciable life of operating lease assets and related leasehold improvements is limited by the expected lease term.

Contingent rentals on certain leases are based on a percentage of annual sales in excess of specified amounts. Other contingent rentals are based entirely on a percentage of sales. The Company's operating lease agreements do not contain any material residual value guarantees or material restrictive covenants.



The following table summarizes the Company's operating and finance leases:

(in thousands of dollars)	Classification - Condensed Consolidated Balance Sheets	July 31, 2021	January 30, 2021	August 1, 2020
<b>Assets</b>				
Finance lease assets	Property and equipment, net <sup>(a)</sup>	\$ 124	\$ 247	\$ 459
Operating lease assets	Operating lease assets	44,098	47,612	44,091
Total leased assets		<u>\$ 44,222</u>	<u>\$ 47,859</u>	<u>\$ 44,550</u>
<b>Liabilities</b>				
<b>Current</b>				
Finance	Current portion of finance lease liabilities	\$ 356	\$ 695	\$ 986
Operating	Current portion of operating lease liabilities	12,113	13,819	13,758
<b>Noncurrent</b>				
Finance	Finance lease liabilities	—	—	356
Operating	Operating lease liabilities	31,467	33,392	30,051
Total lease liabilities		<u>\$ 43,936</u>	<u>\$ 47,906</u>	<u>\$ 45,151</u>

<sup>(a)</sup> Finance lease assets are recorded net of accumulated amortization of \$14.4 million, \$14.3 million and \$14.1 million as of July 31, 2021, January 30, 2021 and August 1, 2020, respectively.

(in thousands of dollars)	Classification - Condensed Consolidated Statements of Operations	Three Months Ended		Six Months Ended	
		July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Operating lease cost <sup>(a)</sup>	Rentals	\$ 5,099	\$ 5,639	\$ 10,210	\$ 11,189
<b>Finance lease cost</b>					
Amortization of leased assets	Depreciation and amortization	62	105	124	211
Interest on lease liabilities	Interest and debt expense, net	10	62	24	142
Net lease cost		<u>\$ 5,171</u>	<u>\$ 5,806</u>	<u>\$ 10,358</u>	<u>\$ 11,542</u>

<sup>(a)</sup> Includes short term lease costs of \$0.5 million and \$0.5 million for the three months ended and \$0.9 million and \$1.0 million for the six months ended July 31, 2021 and August 1, 2020, respectively, and variable lease costs, including contingent rent, of \$0.4 million and \$0.4 million for the three months ended and \$0.7 million and \$0.7 million for the six months ended July 31, 2021 and August 1, 2020, respectively.

#### Maturities of Lease Liabilities

(in thousands of dollars)	Operating Leases	Finance Leases	Total
<b>Fiscal Year</b>			
2021 (excluding the six months ended July 31, 2021)	\$ 7,317	\$ 363	\$ 7,680
2022	13,017	—	13,017
2023	9,347	—	9,347
2024	4,673	—	4,673
2025	4,013	—	4,013
After 2025	14,138	—	14,138
Total minimum lease payments	52,505	363	52,868
Less amount representing interest	(8,925)	(7)	(8,932)
Present value of lease liabilities	<u>\$ 43,580</u>	<u>\$ 356</u>	<u>\$ 43,936</u>

**Lease Term and Discount Rate**

	July 31, 2021
Weighted-average remaining lease term	
Operating leases	5.9 years
Finance leases	0.5 years
Weighted-average discount rate	
Operating leases	6.2 %
Finance leases	9.5 %

**Other Information**

(in thousands of dollars)	Six Months Ended	
	July 31, 2021	August 1, 2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 8,793	\$ 9,387
Operating cash flows from finance leases	24	142
Financing cash flows from finance leases	339	572
Lease assets obtained in exchange for new operating lease liabilities	\$ 3,815	\$ 4,084

**Note 13. (Gain) Loss on Disposal of Assets**

During the six months ended July 31, 2021, the Company recorded proceeds of \$29.3 million primarily from the sale of three store properties, resulting in a gain of \$24.7 million that was recorded in (gain) loss on disposal of assets.

**Note 14. Fair Value Disclosures**

The estimated fair values of financial instruments presented herein have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of amounts the Company could realize in a current market exchange.

The fair value of the Company's long-term debt and subordinated debentures is based on market prices and is categorized as Level 1 in the fair value hierarchy.

The fair value of the Company's cash and cash equivalents and accounts receivable approximates their carrying values at July 31, 2021 due to the short-term maturities of these instruments. The fair value of the Company's long-term debt at July 31, 2021 was approximately \$438 million. The carrying value of the Company's long-term debt at July 31, 2021 was \$365.9 million. The fair value of the Company's subordinated debentures at July 31, 2021 was approximately \$212 million. The carrying value of the Company's subordinated debentures at July 31, 2021 was \$200.0 million.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion should be read in conjunction with the condensed consolidated financial statements and the footnotes thereto included elsewhere in this report, as well as the financial and other information included in our Annual Report on Form 10-K for the year ended January 30, 2021. Due to the significant impact of COVID-19 on prior year figures, the information that follows will include certain comparisons to 2019 to provide additional context.

### **EXECUTIVE OVERVIEW**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to impact the United States and global economies. The COVID-19 pandemic has had and may continue to have a significant impact on the Company's business, results of operations and financial position. The Company began closing stores on March 19, 2020 as mandated by state and local governments, and by April 9, 2020, all of the Company's brick-and-mortar store locations were temporarily closed to the public. Our eCommerce capabilities allowed us to use our closed store locations (with limited staffing) to fill orders from our Internet store.

During the month ended May 30, 2020 (fiscal May), we re-opened most of our full-line stores, and by June 2, 2020 all Dillard's store locations had been re-opened. Following our re-opening, a very small number of our locations were temporarily closed to in-store shopping due to government mandate. All stores are currently open and are operating at reduced hours from fiscal 2019 operating hours.

