

**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 October 31, 2020

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	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 November 28, 2020	17,987,659
CLASS B COMMON STOCK as of November 28, 2020	4,010,233

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

	October 31, 2020	February 1, 2020	November 2, 2019
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 61,124	\$ 277,077	\$ 79,065
Restricted cash	—	—	8,467
Accounts receivable	28,406	46,160	48,241
Merchandise inventories	1,545,264	1,465,007	1,969,980
Federal and state income taxes	126,973	—	—
Other current assets	65,631	59,838	74,231
<b>Total current assets</b>	<b>1,827,398</b>	<b>1,848,082</b>	<b>2,179,984</b>
Property and equipment (net of accumulated depreciation and amortization of \$2,471,565, \$2,336,728 and \$2,358,469, respectively)	1,348,799	1,458,176	1,494,454
Operating lease assets	40,471	47,924	48,600
Deferred income taxes	14,740	—	—
Other assets	74,581	76,075	77,025
<b>Total assets</b>	<b>\$ 3,305,989</b>	<b>\$ 3,430,257</b>	<b>\$ 3,800,063</b>
<b>Liabilities and stockholders' equity</b>			
Current liabilities:			
Trade accounts payable and accrued expenses	\$ 1,031,806	\$ 892,789	\$ 1,211,446
Current portion of finance lease liabilities	849	1,219	1,148
Current portion of operating lease liabilities	12,775	14,654	15,250
Other short-term borrowings	15,000	—	98,600
Federal and state income taxes	—	22,158	4,505
<b>Total current liabilities</b>	<b>1,060,430</b>	<b>930,820</b>	<b>1,330,949</b>
Long-term debt	365,814	365,709	365,674
Finance lease liabilities	180	695	1,029
Operating lease liabilities	27,412	32,683	32,958
Other liabilities	271,324	273,601	243,258
Deferred income taxes	—	3,490	13,812
Subordinated debentures	200,000	200,000	200,000
Commitments and contingencies			
Stockholders' equity:			
Common stock	1,240	1,239	1,239
Additional paid-in capital	952,522	951,726	949,846
Accumulated other comprehensive loss	(29,768)	(31,059)	(12,809)
Retained earnings	4,407,532	4,556,494	4,492,511
Less treasury stock, at cost	(3,950,697)	(3,855,141)	(3,818,404)
<b>Total stockholders' equity</b>	<b>1,380,829</b>	<b>1,623,259</b>	<b>1,612,383</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,305,989</b>	<b>\$ 3,430,257</b>	<b>\$ 3,800,063</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		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Net sales	\$ 1,024,899	\$ 1,388,310	\$ 2,730,598	\$ 4,280,614
Service charges and other income	27,213	35,349	88,273	99,825
	<u>1,052,112</u>	<u>1,423,659</u>	<u>2,818,871</u>	<u>4,380,439</u>
Cost of sales	658,684	926,782	1,987,000	2,886,563
Selling, general and administrative expenses	318,218	418,149	875,726	1,232,434
Depreciation and amortization	53,377	56,143	155,229	162,890
Rentals	5,115	5,927	16,304	18,254
Interest and debt expense, net	12,162	11,536	37,305	35,021
Other expense	2,105	1,916	6,313	5,750
Loss (gain) on disposal of assets	2,221	304	2,235	(11,996)
Income (loss) before income taxes	230	2,902	(261,241)	51,523
Income taxes (benefit)	(31,620)	(2,560)	(122,550)	8,130
<b>Net income (loss)</b>	<b>\$ 31,850</b>	<b>\$ 5,462</b>	<b>\$ (138,691)</b>	<b>\$ 43,393</b>
Earnings (loss) per share:				
Basic and diluted	\$ 1.43	\$ 0.22	\$ (6.05)	\$ 1.69

See notes to condensed consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Net income (loss)	\$ 31,850	\$ 5,462	\$ (138,691)	\$ 43,393
Other comprehensive income:				
Amortization of retirement plan and other retiree benefit adjustments (net of tax of \$138, \$0, \$414, and \$0, respectively)	430	—	1,291	—
<b>Comprehensive income (loss)</b>	<b>\$ 32,280</b>	<b>\$ 5,462</b>	<b>\$ (137,400)</b>	<b>\$ 43,393</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 October 31, 2020						
	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total
Balance, August 1, 2020	\$ 1,240	\$ 952,522	\$ (30,198)	\$ 4,378,988	\$ (3,931,238)	\$ 1,371,314
Net income	—	—	—	31,850	—	31,850
Other comprehensive income	—	—	430	—	—	430
Purchase of 645,284 shares of treasury stock	—	—	—	—	(19,459)	(19,459)
Cash dividends declared:						
Common stock, \$0.15 per share	—	—	—	(3,306)	—	(3,306)
Balance, October 31, 2020	<u>\$ 1,240</u>	<u>\$ 952,522</u>	<u>\$ (29,768)</u>	<u>\$ 4,407,532</u>	<u>\$ (3,950,697)</u>	<u>\$ 1,380,829</u>
Three Months Ended November 2, 2019						
	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total
Balance, August 3, 2019	\$ 1,239	\$ 949,846	\$ (12,809)	\$ 4,490,759	\$ (3,783,191)	\$ 1,645,844
Net income	—	—	—	5,462	—	5,462
Purchase of 600,479 shares of treasury stock	—	—	—	—	(35,213)	(35,213)
Cash dividends declared:						
Common stock, \$0.15 per share	—	—	—	(3,710)	—	(3,710)
Balance, November 2, 2019	<u>\$ 1,239</u>	<u>\$ 949,846</u>	<u>\$ (12,809)</u>	<u>\$ 4,492,511</u>	<u>\$ (3,818,404)</u>	<u>\$ 1,612,383</u>
Nine Months Ended October 31, 2020						
	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total
Balance, February 1, 2020	\$ 1,239	\$ 951,726	\$ (31,059)	\$ 4,556,494	\$ (3,855,141)	\$ 1,623,259
Net loss	—	—	—	(138,691)	—	(138,691)
Other comprehensive income	—	—	1,291	—	—	1,291
Issuance of 32,000 shares under equity plans	1	796	—	—	—	797
Purchase of 2,230,877 shares of treasury stock	—	—	—	—	(95,556)	(95,556)
Cash dividends declared:						
Common stock, \$0.45 per share	—	—	—	(10,271)	—	(10,271)
Balance, October 31, 2020	<u>\$ 1,240</u>	<u>\$ 952,522</u>	<u>\$ (29,768)</u>	<u>\$ 4,407,532</u>	<u>\$ (3,950,697)</u>	<u>\$ 1,380,829</u>



**Nine Months Ended November 2, 2019**

	<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 2, 2019	\$ 1,239	\$ 948,835	\$ (12,809)	\$ 4,458,006	\$ (3,716,890)	\$ 1,678,381
Net income	—	—	—	43,393	—	43,393
Issuance of 17,600 shares under equity plans	—	1,011	—	—	—	1,011
Purchase of 1,665,222 shares of treasury stock	—	—	—	—	(101,514)	(101,514)
Cash dividends declared:						
Common stock, \$0.35 per share	—	—	—	(8,888)	—	(8,888)
Balance, November 2, 2019	\$ 1,239	\$ 949,846	\$ (12,809)	\$ 4,492,511	\$ (3,818,404)	\$ 1,612,383

See notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	October 31, 2020	November 2, 2019
<b>Operating activities:</b>		
Net (loss) income	\$ (138,691)	\$ 43,393
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization of property and other deferred cost	157,335	164,373
Loss (gain) on disposal of assets	2,235	(11,996)
Proceeds from insurance	8,659	397
Changes in operating assets and liabilities:		
Decrease in accounts receivable	17,754	1,612
Increase in merchandise inventories	(80,257)	(441,563)
Increase in other current assets	(13,680)	(2,015)
Decrease (increase) in other assets	456	(8,404)
Increase in trade accounts payable and accrued expenses and other liabilities	145,745	286,322
Decrease in income taxes	(162,494)	(9,135)
<b>Net cash (used in) provided by operating activities</b>	<b>(62,938)</b>	<b>22,984</b>
<b>Investing activities:</b>		
Purchases of property and equipment and capitalized software	(52,100)	(70,915)
Proceeds from disposal of assets	1,533	22,031
Distribution from joint venture	215	1,350
<b>Net cash used in investing activities</b>	<b>(50,352)</b>	<b>(47,534)</b>
<b>Financing activities:</b>		
Principal payments on long-term debt and finance lease liabilities	(885)	(703)
Issuance cost of line of credit	(3,230)	—
Increase in short-term borrowings	15,000	98,600
Cash dividends paid	(10,669)	(7,810)
Purchase of treasury stock	(102,879)	(101,514)
<b>Net cash used in financing activities</b>	<b>(102,663)</b>	<b>(11,427)</b>
Decrease in cash, cash equivalents and restricted cash	(215,953)	(35,977)
Cash, cash equivalents and restricted cash, beginning of period	277,077	123,509
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 61,124</b>	<b>\$ 87,532</b>
<b>Non-cash transactions:</b>		
Accrued capital expenditures	\$ 6,038	\$ 9,573
Stock awards	797	1,011
Lease assets obtained in exchange for new operating lease liabilities	4,084	4,601

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 nine months ended October 31, 2020 are not necessarily indicative of the results that may be expected for the fiscal year ending January 30, 2021 due to, among other factors, the seasonal nature of the business and 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 February 1, 2020 filed with the SEC on March 31, 2020.

**Restricted Cash** - Restricted cash consists of cash proceeds from the sale of property held in escrow for the acquisition of replacement property under like-kind exchange agreements. The escrow accounts are administered by an intermediary. Pursuant to the like-kind exchange agreements, the cash remains restricted for a maximum of 180 days from the date of the property sale pending the acquisition of replacement property.

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

(in thousands)	October 31, 2020	November 2, 2019
Cash and cash equivalents	\$ 61,124	\$ 79,065
Restricted cash	—	8,467
Total cash, cash equivalents and restricted cash	\$ 61,124	\$ 87,532

**COVID-19**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and the world. The effects of the COVID-19 pandemic have had and continue to have a significant impact on the Company's business, results of operations and financial position. At present, the COVID-19 pandemic has had a significant negative effect on the Company's liquidity and net sales. Due to heightened uncertainty relating to the impacts of COVID-19 on the Company's business operations, including the duration and impact on overall customer demand, our liquidity, net sales and profitability may be further impacted if we are unable to appropriately manage our inventory levels and expenses.

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. The Company began re-opening stores on May 5, 2020, and by June 2, 2020, all stores had been re-opened using the Centers for Disease Control and Prevention ("CDC") guidelines to promote a safe environment for our customers and employees. All stores are currently open and operating at reduced hours. A very small number of our locations were temporarily closed to in-store shopping due to government mandate. Other local mandates throughout the country require occupancy limits with which we are required to comply. We continue to monitor additional local government orders that may affect our operations.

As part of the Company's liquidity strategy during the COVID-19 pandemic, in March 2020, the Company borrowed \$779 million under its revolving credit agreement, which was repaid concurrent with the execution of the amended credit agreement. At October 31, 2020, borrowings of \$15.0 million were outstanding, and letters of credit totaling \$21.1 million were issued under the amended credit agreement leaving unutilized availability under the facility of \$763.9 million. See Note 7, *Revolving Credit Agreement*, for additional information.

We assess the impairment of long-lived assets, primarily fixed assets and operating lease assets, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We evaluated the effects of the COVID-19 pandemic on our business and determined that as of October 31, 2020, the carrying values of our property and equipment and operating

lease assets were recoverable. Accordingly, no impairment charge was recorded for the nine months ended October 31, 2020. We will continue to monitor these factors and the impact of the COVID-19 pandemic on future periods and continue to assess these assets for impairment as needed.

## Note 2. Accounting Standards

### Recently Issued Accounting Pronouncements

#### *Simplifying the Accounting for Income Taxes*

In December 2019, the FASB issued Accounting Standards Update ("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 Company does not expect this update to have a material impact on its consolidated 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		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Retail operations segment				
Cosmetics	14 %	14 %	14 %	13 %
Ladies' apparel	20	23	21	24
Ladies' accessories and lingerie	15	14	15	15
Juniors' and children's apparel	10	10	10	10
Men's apparel and accessories	18	17	18	17
Shoes	16	15	15	15
Home and furniture	4	3	4	3
	97	96	97	97
Construction segment	3	4	3	3
Total	100 %	100 %	100 %	100 %

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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 October 31, 2020</b>			
Net sales from external customers	\$ 994,588	\$ 30,311	\$ 1,024,899
Gross profit	364,232	1,983	366,215
Depreciation and amortization	53,290	87	53,377
Interest and debt expense (income), net	12,167	(5)	12,162
(Loss) income before income taxes	(232)	462	230
Total assets	3,279,241	26,748	3,305,989
<b>Three Months Ended November 2, 2019</b>			
Net sales from external customers	\$ 1,334,205	\$ 54,105	\$ 1,388,310
Gross profit	460,549	979	461,528
Depreciation and amortization	55,963	180	56,143
Interest and debt expense (income), net	11,562	(26)	11,536
Income before income taxes	2,223	679	2,902
Total assets	3,753,211	46,852	3,800,063
<b>Nine Months Ended October 31, 2020</b>			
Net sales from external customers	\$ 2,638,831	\$ 91,767	\$ 2,730,598
Gross profit	737,673	5,925	743,598
Depreciation and amortization	154,806	423	155,229
Interest and debt expense (income), net	37,343	(38)	37,305
(Loss) income before income taxes	(262,598)	1,357	(261,241)
Total assets	3,279,241	26,748	3,305,989
<b>Nine Months Ended November 2, 2019</b>			
Net sales from external customers	\$ 4,132,890	\$ 147,724	\$ 4,280,614
Gross profit	1,392,057	1,994	1,394,051
Depreciation and amortization	162,364	526	162,890
Interest and debt expense (income), net	35,104	(83)	35,021
Income (loss) before income taxes	52,023	(500)	51,523
Total assets	3,753,211	46,852	3,800,063