The Company's results for the three months ended July 31, 2021 improved significantly compared to the three months ended August 1, 2020, marking a sequential record quarterly performance. The momentum of strong consumer demand that began in the first quarter continued throughout the second. This catalyst, in addition to the re-opening of stores, led to an approximately 72% increase in retail sales compared to the second quarter of 2020. Due to the temporary closure of the Company's brick-and-mortar stores during the three months ended May 2, 2020 as well as the interdependence between in-store and online sales, the Company reported no comparable store sales data for the three months ended July 31, 2021 compared to the three months ended August 1, 2020. Retail gross margin increased to 41.7% during the three months ended July 31, 2021 compared to 31.1% during the three months ended August 1, 2020. The Company attributes this improvement to the strong consumer demand combined with better inventory management which led to decreased markdowns compared to the prior year second quarter. Accordingly, the Company reduced inventory by approximately 13% compared to the prior year second quarter. Selling, general and administrative expenses increased to \$365.9 million (23.3% of sales) compared to \$267.1 million (29.1% of sales) for the prior year second quarter primarily due to increases in payroll expense, which was driven by the re-opening of our retail store locations. Increased retail sales during the second quarter of 2021 compared to the second quarter of 2020, provided support for these increased expenses. The Company reported net income of \$185.7 million (\$8.81 per share) compared to a net loss of \$8.6 million (\$0.37 per share) for the prior year second quarter.

Included in the net loss for the three months ended August 1, 2020 is a net tax benefit of \$17.4 million (\$0.75 per share) related to The Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), signed into law on March 27, 2020, which allowed for net operating loss carryback to years in which the federal income tax rate was 35%.

During the three months ended July 31, 2021, the Company purchased \$112.2 million of its outstanding Class A Common Stock under its stock repurchase plan authorized by the Company's Board of Directors in March 2018 (the "March 2018 Plan"). As of July 31, 2021, authorization of \$2.1 million remained under the March 2018 Plan. On May 15, 2021, the Company announced that its Board of Directors approved a new stock repurchase program authorizing the Company to repurchase up to \$500 million of its Class A Common Stock (the "May 2021 Plan").

As of July 31, 2021, the Company had working capital of \$1,111.8 million (including cash and cash equivalents of \$669.5 million) and \$565.9 million of total debt outstanding, excluding finance lease liabilities and operating lease liabilities, with no scheduled maturities until the end of fiscal 2022. Cash flows provided by operating activities were \$492.3 million for the six months ended July 31, 2021.

The Company maintained 280 Dillard's stores, including 31 clearance centers, and an internet store at July 31, 2021.

We source a significant portion of our private label and exclusive brand merchandise from countries that have experienced widespread transmission of the COVID-19 virus. Additionally, many of our branded merchandise vendors may also source a significant portion of their merchandise from these same countries. Manufacturing capacity in those countries has been significantly impacted by the pandemic and in some countries continues to negatively impact our supply chain with shipping delays as well as increased shipping costs.

Additionally, disruptions in the global transportation network which continued into fiscal 2021 have intensified in recent weeks, particularly in certain United States receiving ports. The California ports of Los Angeles and Long Beach, which together handle a significant portion of United States merchandise imports including our own imports, have experienced and are continuing to experience delays in processing imported merchandise, thereby resulting in untimely deliveries of merchandise. At present, while monitoring the situation closely, management is unable to quantify the effects of these factors on the Company's results of operations and inventory position for fiscal 2021.

## Key Performance Indicators

We use a number of key indicators of financial condition and operating performance to evaluate our business, including the following:

	Three Months Ended	
	July 31, 2021	August 1, 2020
Net sales (in millions)	\$ 1,570.4	\$ 919.0
Retail stores sales trend	72 %	(35)%
Gross profit (in millions)	\$ 643.2	\$ 279.2
Gross profit as a percentage of net sales	41.0 %	30.4 %
Retail gross profit as a percentage of net sales	41.7 %	31.1 %
Selling, general and administrative expenses as a percentage of net sales	23.3 %	29.1 %
Cash flow provided by (used in) operations (in millions)*	\$ 492.3	\$ (294.5)
Total retail store count at end of period	280	282
Retail sales per square foot	\$ 33	\$ 19
Retail store inventory trend	(13)%	(20)%
Annualized retail merchandise inventory turnover	2.9	1.7

\*Cash flow from operations data is for the six months ended July 31, 2021 and August 1, 2020.

## General

**Net sales.** Net sales includes merchandise sales of comparable and non-comparable stores and revenue recognized on contracts of CDI Contractors, LLC (“CDI”), the Company’s general contracting construction company. Comparable store sales includes sales for those stores which were in operation for a full period in both the most recently completed quarter and the corresponding quarter for the prior fiscal year, including our internet store. Comparable store sales excludes changes in the allowance for sales returns. Non-comparable store sales includes: sales in the current fiscal year from stores opened during the previous fiscal year before they are considered comparable stores; sales from new stores opened during the current fiscal year; sales in the previous fiscal year for stores closed during the current or previous fiscal year that are no longer considered comparable stores; sales in clearance centers; and changes in the allowance for sales returns.

Sales occur as a result of interaction with customers across multiple points of contact, creating an interdependence between in-store and online sales. Online orders are fulfilled from both fulfillment centers and retail stores. Additionally, online customers have the ability to buy online and pick up in-store. Retail in-store customers have the ability to purchase items that may be ordered and fulfilled from either a fulfillment center or another retail store location. Online customers may return orders via mail, or customers may return orders placed online to retail store locations. Customers who earn reward points under the private label credit card program may earn and redeem rewards through in-store or online purchases.

**Service charges and other income.** Service charges and other income includes income generated through the long-term marketing and servicing alliance with Wells Fargo Bank, N.A. (“Wells Fargo Alliance”). Other income includes rental income, shipping and handling fees, gift card breakage and lease income on leased departments.

**Cost of sales.** Cost of sales includes the cost of merchandise sold (net of purchase discounts, non-specific margin maintenance allowances and merchandise margin maintenance allowances), bankcard fees, freight to the distribution centers, employee and promotional discounts, shipping to customers and direct payroll for salon personnel. Cost of sales also includes CDI contract costs, which comprise all direct material and labor costs, subcontract costs and those indirect costs related to contract performance, such as indirect labor, employee benefits and insurance program costs.

**Selling, general and administrative expenses.** Selling, general and administrative expenses include buying, occupancy, selling, distribution, warehousing, store and corporate expenses (including payroll and employee benefits), insurance, employment taxes, advertising, management information systems, legal and other corporate level expenses. Buying expenses consist of payroll, employee benefits and travel for design, buying and merchandising personnel.

**Depreciation and amortization.** Depreciation and amortization expenses include depreciation and amortization on property and equipment.

**Rentals.** Rentals includes expenses for store leases, including contingent rent, data processing and other equipment rentals and office space leases.

**Interest and debt expense, net.** Interest and debt expense includes interest, net of interest income and capitalized interest, relating to the Company's unsecured notes, subordinated debentures and borrowings under the Company's credit agreement. Interest and debt expense also includes the amortization of financing costs and interest on finance lease obligations.

**Other expense.** Other expense includes the interest cost and net actuarial loss components of net periodic benefit costs related to the Company's unfunded, nonqualified defined benefit plan and charges related to the write-off of deferred financing fees, if any.

**(Gain) loss on disposal of assets.** (Gain) loss on disposal of assets includes the net gain or loss on the sale or disposal of property and equipment, as well as gains from insurance proceeds in excess of the cost basis of insured assets, if any.

## **LIBOR**

On March 5, 2021, the U.K. Financial Conduct Authority, which regulates LIBOR, announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative: (a) immediately after December 31, 2021, in the case of the 1-week and 2-month U.S. dollar settings; and (b) immediately after June 30, 2023, in the case of the remaining U.S. dollar settings. Going forward, we intend to work with our lenders to use a suitable alternative reference rate for the 2021 amended credit agreement, the Wells Fargo Alliance and any other applicable agreements. We will continue to monitor, assess and plan for the phase out of LIBOR.

## **Seasonality**

Our business, like many other retailers, is subject to seasonal influences, with a significant portion of sales and income typically realized during the last quarter of our fiscal year due to the holiday season. Because of the seasonality of our business, results from any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year.

## RESULTS OF OPERATIONS

The following table sets forth the results of operations as a percentage of net sales for the periods indicated (percentages may not foot due to rounding):

	Three Months Ended		Six Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Service charges and other income	2.0	2.8	2.1	3.6
	102.0	102.8	102.1	103.6
Cost of sales	59.0	69.6	58.7	77.9
Selling, general and administrative expenses	23.3	29.1	24.2	32.7
Depreciation and amortization	3.2	5.5	3.3	6.0
Rentals	0.3	0.6	0.4	0.7
Interest and debt expense, net	0.7	1.4	0.8	1.5
Other expense	0.1	0.2	0.2	0.2
(Gain) loss on disposal of assets	—	—	(0.9)	—
Income (loss) before income taxes	15.3	(3.6)	15.3	(15.3)
Income taxes (benefit)	3.5	(2.7)	3.4	(5.3)
Net income (loss)	11.8 %	(0.9) %	11.9 %	(10.0) %

### Net Sales

(in thousands of dollars)	Three Months Ended		
	July 31, 2021	August 1, 2020	\$ Change
<b>Net sales:</b>			
Retail operations segment	\$ 1,539,396	\$ 893,216	\$ 646,180
Construction segment	30,982	25,828	5,154
Total net sales	\$ 1,570,378	\$ 919,044	\$ 651,334

The percent change in the Company's sales by segment and product category for the three months ended July 31, 2021 compared to the three months ended August 1, 2020 as well as the sales percentage by segment and product category to total net sales for the three months ended July 31, 2021 are as follows:

	% Change 2021 - 2020	% of Net Sales
Retail operations segment		
Cosmetics	58.5 %	13 %
Ladies' apparel	102.9	24
Ladies' accessories and lingerie	59.2	15
Juniors' and children's apparel	61.4	9
Men's apparel and accessories	71.1	20
Shoes	81.8	14
Home and furniture	21.6	3
		98
Construction segment	20.0	2
Total		100 %

Net sales from the retail operations segment increased \$646.2 million, or approximately 72%, during the three months ended July 31, 2021 compared to the three months ended August 1, 2020, primarily due to the impact of the COVID-19 pandemic. The Company reported no comparable store sales data for the quarter due to the temporary closure of its brick-and-mortar stores during a portion of the second quarter of 2020 as well as the interdependence between in-store and online sales. Sales in all product categories increased significantly over the second quarter last year.

Compared to the second quarter of fiscal 2019, net sales from the retail operations segment for the three months ended July 31, 2021 and August 3, 2019 were \$1,539.4 million and \$1,378.2 million, respectively, increasing \$161.2 million or approximately 12% while sales in comparable stores increased approximately 14%.

We recorded a return asset of \$10.6 million and \$8.4 million and an allowance for sales returns of \$19.5 million and \$10.8 million as of July 31, 2021 and August 1, 2020, respectively.

During the three months ended July 31, 2021, net sales from the construction segment increased \$5.2 million or 20.0% compared to the three months ended August 1, 2020 due to an increase in construction activity. The remaining performance obligations related to executed construction contracts totaled \$51.8 million as of July 31, 2021, decreasing approximately 32% from January 30, 2021 and decreasing approximately 59% from August 1, 2020, respectively. We expect these remaining performance obligations to be earned over the next nine to eighteen months.

(in thousands of dollars)	Six Months Ended		\$ Change
	July 31, 2021	August 1, 2020	
<b>Net sales:</b>			
Retail operations segment	\$ 2,836,132	\$ 1,644,243	\$ 1,191,889
Construction segment	62,789	61,456	1,333
Total net sales	<u>\$ 2,898,921</u>	<u>\$ 1,705,699</u>	<u>\$ 1,193,222</u>

The percent change in the Company's sales by segment and product category for the six months ended July 31, 2021 compared to the six months ended August 1, 2020 as well as the sales percentage by segment and product category to total net sales for the six months ended July 31, 2021 are as follows:

	% Change 2021 - 2020	% of Net Sales
<b>Retail operations segment</b>		
Cosmetics	59.3 %	14 %
Ladies' apparel	89.4	23
Ladies' accessories and lingerie	68.4	15
Juniors' and children's apparel	72.6	10
Men's apparel and accessories	75.4	19
Shoes	72.8	14
Home and furniture	31.9	3
		98
Construction segment	2.2	2
Total		100 %

Net sales from the retail operations segment increased \$1,191.9 million, or approximately 72%, during the six months ended July 31, 2021 compared to the six months ended August 1, 2020 primarily due to the impact of the COVID-19 pandemic. The Company reported no comparable store sales data for the period due to the temporary closure of its brick-and-mortar stores during a portion of the first six months of 2020 as well as the interdependence between in-store and online sales. Sales in all product categories increased significantly over the first six months of fiscal 2020.

Storewide sales penetration of exclusive brand merchandise for the six months ended July 31, 2021 and August 1, 2020 was 22.8% and 20.8%, respectively.