Intersegment construction revenues of \$4.1 million and \$8.2 million for the three months ended October 31, 2020 and November 2, 2019, respectively, and \$22.3 million and \$22.8 million for the nine months ended October 31, 2020 and November 2, 2019, 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 loyalty program 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)	October 31, 2020	February 1, 2020	November 2, 2019	February 2, 2019
Contract liabilities	\$ 54,684	\$ 75,229	\$ 60,742	\$ 72,852

During the nine months ended October 31, 2020 and November 2, 2019, the Company recorded \$39.7 million and \$45.2 million, respectively, in revenue that was previously included in the retail operations contract liability balances of \$75.2 million and \$72.9 million, at February 1, 2020 and February 2, 2019, 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>October 31, 2020</b>	<b>February 1, 2020</b>	<b>November 2, 2019</b>	<b>February 2, 2019</b>
<b>(in thousands of dollars)</b>				
Accounts receivable	\$ 18,689	\$ 28,522	\$ 33,154	\$ 31,867
Costs and estimated earnings in excess of billings on uncompleted contracts	781	2,179	2,479	1,165
Billings in excess of costs and estimated earnings on uncompleted contracts	5,808	5,737	6,800	7,414

During the nine months ended October 31, 2020 and November 2, 2019, the Company recorded \$4.9 million and \$7.1 million, respectively, in revenue that was previously included in billings in excess of costs and estimated earnings on uncompleted contracts of \$5.7 million and \$7.4 million at February 1, 2020 and February 2, 2019, respectively.

The remaining performance obligations related to executed construction contracts totaled \$97.2 million, \$156.5 million and \$71.9 million at October 31, 2020, February 1, 2020 and November 2, 2019, 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>Nine Months Ended</b>	
	<b>October 31, 2020</b>	<b>November 2, 2019</b>	<b>October 31, 2020</b>	<b>November 2, 2019</b>
Net income (loss)	\$ 31,850	\$ 5,462	\$ (138,691)	\$ 43,393
Weighted average shares of common stock outstanding	22,264	24,913	22,930	25,604
Basic and diluted earnings (loss) per share	\$ 1.43	\$ 0.22	\$ (6.05)	\$ 1.69

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 nine months ended October 31, 2020 and November 2, 2019.

#### 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 October 31, 2020, letters of credit totaling \$21.1 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 \$1.4 million and \$4.2 million to the Pension Plan during the three and nine months ended October 31, 2020, respectively, and expects to make additional contributions to the Pension Plan of approximately \$1.5 million during the remainder of fiscal 2020.

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

	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Components of net periodic benefit costs:				
Service cost	\$ 1,090	\$ 906	\$ 3,270	\$ 2,716
Interest cost	1,536	1,916	4,608	5,750
Net actuarial loss	568	—	1,705	—
Net periodic benefit costs	\$ 3,194	\$ 2,822	\$ 9,583	\$ 8,466

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**

In April 2020, the Company amended its credit agreement (the "amended credit agreement"). After giving effect to the amendment, the amended credit agreement became secured by certain deposit accounts of the Company and certain inventory of certain subsidiaries. The amended credit agreement provides a borrowing capacity of \$800 million, subject to certain limitations as outlined in the amended credit agreement, with a \$200 million expansion option and matures on August 9, 2022. The 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 amended credit agreement and a commitment fee to the participating banks. The rate of interest on borrowings is the greater of LIBOR or 1.0% plus 1.750%, and the commitment fee for unused borrowings is 0.30% per annum. As long as availability exceeds \$100 million and no event of default occurs and is continuing, there are no financial covenant requirements under the amended credit agreement.

Concurrent with the signing of the amended credit facility, the Company repaid the \$779 million borrowed on March 25, 2020 under the previous agreement. Additionally, the Company paid \$3.2 million in issuance costs related to the amended credit agreement, which were recorded in other assets on the condensed consolidated balance sheets.

At October 31, 2020, \$15.0 million of borrowings were outstanding, and letters of credit totaling \$21.1 million were issued under the amended credit agreement leaving unutilized availability under the credit facility of \$763.9 million. The weighted average interest rate under the credit agreement for the borrowings outstanding at October 31, 2020 was 2.75%.

**Note 8. Stock Repurchase Program**

In March 2018, the Company's Board of Directors authorized the Company to repurchase up to \$500 million of the Company's Class A Common Stock pursuant to an open-ended stock repurchase plan (the "March 2018 Plan"). The March 2018 Plan 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. The March 2018 Plan has no expiration date.

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

	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Cost of shares repurchased	\$ 19,459	\$ 35,213	\$ 95,556	\$ 101,514
Number of shares repurchased	645	600	2,231	1,665
Average price per share	\$ 30.16	\$ 58.64	\$ 42.83	\$ 60.96

All repurchases of the Company's Class A Common Stock above were made at the market price at the trade date. Accordingly, all amounts paid to reacquire these shares were allocated to treasury stock. As of October 31, 2020, \$173.1 million of authorization remained under the March 2018 Plan.

#### Note 9. Income Taxes

The Company expects to be in a net operating loss position for the fiscal year ending 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 nine months ended October 31, 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 \$32.4 million and \$64.6 million, respectively, related to the rate differential in the carryback year including its impact on changes in estimates of temporary differences for the current and prior year. Income tax benefit for the three and nine months also included the effects of federal tax credits and state and local income taxes.

During the three and nine months ended November 2, 2019, income taxes differed from what would be computed using the statutory federal tax rate primarily due to the effects of federal tax credits and state and local income taxes which included tax benefits recognized of approximately \$2.8 million for amended state income tax return filings and related decreases to accrued state 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		Nine Months Ended		
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019	
<b>Defined benefit pension plan items</b>					
Amortization of actuarial losses	\$ 568	\$ —	\$ 1,705	\$ —	Total before tax (1)
	138	—	414	—	Income tax expense
	<u>\$ 430</u>	<u>\$ —</u>	<u>\$ 1,291</u>	<u>\$ —</u>	Total net of tax

For fiscal year 2019, there was no amortization of the net loss in AOCL as the net loss did not exceed 10% of the projected benefit obligation.

(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		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Beginning balance	\$ 30,198	\$ 12,809	\$ 31,059	\$ 12,809
Amounts reclassified from AOCL	(430)	—	(1,291)	—
Ending balance	\$ 29,768	\$ 12,809	\$ 29,768	\$ 12,809

**Note 12. Leases**

The Company leases retail stores, office space and equipment under operating leases. As of October 31, 2020, February 1, 2020 and November 2, 2019, right-of-use operating lease assets, which are recorded in operating lease assets in the condensed consolidated balance sheets, totaled \$40.5 million, \$47.9 million and \$48.6 million, respectively, and operating lease liabilities, which are recorded in current portion of operating lease liabilities and operating lease liabilities, totaled \$40.2 million, \$47.3 million and \$48.2 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. ASU No. 2016-02 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 from two to 20 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 for renewal periods unless we are reasonably certain of renewing the lease at inception. 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	October 31, 2020	February 1, 2020	November 2, 2019
<b>Assets</b>				
Finance lease assets	Property and equipment, net <sup>(a)</sup>	\$ 353	\$ 670	\$ 776
Operating lease assets	Operating lease assets	40,471	47,924	48,600
Total leased assets		<u>\$ 40,824</u>	<u>\$ 48,594</u>	<u>\$ 49,376</u>
<b>Liabilities</b>				
Current				
Finance	Current portion of finance lease liabilities	\$ 849	\$ 1,219	\$ 1,148
Operating	Current portion of operating lease liabilities	12,775	14,654	15,250
Noncurrent				
Finance	Finance lease liabilities	180	695	1,029
Operating	Operating lease liabilities	27,412	32,683	32,958
Total lease liabilities		<u>\$ 41,216</u>	<u>\$ 49,251</u>	<u>\$ 50,385</u>

<sup>(a)</sup> Finance lease assets are recorded net of accumulated amortization of \$14.2 million, \$13.9 million and \$13.8 million as of October 31, 2020, February 1, 2020 and November 2, 2019, respectively.