Compared to the first six months of fiscal 2019, net sales from the retail operations segment for the six months ended July 31, 2021 and August 3, 2019 were \$2,836.1 million and \$2,798.7 million, respectively, increasing \$37.4 million or approximately 1% while sales in comparable stores increased approximately 4%.

During the six months ended July 31, 2021, net sales from the construction segment increased \$1.3 million or 2.2% compared to the six months ended August 1, 2020 due to an increase in construction activity.

### Service Charges and Other Income

(in thousands of dollars)	Three Months Ended		Six Months Ended		Three Months \$ Change 2021 - 2020	Six Months \$ Change 2021-2020
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020		
<b>Service charges and other income:</b>						
Retail operations segment						
Income from Wells Fargo Alliance	\$ 17,735	\$ 14,685	\$ 35,443	\$ 35,486	\$ 3,050	\$ (43)
Shipping and handling income	10,223	8,657	18,704	20,224	1,566	(1,520)
Leased department income	1	491	3	862	(490)	(859)
Other	2,777	2,291	5,200	4,039	486	1,161
	30,736	26,124	59,350	60,611	4,612	(1,261)
Construction segment	318	15	696	449	303	247
<b>Total service charges and other income</b>	<b>\$ 31,054</b>	<b>\$ 26,139</b>	<b>\$ 60,046</b>	<b>\$ 61,060</b>	<b>\$ 4,915</b>	<b>\$ (1,014)</b>

Service charges and other income is composed primarily of income from the Wells Fargo Alliance. Income from the alliance increased \$3.1 million during the three months ended July 31, 2021 compared to the three months ended August 1, 2020 primarily due to increases in finance charges. Income from the alliance decreased slightly for the six months ended July 31, 2021 compared to the six months ended August 1, 2020.

Shipping and handling income increased during the three months ended July 31, 2021 compared to the three months ended August 1, 2020 due to an increase in online shopping. Shipping and handling income decreased during the six months ended July 31, 2021 compared to the six months ended August 1, 2020 primarily due to an increase in online orders in the first quarter of 2020 as customer shopping patterns shifted to dillards.com as COVID-19 infection levels increased and brick-and-mortar stores were temporarily closed.

Compared to the second quarter of fiscal 2019, shipping and handling income for the three months ended July 31, 2021 and August 3, 2019 was \$10.2 million and \$6.2 million, respectively, increasing \$4.1 million or 66.0%. Shipping and handling income for the six months ended July 31, 2021 and August 3, 2019 was \$18.7 million and \$12.2 million, respectively, increasing \$6.5 million or 52.8%.

Leased department income consisted primarily of commissions from a principal licensed department of an upscale women's apparel vendor located in certain stores. By the end of July 2020, our agreement with this principal licensed department had been terminated. We expect future leased department income to be minimal.



## Gross Profit

(in thousands of dollars)	July 31, 2021	August 1, 2020	\$ Change	% Change
<b>Gross profit:</b>				
Three months ended				
Retail operations segment	\$ 641,240	\$ 277,407	\$ 363,833	131.2 %
Construction segment	1,928	1,790	138	7.7
<b>Total gross profit</b>	<b>\$ 643,168</b>	<b>\$ 279,197</b>	<b>\$ 363,971</b>	<b>130.4 %</b>
Six months ended				
Retail operations segment	\$ 1,194,241	\$ 373,441	\$ 820,800	219.8 %
Construction segment	3,381	3,942	(561)	(14.2)
<b>Total gross profit</b>	<b>\$ 1,197,622</b>	<b>\$ 377,383</b>	<b>\$ 820,239</b>	<b>217.3 %</b>

	Three Months Ended		Six Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
<b>Gross profit as a percentage of segment net sales:</b>				
Retail operations segment	41.7 %	31.1 %	42.1 %	22.7 %
Construction segment	6.2	6.9	5.4	6.4
<b>Total gross profit as a percentage of net sales</b>	<b>41.0</b>	<b>30.4</b>	<b>41.3</b>	<b>22.1</b>

Gross profit, as a percentage of sales, increased to 41.0% from 30.4% during the three months ended July 31, 2021 compared to the three months ended August 1, 2020, respectively.

Gross profit from retail operations, as a percentage of sales, increased to 41.7% from 31.1% during the three months ended July 31, 2021 compared to the three months ended August 1, 2020, respectively, primarily due to increased markdowns taken during the second quarter of fiscal 2020 as a result of the impact of the COVID-19 pandemic as well as better inventory management and stronger customer demand leading to decreased markdowns in the second quarter of fiscal 2021. Gross margin in ladies' apparel, men's apparel and accessories, shoes, and juniors' and children's apparel all improved significantly, gross margin in cosmetics improved moderately while gross margin in ladies' accessories and lingerie remained essentially flat.

Compared to the second quarter of fiscal 2019, gross profit from retail operations, as a percentage of sales, increased 1,299 basis points of sales to 41.7% during the three months ended July 31, 2021 compared to 28.7% during the three months ended August 3, 2019 primarily due to better inventory management and customer demand leading to decreased markdowns in the second quarter of fiscal 2021.

Gross profit from the construction segment decreased 71 basis points of construction sales for the three months ended July 31, 2021 compared to the three months ended August 1, 2020.

Gross profit, as a percentage of sales, increased to 41.3% from 22.1% during the six months ended July 31, 2021 compared to the six months ended August 1, 2020.

Gross profit from retail operations, as a percentage of sales, increased to 42.1% from 22.7% during the six months ended July 31, 2021 compared to the six months ended August 1, 2020, respectively, primarily due to increased markdowns taken during the first six months of fiscal 2020 as a result of the impact of the COVID-19 pandemic as well as better inventory management and customer demand leading to decreased markdowns in the first six months of fiscal 2021. Gross margin increased significantly in all product categories except cosmetics which increased moderately.

Compared to the first six months of fiscal 2019, gross profit from retail operations, as a percentage of sales, increased 883 basis points of sales to 42.1% during the six months ended July 31, 2021 compared to 33.3% during the six months ended August 3, 2019 primarily due to better inventory management and customer demand leading to decreased markdowns in the first six months of fiscal 2021.

Gross profit from the construction segment decreased 103 basis points of construction sales for the six months ended July 31, 2021 compared to the six months ended August 1, 2020.