(in thousands of dollars)	Classification - Condensed Consolidated Statements of Operations	Three Months Ended		Nine Months Ended	
		October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Operating lease cost <sup>(a)</sup>	Rentals	\$ 5,115	\$ 5,927	\$ 16,304	\$ 18,254
Finance lease cost					
Amortization of leased assets	Depreciation and amortization	106	106	317	317
Interest on lease liabilities	Interest and debt expense, net	44	109	186	367
Net lease cost		<u>\$ 5,265</u>	<u>\$ 6,142</u>	<u>\$ 16,807</u>	<u>\$ 18,938</u>

<sup>(a)</sup> Includes short term lease costs of \$0.5 million and \$0.8 million for the three months ended and \$1.5 million and \$2.5 million for the nine months ended October 31, 2020 and November 2, 2019, respectively, and variable lease costs of \$0.4 million and \$0.3 million for the three months ended and \$1.1 million and \$1.0 million for the nine months ended October 31, 2020 and November 2, 2019, respectively.

#### Maturities of Lease Liabilities

(in thousands of dollars) Fiscal Year	Operating Leases	Finance Leases	Total
2020 (excluding the nine months ended October 31, 2020)	\$ 3,550	\$ 357	\$ 3,907
2021	14,154	726	14,880
2022	7,811	—	7,811
2023	4,496	—	4,496
2024	3,714	—	3,714
After 2024	15,916	—	15,916
Total minimum lease payments	49,641	1,083	50,724
Less amount representing interest	(9,454)	(54)	(9,508)
Present value of lease liabilities	<u>\$ 40,187</u>	<u>\$ 1,029</u>	<u>\$ 41,216</u>

**Lease Term and Discount Rate**

	October 31, 2020
Weighted-average remaining lease term	
Operating leases	6.3 years
Finance leases	1.1 years
Weighted-average discount rate	
Operating leases	6.6 %
Finance leases	10.4 %

**Other Information**

(in thousands of dollars)	Nine Months Ended	
	October 31, 2020	November 2, 2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 14,490	\$ 15,060
Operating cash flows from finance leases	186	367
Financing cash flows from finance leases	885	703
Lease assets obtained in exchange for new operating lease liabilities	\$ 4,084	\$ 4,601

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

During the three months ended October 31, 2020, the Company recorded proceeds of \$1.5 million primarily from the sale of one store property, resulting in a loss of \$2.2 million that was recorded in loss (gain) on disposal of assets.

During the three months ended November 2, 2019, the Company recorded a loss of \$0.3 million primarily from the sale of one store property that was recorded in loss (gain) on disposal of assets.

During the nine months ended November 2, 2019, the Company recorded proceeds of \$22.0 million primarily from the sale of three store properties, resulting in a gain of \$12.0 million that was recorded in loss (gain) 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, cash equivalents, accounts receivable and short-term borrowings approximates their carrying values at October 31, 2020 due to the short-term maturities of these instruments. The fair value of the Company's long-term debt at October 31, 2020 was approximately \$384 million. The carrying value of the Company's long-term debt at October 31, 2020 was \$365.8 million. The fair value of the Company's subordinated debentures at October 31, 2020 was approximately \$183 million. The carrying value of the Company's subordinated debentures at October 31, 2020 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 February 1, 2020.

### **EXECUTIVE OVERVIEW**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and the world. The COVID-19 pandemic has had and continues 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.

During the month ended May 30, 2020 (fiscal May), we re-opened most of our full-line stores: 45 stores on May 5th, 80 stores on May 12th, 115 stores on May 19th and 20th and 8 stores on May 26th. All Dillard's store locations had been re-opened by June 2, 2020 using the Centers for Disease Control and Prevention ("CDC") guidelines to promote a safe environment for our customers and employees. All stores are currently open and operating at reduced hours. A very small number of our locations were temporarily closed to in-store shopping due to government mandate. Other local mandates throughout the country require occupancy limits with which we are required to comply. We continue to monitor additional local government orders that may affect our operations.

During the three months ended October 31, 2020, total retail sales decreased approximately 25% and comparable store sales decreased approximately 24% compared to the three months ended November 2, 2019. Retail gross margin increased 210 basis points of sales to 36.6% during the three months ended October 31, 2020 compared to 34.5% during the three months ended November 2, 2019, primarily due to lower markdowns. The Company was able to reduce inventory by approximately 22% compared to the prior year third quarter by reducing purchases approximately 31%. Selling, general and administrative expenses decreased to \$318.2 million compared to \$418.1 million from the prior year third quarter primarily due to decreases in payroll expense partially as a result of the Company's reduced operating hours. The Company reported net income of \$31.9 million (\$1.43 per share) compared to net income of \$5.5 million (\$0.22 per share) for the prior year third quarter.

The Company expects to be in a net operating loss position for fiscal year 2020. 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 tax rate was 35%. Included in net income for the quarter ended October 31, 2020 is a net tax benefit of \$32.4 million (\$1.46 per share) related to this provision. Also included in net income for the quarter is a pretax loss of \$2.2 million (\$1.4 million after tax or \$0.06 per share) primarily related to the sale of a store property.

Included in net income for the quarter ended November 2, 2019 is a pretax loss on disposal of assets of \$0.3 million (\$0.2 million after tax or \$0.01 per share) related to the sale of a store property. Also included in net income for the quarter is \$2.8 million (\$0.11 per share) in tax benefits related to amended state tax return filings.

During the three months ended October 31, 2020, the Company purchased \$19.5 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 October 31, 2020, authorization of \$173.1 million remained under the March 2018 Plan.

As of October 31, 2020, the Company had working capital of \$767.0 million (including cash and cash equivalents of \$61.1 million) and \$580.8 million of total debt outstanding, excluding finance lease liabilities and operating lease liabilities. Cash flows used in operating activities were \$62.9 million for the nine months ended October 31, 2020.

The Company maintained 282 Dillard's stores, including 32 clearance centers, and an internet store at October 31, 2020.

On February 25, 2020, the Company provided estimates for certain financial statement items, including depreciation and amortization, rentals, interest and debt expense, net and capital expenditures, for the fiscal year ending January 30, 2021 based upon current conditions at that time, which did not include the impact of COVID-19. Due to heightened uncertainty relating to the impacts of COVID-19 on the Company's business operations, including the duration and impact on overall customer demand, the Company previously withdrew its 2020 guidance.