Inventory decreased 13% in total as of July 31, 2021 compared to August 1, 2020. A 1% change in the dollar amount of markdowns would have impacted net income by approximately \$2 million and \$4 million for the three and six months ended July 31, 2021, respectively.

### Selling, General and Administrative Expenses (“SG&A”)

(in thousands of dollars)	July 31, 2021	August 1, 2020	\$ Change	% Change
<b>SG&amp;A:</b>				
Three months ended				
Retail operations segment	\$ 364,212	\$ 265,801	\$ 98,411	37.0 %
Construction segment	1,656	1,261	395	31.3
<b>Total SG&amp;A</b>	<b>\$ 365,868</b>	<b>\$ 267,062</b>	<b>\$ 98,806</b>	<b>37.0 %</b>
Six months ended				
Retail operations segment	\$ 699,355	\$ 554,358	\$ 144,997	26.2 %
Construction segment	3,127	3,150	(23)	(0.7)
<b>Total SG&amp;A</b>	<b>\$ 702,482</b>	<b>\$ 557,508</b>	<b>\$ 144,974</b>	<b>26.0 %</b>

	Three Months Ended		Six Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
<b>SG&amp;A as a percentage of segment net sales:</b>				
Retail operations segment	23.7 %	29.8 %	24.7 %	33.7 %
Construction segment	5.3	4.9	5.0	5.1
<b>Total SG&amp;A as a percentage of net sales</b>	<b>23.3</b>	<b>29.1</b>	<b>24.2</b>	<b>32.7</b>

SG&A decreased to 23.3% of sales during the three months ended July 31, 2021 compared to 29.1% of sales during the three months ended August 1, 2020, while increasing \$98.8 million. SG&A from retail operations decreased to 23.7% of sales for the three months ended July 31, 2021 compared to 29.8% of sales for the three months ended August 1, 2020, while increasing \$98.4 million. The increase in SG&A dollars was primarily due to increases in payroll expense and related payroll taxes.

SG&A decreased to 24.2% of sales during the six months ended July 31, 2021 compared to 32.7% of sales during the six months ended August 1, 2020, while increasing \$145.0 million. SG&A from retail operations decreased to 24.7% of sales for the six months ended July 31, 2021 compared to 33.7% of sales for the six months ended August 1, 2020, while increasing \$145.0 million. The increase in SG&A dollars was primarily due to increases in payroll expense and related payroll taxes.

Payroll expense and related payroll taxes for the three months ended July 31, 2021 was \$246.7 million compared to \$168.7 million for the three months ended August 1, 2020, increasing \$78.0 million. Payroll expense and related payroll taxes for the six months ended July 31, 2021 was \$472.1 million compared to \$352.6 million for the six months ended August 1, 2020, increasing \$119.5 million. During the first six months of fiscal 2020, the Company (a) furloughed store associates as stores temporarily closed due to the COVID-19 pandemic and furloughed associates in certain corporate and support facility functions and (b) reduced payroll expense and related payroll taxes and benefits by \$6.1 million through the employee retention credit available under the CARES Act.

Compared to the second quarter of fiscal 2019, SG&A from retail operations for the three months ended July 31, 2021 and August 3, 2019 were \$364.2 million (23.7% of sales) and \$407.6 million (29.6% of sales), decreasing \$43.4 million. SG&A from retail operations for the six months ended July 31, 2021 was \$699.4 million (24.7% of sales) compared to \$810.9 million (29.0% of sales), decreasing \$111.5 million primarily due to decreases in payroll expense and related payroll taxes. During the

first six months of fiscal 2021, stores were operating at reduced operating hours from the first six months of fiscal 2019, requiring fewer sales associates.

### Depreciation and Amortization

(in thousands of dollars)	July 31, 2021	August 1, 2020	\$ Change	% Change
<b>Depreciation and amortization:</b>				
Three months ended				
Retail operations segment	\$ 49,981	\$ 50,784	\$ (803)	(1.6) %
Construction segment	62	167	(105)	(62.9)
Total depreciation and amortization	<u>\$ 50,043</u>	<u>\$ 50,951</u>	<u>\$ (908)</u>	<u>(1.8) %</u>
Six months ended				
Retail operations segment	\$ 96,319	\$ 101,516	\$ (5,197)	(5.1) %
Construction segment	132	336	(204)	(60.7)
Total depreciation and amortization	<u>\$ 96,451</u>	<u>\$ 101,852</u>	<u>\$ (5,401)</u>	<u>(5.3) %</u>

Depreciation and amortization expense decreased \$0.9 million and \$5.4 million during the three and six months ended July 31, 2021 compared to the three and six months ended August 1, 2020 primarily due to the timing and composition of capital expenditures.

### Interest and Debt Expense, Net

(in thousands of dollars)	July 31, 2021	August 1, 2020	\$ Change	% Change
<b>Interest and debt expense (income), net:</b>				
Three months ended				
Retail operations segment	\$ 10,782	\$ 12,885	\$ (2,103)	(16.3) %
Construction segment	(11)	(12)	1	8.3
Total interest and debt expense, net	<u>\$ 10,771</u>	<u>\$ 12,873</u>	<u>\$ (2,102)</u>	<u>(16.3) %</u>
Six months ended				
Retail operations segment	\$ 22,332	\$ 25,176	\$ (2,844)	(11.3) %
Construction segment	(26)	(33)	7	21.2
Total interest and debt expense, net	<u>\$ 22,306</u>	<u>\$ 25,143</u>	<u>\$ (2,837)</u>	<u>(11.3) %</u>

Net interest and debt expense decreased \$2.1 million and \$2.8 million during the three and six months ended July 31, 2021 compared to the three and six months ended August 1, 2020, respectively, primarily due to a decrease of short-term borrowings under the credit facility. Total weighted average debt decreased by \$217.2 million and \$241.3 million during the three and six months ended July 31, 2021 compared to the three and six months ended August 1, 2020, respectively, primarily due to a decrease of short-term borrowings under the credit facility.