The Company believes that Dillard's is uniquely positioned, among U.S. department store retailers, to weather the COVID-19 pandemic for the following reasons:

- The Company owns approximately 90% of its retail store square footage and 100% of its corporate headquarters, distribution and fulfillment facilities;
- Store rent obligations are small compared to the industry;
- Low long-term debt position with next payment due January 2023 (\$45 million);
- Amended \$800 million revolving credit facility with no financial covenants as long as availability exceeds \$100 million and no event of default occurs and is continuing; and
- Strong eCommerce platform at dillards.com which includes ship-from-store capability.

### 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	
	October 31, 2020	November 2, 2019
Net sales (in millions)	\$ 1,024.9	\$ 1,388.3
Retail stores sales trend	(25)%	(1)%
Comparable retail stores sales trend	(24)%	— %
Gross profit (in millions)	\$ 366.2	\$ 461.5
Gross profit as a percentage of net sales	35.7 %	33.2 %
Retail gross profit as a percentage of net sales	36.6 %	34.5 %
Selling, general and administrative expenses as a percentage of net sales	31.0 %	30.1 %
Cash flow (used in) provided by operations (in millions)*	\$ (62.9)	\$ 23.0
Total retail store count at end of period	282	289
Retail sales per square foot	\$ 21	\$ 28
Retail store inventory trend	(22)%	(4)%
Annualized retail merchandise inventory turnover	1.8	2.0

\*Cash flow from operations data is for the nine months ended October 31, 2020 and November 2, 2019.

### 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 current quarter and the corresponding quarter for the prior 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 private label card 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, office space and data processing and other equipment rentals.

**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 facility. Interest and debt expense also includes gains and losses on note repurchases, if any, amortization of financing costs and interest on finance lease liabilities.

**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.

**Loss (gain) on disposal of assets.** Loss (gain) 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**

The use of LIBOR is expected to be phased out by the end of 2021. At this time, there is no definitive information regarding the future utilization of LIBOR beyond 2021 or of any particular replacement rate. Going forward, we intend to work with our lenders to use a suitable alternative reference rate for the 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		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Service charges and other income	2.7	2.5	3.2	2.3
	102.7	102.5	103.2	102.3
Cost of sales	64.3	66.8	72.8	67.4
Selling, general and administrative expenses	31.0	30.1	32.1	28.8
Depreciation and amortization	5.2	4.0	5.7	3.8
Rentals	0.5	0.4	0.6	0.4
Interest and debt expense, net	1.2	0.8	1.4	0.8
Other expense	0.2	0.1	0.2	0.1
Loss (gain) on disposal of assets	0.2	—	0.1	(0.3)
Income (loss) before income taxes	—	0.2	(9.6)	1.2
Income taxes (benefit)	(3.1)	(0.2)	(4.5)	0.2
Net income (loss)	3.1 %	0.4 %	(5.1)%	1.0 %

### Net Sales

(in thousands of dollars)	Three Months Ended		\$ Change
	October 31, 2020	November 2, 2019	
<b>Net sales:</b>			
Retail operations segment	\$ 994,588	\$ 1,334,205	\$ (339,617)
Construction segment	30,311	54,105	(23,794)
Total net sales	\$ 1,024,899	\$ 1,388,310	\$ (363,411)

The percent change in the Company's sales by segment and product category for the three months ended October 31, 2020 compared to the three months ended November 2, 2019 as well as the sales percentage by segment and product category to total net sales for the three months ended October 31, 2020 are as follows:

	% Change 2020 - 2019	% of Net Sales
Retail operations segment		
Cosmetics	(20.4) %	14 %
Ladies' apparel	(38.3)	20
Ladies' accessories and lingerie	(15.9)	15
Juniors' and children's apparel	(24.4)	10
Men's apparel and accessories	(24.7)	18
Shoes	(25.2)	16
Home and furniture	(3.5)	4
		97
Construction segment	(44.0)	3
Total		100 %

Net sales from the retail operations segment decreased \$339.6 million during the three months ended October 31, 2020 compared to the three months ended November 2, 2019, decreasing approximately 25% in total and approximately 24% in comparable stores, primarily due to the impact of the COVID-19 pandemic. Sales in all product categories decreased significantly over the third quarter last year with the exception of home and furniture, which decreased moderately.

We recorded a return asset of \$7.5 million and \$11.1 million and an allowance for sales returns of \$12.5 million and \$17.8 million as of October 31, 2020 and November 2, 2019, respectively.

During the three months ended October 31, 2020, net sales from the construction segment decreased \$23.8 million or 44.0% compared to the three months ended November 2, 2019 due to a decrease in construction activity. The remaining performance obligations related to executed construction contracts totaled \$97.2 million as of October 31, 2020 decreasing approximately 38% from February 1, 2020 and increasing approximately 35% from November 2, 2019, respectively. We expect these remaining performance obligations to be earned over the next nine to eighteen months.

(in thousands of dollars)	Nine Months Ended		\$ Change
	October 31, 2020	November 2, 2019	
<b>Net sales:</b>			
Retail operations segment	\$ 2,638,831	\$ 4,132,890	\$ (1,494,059)
Construction segment	91,767	147,724	(55,957)
Total net sales	\$ 2,730,598	\$ 4,280,614	\$ (1,550,016)

The percent change in the Company's sales by segment and product category for the nine months ended October 31, 2020 compared to the nine months ended November 2, 2019 as well as the sales percentage by segment and product category to total net sales for the nine months ended October 31, 2020 are as follows:

	% Change 2020 - 2019	% of Net Sales
Retail operations segment		
Cosmetics	(30.2) %	14 %
Ladies' apparel	(45.4)	21
Ladies' accessories and lingerie	(31.3)	15
Juniors' and children's apparel	(35.7)	10
Men's apparel and accessories	(34.2)	18
Shoes	(37.4)	15
Home and furniture	(19.7)	4
		97
Construction segment	(37.9)	3
Total		100 %

Net sales from the retail operations segment decreased \$1.5 billion, or approximately 36% during the nine months ended October 31, 2020 compared to the nine months ended November 2, 2019 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 as well as the interdependence between in-store and online sales. Sales in all product categories decreased significantly during the nine months ended October 31, 2020 compared to the nine months ended November 2, 2019.

During the nine months ended October 31, 2020, net sales from the construction segment decreased \$56.0 million or approximately 38% compared to the nine months ended November 2, 2019 due to a decrease in construction activity.



## Service Charges and Other Income

(in thousands of dollars)	Three Months Ended		Nine Months Ended		Three Months \$ Change 2020- 2019	Nine Months \$ Change 2020-2019
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019		
<b>Service charges and other income:</b>						
Retail operations segment						
Income from Wells Fargo Alliance	\$ 16,472	\$ 23,879	\$ 51,958	\$ 66,219	\$ (7,407)	\$ (14,261)
Shipping and handling income	7,917	6,670	28,140	18,908	1,247	9,232
Leased department income	212	993	1,075	3,202	(781)	(2,127)
Other	2,562	2,482	6,600	8,604	80	(2,004)
	27,163	34,024	87,773	96,933	(6,861)	(9,160)
Construction segment	50	1,325	500	2,892	(1,275)	(2,392)
<b>Total service charges and other income</b>	<b>\$ 27,213</b>	<b>\$ 35,349</b>	<b>\$ 88,273</b>	<b>\$ 99,825</b>	<b>\$ (8,136)</b>	<b>\$ (11,552)</b>

Service charges and other income is composed primarily of income from the Wells Fargo Alliance. Income from the alliance decreased during the three and nine months ended October 31, 2020 compared to the three and nine months ended November 2, 2019 primarily due to decreases in finance charges. Shipping and handling income increased during the three and nine months ended October 31, 2020 compared to the three and nine months ended November 2, 2019 primarily due to the increase in online orders and ship-from-store capabilities.