## Other Expense

(in thousands of dollars)	July 31, 2021	August 1, 2020	\$ Change	% Change
<b>Other expense:</b>				
Three months ended				
Retail operations segment	\$ 2,134	\$ 2,104	\$ 30	1.4 %
Construction segment	—	—	—	—
Total other expense	<u>\$ 2,134</u>	<u>\$ 2,104</u>	<u>\$ 30</u>	<u>1.4 %</u>
Six months ended				
Retail operations segment	\$ 7,098	\$ 4,208	\$ 2,890	68.7 %
Construction segment	—	—	—	—
Total other expense	<u>\$ 7,098</u>	<u>\$ 4,208</u>	<u>\$ 2,890</u>	<u>68.7 %</u>

Other expense increased \$2.9 million during the six months ended July 31, 2021 compared to the six months ended August 1, 2020 primarily due to the write-off of certain deferred financing fees in connection with the amendment and extension of the Company's secured revolving credit facility.

## (Gain) Loss on Disposal of Assets

(in thousands of dollars)	July 31, 2021	August 1, 2020	\$ Change
<b>(Gain) loss on disposal of assets:</b>			
Three months ended			
Retail operations segment	\$ (6)	\$ 45	\$ (51)
Construction segment	(3)	(12)	9
Total (gain) loss on disposal of assets	<u>\$ (9)</u>	<u>\$ 33</u>	<u>\$ (42)</u>
Six months ended			
Retail operations segment	\$ (24,679)	\$ 27	\$ (24,706)
Construction segment	(3)	(13)	10
Total (gain) loss on disposal of assets	<u>\$ (24,682)</u>	<u>\$ 14</u>	<u>\$ (24,696)</u>

During the six months ended July 31, 2021, the Company recorded proceeds of \$29.3 million primarily from the sale of three store properties, resulting in a gain of \$24.7 million that was recorded in (gain) loss on disposal of assets.

## Income Taxes

The Company's estimated federal and state effective income tax rate was approximately 22.8% and 22.5% for the three and six months ended July 31, 2021, respectively. During the three and six months ended July 31, 2021, income tax expense differed from what would be computed using the statutory federal income tax rate primarily due to the effects of state and local income taxes.

The Company was in a net operating loss position for the fiscal year ended January 30, 2021. The Coronavirus Aid, Relief and Economic Security ("CARES") Act, signed into law on March 27, 2020, allows for net operating loss carryback to years in which the statutory federal income tax rate was 35% rather than the current 21%. The Company's estimated federal and state effective income tax rate was approximately 74.3% and 34.8% for the three and six months ended August 1, 2020, respectively. During the three and six months ended August 1, 2020, income tax benefit differed from what would be computed using the current statutory federal income tax rate of 21% primarily due to the recognition of a net tax benefit of \$17.4 million and \$32.1 million, respectively, related to the rate differential in the carryback year. Income tax benefit for the three and six months also included the effects of state and local income taxes.

The Company expects the fiscal 2021 federal and state effective income tax rate to approximate 22% to 23%. This rate may change if results of operations for fiscal 2021 differ from management's current expectations. Changes in the Company's assumptions and judgments can materially affect amounts recognized in the condensed consolidated financial statements.

## FINANCIAL CONDITION

A summary of net cash flows for the six months ended July 31, 2021 and August 1, 2020 follows:

(in thousands of dollars)	Six Months Ended		\$ Change
	July 31, 2021	August 1, 2020	
Operating Activities	\$ 492,301	\$ (294,509)	\$ 786,810
Investing Activities	(9,101)	(38,084)	28,983
Financing Activities	(174,065)	138,384	(312,449)
Total Increase (Decrease) in Cash and Cash Equivalents	\$ 309,135	\$ (194,209)	\$ 503,344

Net cash flows from operations increased \$786.8 million during the six months ended July 31, 2021 compared to the six months ended August 1, 2020 due to significant increases in net income, primarily due to increases in gross profit and changes in working capital. Compared to the first six months of fiscal 2019, net cash flows provided by operations for the six months ended July 31, 2021 were \$492.3 million compared to cash flows used in operations for the six months ended August 3, 2019 of \$18.6 million, increasing \$510.9 million.

Wells Fargo owns and manages the Dillard's private label cards under the Wells Fargo Alliance. Under the Wells Fargo Alliance, Wells Fargo establishes and owns private label card accounts for our customers, retains the benefits and risks associated with the ownership of the accounts, provides key customer service functions, including new account openings, transaction authorization, billing adjustments and customer inquiries, receives the finance charge income and incurs the bad debts associated with those accounts.

Pursuant to the Wells Fargo Alliance, we receive ongoing cash compensation from Wells Fargo based upon the portfolio's earnings. The compensation received from the portfolio is determined monthly and has no recourse provisions. The amount the Company receives is dependent on the level of sales on Wells Fargo accounts, the level of balances carried on Wells Fargo accounts by Wells Fargo customers, payment rates on Wells Fargo accounts, finance charge rates and other fees on Wells Fargo accounts, the level of credit losses for the Wells Fargo accounts as well as Wells Fargo's ability to extend credit to our customers. We participate in the marketing of the private label cards, which includes the cost of customer reward programs. The Wells Fargo Alliance expires in fiscal 2024.

The Company received income of \$35.4 million and \$35.5 million from the Wells Fargo Alliance during the six months ended July 31, 2021 and August 1, 2020, respectively. The Company cannot reasonably predict whether there will be any ongoing impact or the magnitude of any such impact of the COVID-19 pandemic on the portfolio's future earnings and the ongoing cash compensation from the Wells Fargo Alliance.

During the six months ended July 31, 2021, the Company received proceeds from insurance of \$2.3 million for claims filed for merchandise losses related to storm damage incurred at two stores.

Capital expenditures were \$41.2 million and \$38.6 million for the six months ended July 31, 2021 and August 1, 2020, respectively. The capital expenditures were primarily related to equipment purchases and the continued construction of two new stores during the current year. The Company has announced plans to open a new store at Mesa Mall in Grand Junction, Colorado during the Fall of 2021 (100,000 square feet). The Company has also announced plans to open a new store at University Place in Orem, Utah in the Spring of 2022 (160,000 square feet). Both opportunities arose from peer closures at those centers.

During the six months ended July 31, 2021, the Company received cash proceeds of \$29.3 million and recorded a related gain of \$24.7 million, primarily from the sale of three store properties: (1) a 120,000 square foot location at Cortana Mall in Baton Rouge, Louisiana, which was permanently closed and sold; (2) a 200,000 square foot location at Paradise Valley Mall in Phoenix, Arizona, which was sold during our first fiscal quarter and closed during our second fiscal quarter and (3) a non-operating store property in Knoxville, Tennessee. The Company also plans to close its clearance center at Valle Vista Mall in Harlingen, Texas (100,000 square feet) during the third quarter. There were no material costs associated or expected with any of these store closures. We remain committed to closing under-performing stores where appropriate and may incur future closing costs related to such stores when they close.