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)	October 31, 2020	November 2, 2019	\$ Change	% Change
<b>Gross profit:</b>				
Three months ended				
Retail operations segment	\$ 364,232	\$ 460,549	\$ (96,317)	(20.9) %
Construction segment	1,983	979	1,004	102.6
<b>Total gross profit</b>	<b>\$ 366,215</b>	<b>\$ 461,528</b>	<b>\$ (95,313)</b>	<b>(20.7) %</b>
Nine months ended				
Retail operations segment	\$ 737,673	\$ 1,392,057	\$ (654,384)	(47.0) %
Construction segment	5,925	1,994	3,931	197.1
<b>Total gross profit</b>	<b>\$ 743,598</b>	<b>\$ 1,394,051</b>	<b>\$ (650,453)</b>	<b>(46.7) %</b>

	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
<b>Gross profit as a percentage of segment net sales:</b>				
Retail operations segment	36.6 %	34.5 %	28.0 %	33.7 %
Construction segment	6.5	1.8	6.5	1.3
<b>Total gross profit as a percentage of net sales</b>	<b>35.7</b>	<b>33.2</b>	<b>27.2</b>	<b>32.6</b>

Gross profit, as a percentage of sales, increased to 35.7% from 33.2% during the three months ended October 31, 2020 compared to the three months ended November 2, 2019, respectively.

Gross profit from retail operations, as a percentage of sales, increased to 36.6% from 34.5% during the three months ended October 31, 2020 compared to the three months ended November 2, 2019 primarily due to decreased markdowns. Gross margin increased significantly in ladies' accessories and lingerie and home and furniture. Gross margin increased moderately in ladies' apparel, men's apparel and accessories, junior's and children's apparel and shoes. Gross margin was essentially flat in cosmetics.

Gross profit from the construction segment increased 473 basis points of construction sales for the three months ended October 31, 2020 compared to the three months ended November 2, 2019, respectively.

Gross profit, as a percentage of sales, decreased to 27.2% from 32.6% during the nine months ended October 31, 2020 compared to the nine months ended November 2, 2019.

Gross profit from retail operations, as a percentage of sales, decreased to 28.0% from 33.7% during the nine months ended October 31, 2020 compared to the nine months ended November 2, 2019 primarily due to increased markdowns taken as a result of the impact of the COVID-19 pandemic. Gross margin decreased significantly in ladies' apparel and shoes. Gross margin decreased moderately in men's apparel and accessories and junior's and children's apparel, while decreasing slightly in cosmetics. Gross margin increased moderately in ladies' accessories and lingerie, while increasing significantly in home and furniture.

Gross profit from the construction segment increased 511 basis points of construction sales for the nine months ended October 31, 2020 compared to the nine months ended November 2, 2019, respectively.

Inventory decreased 22% in total as of October 31, 2020 compared to November 2, 2019. A 1% change in the dollar amount of markdowns would have impacted the net loss by approximately \$1 million and \$5 million for the three and nine months ended October 31, 2020, respectively.

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

(in thousands of dollars)	October 31, 2020	November 2, 2019	\$ Change	% Change
<b>SG&amp;A:</b>				
Three months ended				
Retail operations segment	\$ 316,738	\$ 416,707	\$ (99,969)	(24.0) %
Construction segment	1,480	1,442	38	2.6
<b>Total SG&amp;A</b>	<b>\$ 318,218</b>	<b>\$ 418,149</b>	<b>\$ (99,931)</b>	<b>(23.9) %</b>
Nine months ended				
Retail operations segment	\$ 871,096	\$ 1,227,588	\$ (356,492)	(29.0) %
Construction segment	4,630	4,846	(216)	(4.5)
<b>Total SG&amp;A</b>	<b>\$ 875,726</b>	<b>\$ 1,232,434</b>	<b>\$ (356,708)</b>	<b>(28.9) %</b>

	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
<b>SG&amp;A as a percentage of segment net sales:</b>				
Retail operations segment	31.8 %	31.2 %	33.0 %	29.7 %
Construction segment	4.9	2.7	5.0	3.3
<b>Total SG&amp;A as a percentage of net sales</b>	<b>31.0</b>	<b>30.1</b>	<b>32.1</b>	<b>28.8</b>

SG&A decreased by \$99.9 million and increased 93 basis points of net sales during the three months ended October 31, 2020 compared to the three months ended November 2, 2019. SG&A from retail operations decreased by \$100.0 million and increased 62 basis points of net sales during the three months ended October 31, 2020 compared to the three months ended November 2, 2019. The decrease in SG&A dollars was realized across all SG&A categories; however, it was primarily due to decreases in payroll expense. Payroll expense and related payroll taxes for the three months ended October 31, 2020 was \$207.5 million compared to \$288.6 million for the three months ended November 2, 2019, a decline of 28.1%, which was driven by retail store locations operating at reduced hours, which required fewer sales associates.

SG&A decreased by \$356.7 million and increased 328 basis points of net sales during the nine months ended October 31, 2020 compared to the nine months ended November 2, 2019. SG&A from retail operations decreased by \$356.5 million and increased 331 basis points of net sales during the nine months ended October 31, 2020 compared to the nine months ended November 2, 2019. The decrease in SG&A dollars was realized across all SG&A categories; however, the decrease was primarily due to decreases in payroll expense.

Payroll expense and related payroll taxes for the nine months ended October 31, 2020 was \$560.1 million compared to \$854.0 million for the nine months ended November 2, 2019, a decline of 34.4%. The Company furloughed store associates as stores closed due to the COVID-19 pandemic, and furlough actions were also implemented in certain corporate and support facility functions. Stores then re-opened at reduced operating hours, requiring fewer sales associates. During the nine months ended October 31, 2020, the Company was also able to reduce payroll expense and related benefits by \$6.1 million through the employee retention credit available under the CARES Act.

### Depreciation and Amortization

(in thousands of dollars)	October 31, 2020	November 2, 2019	\$ Change	% Change
<b>Depreciation and amortization:</b>				
Three months ended				
Retail operations segment	\$ 53,290	\$ 55,963	\$ (2,673)	(4.8) %
Construction segment	87	180	(93)	(51.7)
Total depreciation and amortization	<u>\$ 53,377</u>	<u>\$ 56,143</u>	<u>\$ (2,766)</u>	<u>(4.9) %</u>
Nine months ended				
Retail operations segment	\$ 154,806	\$ 162,364	\$ (7,558)	(4.7) %
Construction segment	423	526	(103)	(19.6)
Total depreciation and amortization	<u>\$ 155,229</u>	<u>\$ 162,890</u>	<u>\$ (7,661)</u>	<u>(4.7) %</u>

Depreciation and amortization expense decreased \$2.8 million and \$7.7 million during the three and nine months ended October 31, 2020 compared to the three and nine months ended November 2, 2019, primarily due to the timing and composition of capital expenditures.