During the six months ended July 31, 2021, the Company received proceeds from insurance of \$2.8 million for claims filed for building losses related to storm damage incurred at two stores.

The Company had cash on hand of \$669.5 million as of July 31, 2021. During the first quarter of fiscal 2020 and as part of our overall liquidity management strategy and for peak working capital requirements, the Company maintained an unsecured credit facility that provided a borrowing capacity of \$800 million with a \$200 million expansion option ("credit agreement"). As part of the Company's liquidity strategy during the COVID-19 pandemic, in March 2020, the Company borrowed \$779 million under the credit agreement.

The credit agreement was amended in April 2020 and became secured by certain deposit accounts of the Company and certain inventory of certain subsidiaries (the "2020 amended credit agreement"). The borrowings of \$779 million were repaid concurrent with the execution of the 2020 amended credit agreement. During the six months ended August 1, 2020, the Company paid \$3.0 million in issuance costs related to the 2020 amended credit agreement, which were recorded in other assets on the condensed consolidated balance sheet.

In April 2021, the Company further amended its secured credit agreement (the "2021 amended credit agreement"). See Note 7, *Revolving Credit Agreement*, in the "Notes to Condensed Consolidated Financial Statements," in Part I, Item I hereof for additional information. During the six months ended July 31, 2021, the Company paid \$3.0 million in issuance costs related to the 2021 amended credit agreement, which were recorded in other assets on the condensed consolidated balance sheet, and the Company recognized a loss on the early extinguishment of debt of \$2.8 million for the write-off of certain remaining deferred financing fees related to the 2020 amended credit agreement. This charge was recorded in other expense on the condensed consolidated statement of operations.

At July 31, 2021, no borrowings were outstanding, and letters of credit totaling \$20.2 million were issued under the 2021 amended credit agreement leaving unutilized availability under the credit facility of \$716.0 million.

During the six months ended July 31, 2021, the Company repurchased 1.4 million shares of Class A Common Stock at an average price of \$125.81 per share for \$171.0 million (including the accrual of \$6.8 million of share repurchases that had not settled as of July 31, 2021) under the Company's March 2018 Plan. During the six months ended August 1, 2020, the Company repurchased 1.6 million shares of Class A Common Stock at an average price of \$47.99 per share for \$76.1 million (including the accrual of \$3.0 million of share repurchases that had not settled as of August 1, 2020) under the Company's March 2018 Plan. Additionally, the Company paid \$7.3 million for share repurchases that had not yet settled but were accrued at February 1, 2020. At July 31, 2021, \$2.1 million of authorization remained under the March 2018 Plan and \$500.0 million of authorization remained under the May 2021 Plan. The ultimate disposition of the repurchased stock has not been determined. See Note 8, *Stock Repurchase Programs*, in the "Notes to Condensed Consolidated Financial Statements," in Part I, Item I hereof for additional information.

The COVID-19 pandemic has had and may continue to have a significant impact on the Company's business, results of operations and financial position. Because there is still significant uncertainty around the effects of the COVID-19 pandemic on the Company's business operations, our profitability and liquidity may be further impacted if we are unable to appropriately manage our inventory levels and expenses relative to any change in consumer demand.

The Company expects to finance its operations during fiscal 2021 from cash on hand, cash flows generated from operations and utilization of the credit facility. Depending upon our actual and anticipated sources and uses of liquidity, the Company will from time to time consider other possible financing transactions, the proceeds of which could be used to fund working capital or for other corporate purposes.

There have been no material changes in the information set forth under caption "Commercial Commitments" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

## **OFF-BALANCE-SHEET ARRANGEMENTS**

The Company has not created, and is not party to, any special-purpose entities or off-balance-sheet arrangements for the purpose of raising capital, incurring debt or operating the Company's business. The Company does not have any off-balance-sheet arrangements or relationships that are reasonably likely to materially affect the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or the availability of capital resources.

## **NEW ACCOUNTING STANDARDS**

For information with respect to new accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 2, *Accounting Standards*, in the "Notes to Condensed Consolidated Financial Statements," in Part I, Item 1 hereof.

## **FORWARD-LOOKING INFORMATION**

This report contains certain forward-looking statements. The following are or may constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995: (a) statements including words such as "may," "will," "could," "should," "believe," "expect," "future," "potential," "anticipate," "intend," "plan," "estimate," "continue," or the negative or other variations thereof; (b) statements regarding matters that are not historical facts; and (c) statements about the Company's future occurrences, plans and objectives, including statements regarding management's expectations and forecasts for the remainder of fiscal 2021 and beyond, statements concerning the opening of new stores or the closing of existing stores, statements concerning capital expenditures and sources of liquidity, statements regarding the expected impact of the COVID-19 pandemic and related government responses, including the CARES Act and other subsequently-enacted COVID-19 stimulus packages, statements concerning share repurchases, statements concerning pension contributions, statements regarding the expected phase out of LIBOR and statements concerning estimated taxes. The Company cautions that forward-looking statements contained in this report are based on estimates, projections, beliefs and assumptions of management and information available to management at the time of such statements and are not guarantees of future performance. The Company disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise. Forward-looking statements of the Company involve risks and uncertainties and are subject to change based on various important factors. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements made by the Company and its management as a result of a number of risks, uncertainties and assumptions. Representative examples of those factors include (without limitation) the COVID-19 pandemic and its effects on public health, our supply chain, the health and well-being of our employees and customers, and the retail industry in general; other general retail industry conditions and macro-economic conditions including inflation and changes in traffic at malls and shopping centers; economic and weather conditions for regions in which the Company's stores are located and the effect of these factors on the buying patterns of the Company's customers, including the effect of changes in prices and availability of oil and natural gas; the availability of consumer credit; the impact of competitive pressures in the department store industry and other retail channels including specialty, off-price, discount and Internet retailers; changes in consumer spending patterns, debt levels and their ability to meet credit obligations; changes in tax legislation; changes in legislation, affecting such matters as the cost of employee benefits or credit card income; adequate and stable availability and pricing of materials, production facilities and labor from which the Company sources its merchandise; changes in operating expenses, including employee wages, commission structures and related benefits; system failures or data security breaches; possible future acquisitions of store properties from other department store operators; the continued availability of financing in amounts and at the terms necessary to support the Company's future business; fluctuations in LIBOR and other base borrowing rates; the elimination of LIBOR; potential disruption from terrorist activity and the effect on ongoing consumer confidence; other epidemic, pandemic or public health issues; potential disruption of international trade and supply chain efficiencies; any government-ordered restrictions on the movement of the general public or the mandated or voluntary closing of retail stores in response to the COVID-19 pandemic; world conflict and the possible impact on consumer spending patterns and other economic and demographic changes of similar or dissimilar nature. The Company's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended January 30, 2021, contain other information on factors that may affect financial results or cause actual results to differ materially from forward-looking statements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

There have been no material changes in the information set forth under caption “Item 7A-Quantitative and Qualitative Disclosures About Market Risk” in the Company’s Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

**Item 4. Controls and Procedures.**

The Company has established and maintains disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). The Company’s management, with the participation of our Principal Executive Officer and Co-Principal Financial Officers, has evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the fiscal quarter covered by this quarterly report, and based on that evaluation, the Company’s Principal Executive Officer and Co-Principal Financial Officers have concluded that these disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended July 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.



## PART II. OTHER INFORMATION

### **Item 1. Legal Proceedings.**

From time to time, the Company is involved in litigation relating to claims arising out of the Company's operations in the normal course of business. This may include litigation with customers, employment related lawsuits, class action lawsuits, purported class action lawsuits and actions brought by governmental authorities. As of September 3, 2021, the Company is not a party to any legal proceedings that, individually or in the aggregate, are reasonably expected to have a material adverse effect on the Company's business, results of operations, financial condition or cash flows.

### **Item 1A. Risk Factors.**

There have been no material changes in the information set forth under caption "Item 1A-Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

## (a) Unregistered Sales of Equity Securities

On February 11, 2021, the Company issued 12,000 shares of Class A Common Stock in exchange for 12,000 shares of Class B Common Stock tendered for conversion pursuant to the Certificate of Incorporation. The transaction was exempt from registration under Section 3(a)(9) of the Securities Act of 1933.

## (c) Purchases of Equity Securities

**Issuer Purchases of Equity Securities**

<b>Period</b>	<b>(a) Total Number of Shares Purchased</b>	<b>(b) Average Price Paid per Share</b>	<b>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</b>
May 2, 2021 through May 29, 2021	256,927	\$ 112.86	256,927	\$ 585,313,262
May 30, 2021 through July 3, 2021	65,111	148.34	65,111	575,654,805
July 4, 2021 through July 31, 2021	412,429	178.34	412,429	502,103,905
<b>Total</b>	<b>734,467</b>	<b>\$ 152.77</b>	<b>734,467</b>	<b>\$ 502,103,905</b>

In March 2018, the Company's Board of Directors authorized the repurchase of up to \$500 million of the Company's Class A Common Stock under an open-ended stock repurchase plan ("March 2018 Plan"). This repurchase plan permits the Company to repurchase its Class A Common Stock in the open market, pursuant to preset trading plans meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934 or through privately negotiated transactions. This repurchase plan has no expiration date. During the three months ended July 31, 2021, the Company repurchased 0.7 million shares totaling \$112.2 million. As of July 31, 2021, \$2.1 million of authorization remained under the March 2018 Plan.

On May 15, 2021, the Company announced that its Board of Directors approved a new open-ended stock repurchase program authorizing the Company to repurchase up to \$500 million of its Class A Common Stock. The Company intends to exhaust the remaining authorization under the March 2018 Plan before repurchasing any shares under the new repurchase program. Reference is made to the discussion in Note 8, *Stock Repurchase Programs*, in the "Notes to Condensed Consolidated Financial Statements" in Part I of this Quarterly Report on Form 10-Q, which information is incorporated by reference herein.

**Item 6. Exhibits.**

<b>Number</b>	<b>Description</b>
<a href="#">31.1</a>	<a href="#">Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">31.2</a>	<a href="#">Certification of Co-Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">31.3</a>	<a href="#">Certification of Co-Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.1</a>	<a href="#">Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).</a>
<a href="#">32.2</a>	<a href="#">Certification of Co-Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).</a>
<a href="#">32.3</a>	<a href="#">Certification of Co-Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).</a>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

**SIGNATURES**

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

DILLARD'S, INC.  
(Registrant)

Date: September 3, 2021

/s/ Phillip R. Watts  
Phillip R. Watts  
Senior Vice President, Co-Principal Financial Officer and Principal Accounting Officer

/s/ Chris B. Johnson  
Chris B. Johnson  
Senior Vice President and Co-Principal Financial Officer

**CERTIFICATIONS**

I, William Dillard, II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dillard's, 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(s) 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(s) 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: September 3, 2021

/s/ William Dillard, II

William Dillard, II

Chairman of the Board and Chief Executive Officer

CERTIFICATIONS

I, Phillip R. Watts, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dillard's, 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(s) 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(s) 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: September 3, 2021

/s/ Phillip R. Watts

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Phillip R. Watts

Senior Vice President, Co-Principal Financial Officer and Principal Accounting Officer

CERTIFICATIONS

I, Chris B. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dillard's, 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(s) 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(s) 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: September 3, 2021

/s/ Chris B. Johnson

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Chris B. Johnson

Senior Vice President and Co-Principal Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Dillard's, Inc. (the "Company") on Form 10-Q for the period ended July 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William Dillard, II, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) and 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 results of operations of the Company.

Date: September 3, 2021

/s/ William Dillard, II

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William Dillard, II  
Chairman of the Board and  
Chief Executive Officer



CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Dillard's, Inc. (the "Company") on Form 10-Q for the period ended July 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Phillip R. Watts, Senior Vice President, Co-Principal Financial Officer and Principal Accounting Officer, of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) and 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 results of operations of the Company.

Date: September 3, 2021

/s/ Phillip R. Watts

Phillip R. Watts

Senior Vice President, Co-Principal Financial Officer and Principal  
Accounting Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Dillard's, Inc. (the "Company") on Form 10-Q for the period ended July 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chris B. Johnson, Senior Vice President and Co-Principal Financial Officer, of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) and 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 results of operations of the Company.

Date: September 3, 2021

/s/ Chris B. Johnson

Chris B. Johnson

Senior Vice President and Co-Principal Financial Officer