### Interest and Debt Expense, Net

(in thousands of dollars)	October 31, 2020	November 2, 2019	\$ Change	% Change
<b>Interest and debt expense (income), net:</b>				
Three months ended				
Retail operations segment	\$ 12,167	\$ 11,562	\$ 605	5.2 %
Construction segment	(5)	(26)	21	80.8
Total interest and debt expense, net	<u>\$ 12,162</u>	<u>\$ 11,536</u>	<u>\$ 626</u>	<u>5.4 %</u>
Nine months ended				
Retail operations segment	\$ 37,343	\$ 35,104	\$ 2,239	6.4 %
Construction segment	(38)	(83)	45	54.2
Total interest and debt expense, net	<u>\$ 37,305</u>	<u>\$ 35,021</u>	<u>\$ 2,284</u>	<u>6.5 %</u>

Net interest and debt expense increased \$0.6 million during the three months ended October 31, 2020 compared to the three ended November 2, 2019 primarily due to an increase in fees associated with the amendment of the credit facility. Net interest and debt expense increased \$2.3 million during the nine ended October 31, 2020 compared to the nine months ended November 2, 2019 primarily due to an increase in short term borrowings under the credit facility. Total weighted average debt increased by \$10.3 million and \$111.8 million during the three and nine months ended October 31, 2020, respectively, compared to the three and nine months ended November 2, 2019 primarily due to the increase of short term borrowings.

**Loss (Gain) on Disposal of Assets**

(in thousands of dollars)	October 31, 2020	November 2, 2019	\$ Change
<b>Loss (gain) on disposal of assets:</b>			
Three months ended			
Retail operations segment	\$ 2,234	\$ 303	\$ 1,931
Construction segment	(13)	1	(14)
Total loss (gain) on disposal of assets	<u>\$ 2,221</u>	<u>\$ 304</u>	<u>\$ 1,917</u>
Nine months ended			
Retail operations segment	\$ 2,261	\$ (11,997)	\$ 14,258
Construction segment	(26)	1	(27)
Total loss (gain) on disposal of assets	<u>\$ 2,235</u>	<u>\$ (11,996)</u>	<u>\$ 14,231</u>

During the three and nine months ended October 31, 2020, the Company recorded proceeds of \$1.5 million primarily from the sale of one store property, resulting in a loss of \$2.2 million that was recorded in loss (gain) on disposal of assets.

During the three months ended November 2, 2019, the Company recorded a loss of \$0.3 million primarily from the sale of one store property, that was recorded in loss (gain) on disposal of assets.

During the nine months ended November 2, 2019, the Company recorded proceeds of \$22.0 million primarily from the sale of three store properties, resulting in a gain of \$12.0 million that was recorded in loss (gain) on disposal of assets.

**Income Taxes**

The Company expects to be in a net operating loss position for the fiscal year. The 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%. The Company's estimated federal and state effective income tax rate was approximately 46.9% for the nine months ended October 31, 2020. During the three and nine months ended October 31, 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 \$32.4 million and \$64.6 million, respectively, related to the rate differential in the carryback year including its impact on changes in estimates of temporary differences for the current and prior year. Income tax benefit for the three and nine months also included the effects of federal tax credits and state and local income taxes.

The Company's estimated federal and state effective income tax rate was approximately -88.2% and 15.8% for the three and nine months ended November 2, 2019, respectively. During the three and nine months ended November 2, 2019, income taxes differed from what would be computed using the statutory federal tax rate primarily due to the effects of federal tax credits and state and local income taxes which included tax benefits recognized of approximately \$2.8 million for amended state income tax return filings and related decreases to accrued state income taxes.

Due to uncertainty relating to the impacts of COVID-19 on the Company's business operations, the Company is not providing an expected fiscal 2020 federal and state effective income tax rate.

**FINANCIAL CONDITION**

A summary of net cash flows for the nine months ended October 31, 2020 and November 2, 2019 follows:

(in thousands of dollars)	Nine Months Ended		\$ Change
	October 31, 2020	November 2, 2019	
Operating Activities	\$ (62,938)	\$ 22,984	\$ (85,922)
Investing Activities	(50,352)	(47,534)	(2,818)
Financing Activities	(102,663)	(11,427)	(91,236)
Total Decrease in Cash, Cash Equivalents and Restricted Cash	\$ (215,953)	\$ (35,977)	\$ (179,976)

Net cash flows from operations decreased \$85.9 million during the nine months ended October 31, 2020 compared to the nine months ended November 2, 2019 due to significant decreases in net income, primarily due to decreases in sales, and changes in working capital.

The Company took a number of actions to enhance liquidity during the nine months ended October 31, 2020 as the COVID-19 pandemic progressed, including the following:

- Extended vendor payment terms during the first quarter but restored most vendors to standard payment terms by August 1, 2020
- Canceled, suspended and significantly delayed merchandise shipments
- Reduced merchandise purchases during the first, second and third quarters by 33%, 62% and 31%, respectively
- Reviewed and reduced discretionary operating and capital expenditures
- Reduced payroll expense
- Executed aggressive promotional markdowns to clear inventory

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 on-going 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 \$52.0 million and \$66.2 million from the Wells Fargo Alliance during the nine months ended October 31, 2020 and November 2, 2019, respectively. The Company is unable to quantify the impact of the COVID-19 pandemic on the portfolio's earnings and the on-going cash compensation from the Wells Fargo Alliance.

During the nine months ended October 31, 2020, the Company received proceeds from insurance of \$8.7 million for claims filed for merchandise losses related to storm damage incurred at two stores.

Capital expenditures were \$52.1 million and \$70.9 million for the nine months ended October 31, 2020 and November 2, 2019, respectively. The capital expenditures were primarily related to equipment purchases and the remodeling of existing stores during the current year.

During the nine months ended October 31, 2020, the Company received cash proceeds of \$1.5 million and recorded a related loss of \$2.2 million, primarily for the sale of one store property in Slidell, Louisiana.

During the nine months ended November 2, 2019, the Company received cash proceeds of \$22.0 million and recorded a related gain of \$12.0 million for the sale of three store locations in Boardman, Ohio, Boynton Beach, Florida and Cary, North Carolina. The proceeds from the Cary, North Carolina store sale were being held in escrow for the acquisition of replacement property under a like-kind exchange agreement. The escrow account was administered by an intermediary. Pursuant to the like-

kind exchange agreement, the cash was restricted for a maximum of 180 days from the date of the property sale pending the acquisition of replacement property. As of November 2, 2019, the acquisitions of a replacement property had not yet occurred; therefore, the proceeds were classified as restricted cash on the condensed consolidated balance sheet. The proceeds from the Boardman, Ohio store sale were previously held in escrow prior to the acquisition of the replacement property at Columbia Mall in Columbia, Missouri during the third quarter of fiscal 2019.

During the nine months ended October 31, 2020, the Company opened an 85,000 square foot expansion at Columbia Mall in Columbia, Missouri (dual-anchor location totaling 185,000 square feet). Additionally, the Company replaced a 100,000 square foot leased facility at Richland Fashion Mall in Waco, Texas with a 125,000 square foot owned facility (dual-anchor location totaling 190,000 square feet).

During the nine months ended October 31, 2020, we permanently closed the locations at Central Mall in Lawton, Oklahoma (100,000 square feet); Crossroads Center in Waterloo, Iowa (150,000 square feet); and North Plains Mall in Clovis, New Mexico (62,000 square feet). We announced the upcoming closure of the Paradise Valley Mall location in Phoenix, Arizona (200,000 square feet). We remain committed to closing under-performing stores where appropriate and may incur future closing costs related to such stores when they close.

The Company had cash on hand of \$61.1 million as of October 31, 2020. 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") until the credit agreement was amended in April 2020 (the "amended credit agreement"). After giving effect to the amendment, the amended credit agreement became secured by certain deposit accounts of the Company and certain inventory of certain subsidiaries. The 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 rate of interest on borrowings under the amended credit agreement is the greater of LIBOR or 1.0% plus 1.75%, and the commitment fee for unused borrowings is 0.30% per annum. So long as availability exceeds \$100 million and no event of default occurs and is continuing, there are no financial covenant requirements under the amended credit agreement. The Company paid \$3.2 million in issuance costs related to the amended credit agreement, which were recorded in other assets on the condensed consolidated balance sheet.

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, which was repaid concurrent with the execution of the amended credit agreement. At October 31, 2020, borrowings of \$15.0 million were outstanding, and letters of credit totaling \$21.1 million were issued under the amended credit agreement leaving unutilized availability under the credit facility of \$763.9 million. The weighted average interest rate under the credit agreement for the borrowings outstanding at October 31, 2020 was 2.75%.

During the nine months ended October 31, 2020, the Company repurchased 2.2 million shares of Class A Common Stock at an average price of \$42.83 per share for \$95.6 million 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. During the nine months ended November 2, 2019, the Company repurchased 1.7 million shares of Class A Common Stock at an average price of \$60.96 per share for \$101.5 million under the Company's March 2018 Plan. At October 31, 2020, \$173.1 million of authorization remained under the March 2018 Plan. The ultimate disposition of the repurchased stock has not been determined.

The COVID-19 pandemic has had a significant negative effect on the Company's liquidity and net sales. Due to heightened uncertainty relating to the impacts of COVID-19 on the Company's business operations, including the duration and impact on overall customer demand, our liquidity, net sales and profitability may be further impacted if we are unable to appropriately manage our inventory levels and expenses.

The Company expects to finance its operations during fiscal 2020 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 "Contractual Obligations and 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 February 1, 2020.

**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 I 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 2020 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, 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; 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 February 1, 2020, 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 February 1, 2020.

### **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 October 31, 2020 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 December 4, 2020, 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**

"Item 1A, Risk Factors" in our Annual Report on Form 10-K for the year ended February 1, 2020, as filed with the Securities Exchange Commission on March 31, 2020 includes a discussion of our risk factors. The information presented below updates, and should be read in conjunction with, the risk factors disclosed in our Annual Report on Form 10-K. The effects of the events and circumstances described in the following risk factor may have the additional effect of heightening many of the risks noted in our Annual Report on Form 10-K. Otherwise, except as presented below, there have been no material changes to the risk factors disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended February 1, 2020, as filed with the Securities Exchange Commission on March 31, 2020.

***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, has had, and could continue to have, a material adverse effect on our business, financial condition and results of operations.***

In December 2019, a strain of coronavirus, now known as COVID-19, was reported to have surfaced in Wuhan, China. Since that time, the virus has rapidly spread to other countries around the world, including the United States. In response to the pandemic, national and local governments, including those in the regions in which we operate, have taken various measures to attempt to slow the spread of the virus, including travel bans; prohibitions on group events and large gatherings; extended shutdowns of schools, government offices and certain businesses; curfews and recommendations to practice "social distancing." Accordingly, the Company began closing its stores on March 19, 2020, and all brick-and-mortar store locations were temporarily closed to the public by April 9, 2020.

The Company had reopened all stores as of June 2, 2020. Stores are operating at reduced hours and implementing certain safety measures to ensure the safety of our customers and associates, which may have the effect of discouraging shopping or limiting the occupancy of our stores. These measures, and any additional measures that have been and may continue to be taken in response to the COVID-19 pandemic, have substantially decreased and may continue to decrease, the number of customers that visit our stores and the shopping malls in which our stores are located, which has had, and will likely continue to have a material adverse effect on our business, financial condition and results of operations. All stores are currently open and operating at reduced hours. A very small number of our locations were temporarily closed to in-store shopping due to government mandate. Other local mandates throughout the country require occupancy limits with which we are required to comply. At this time, it is unclear how long these measures may remain in place, what additional measures may be imposed, or when our operations will be restored to the levels that existed prior to the COVID-19 pandemic. A recent surge in reported cases and hospitalizations in the U.S. could result in additional mandated business closures.

In addition, our business depends on consumer discretionary spending, and as such, our results are particularly sensitive to economic conditions and consumer confidence. COVID-19 has significantly impacted economic conditions, resulting in, among other things, unprecedented increases in the number of people seeking jobless benefits and a significant decline in global financial markets. As a result, even when all of our store locations are fully operational, there can be no guarantee that our revenue will return to its pre-COVID-19 levels.

The Company sources a significant portion of its private label and exclusive brand merchandise from countries that have experienced widespread transmission of the virus, including China. Additionally, many of the Company's branded merchandise vendors may also source a significant portion of their merchandise from these same countries. Manufacturing capacity in those countries has been materially impacted by the pandemic, which has negatively impacted our supply chain. If this continues, we cannot guarantee that we will be able to locate alternative sources of supply for our merchandise on acceptable terms, or at all. If we are unable to adequately source our merchandise or purchase appropriate amounts of merchandise from branded vendors, our business and results of operations may be materially and adversely affected.

Additionally, in the event that the Company were to experience widespread transmission of the virus at one or more of the Company's stores or other facilities, the Company could suffer reputational harm or other potential liability. Further, the Company's business operations may be materially and adversely affected if a significant number of the Company's employees are impacted by the virus.

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

## (c) Purchases of Equity Securities

Period	Issuer Purchases of Equity Securities			
	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
August 2, 2020 through August 29, 2020	265,985	\$ 26.94	265,985	\$ 185,419,113
August 30, 2020 through October 3, 2020	379,299	32.41	379,299	173,124,594
October 4, 2020 through October 31, 2020	—	—	—	173,124,594
Total	645,284	\$ 30.16	645,284	\$ 173,124,594

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. The March 2018 Plan has no expiration date.

During the three months ended October 31, 2020, the Company repurchased 0.6 million shares totaling \$19.5 million. As of October 31, 2020, \$173.1 million of authorization remained under the March 2018 Plan. Reference is made to the discussion in Note 8, *Stock Repurchase Program*, 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: December 4, 2020

/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: December 4, 2020

/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: December 4, 2020

/s/ Phillip R. Watts

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: December 4, 2020

/s/ Chris B. Johnson

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 October 31, 2020 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: December 4, 2020

/s/ William Dillard, II  
\_\_\_\_\_  
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 October 31, 2020 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: December 4, 2020

/s/ Phillip R. Watts

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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 October 31, 2020 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: December 4, 2020

/s/ Chris B. Johnson

Chris B. Johnson

Senior Vice President and Co-Principal Financial Officer