Shoe Carnival, Inc. (SCVL) CEO Cliff Sifford on Q3 2018 Results - Earnings Call Transcript

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Shoe Carnival, Inc. (NASDAQ:SCVL) Q3 2018 Results Earnings Conference Call
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Executives

Clifton Sifford - President and CEO

Kerry Jackson - SVP, COO, and CFO

Analysts

Mitch Kummetz - Pivotal Research

Chris Svezia - Wedbush

Greg Pendy - Sidoti & Company

Sam Poser - Susquehanna

Operator

Good afternoon and welcome to Shoe Carnival's Third Quarter Fiscal 2018 Earnings Conference Call. Today's call is being recorded. It is also being broadcast via webcast. Any reproduction or rebroadcast of any portion of this call is expressly prohibited.

Management's remarks may contain forward-looking statements that involve a number of risk factors. These risk factors could cause the company's actual results to be materially different from those projected in such statements. Forward-looking statements should be considered in conjunction with discussion of risk factors, including in the company's SEC filings and today's earnings press release.

Investors are cautioned not to place undue reliance on those forward-looking statements, which speak only as of today's date. The company disclaims any obligation to update any of the risk factors or to publicly announce any revisions to the forward-looking statements discussed on today's conference call or contained in today's press release to reflect future events or developments.

I'll now turn the call over to Mr. Cliff Sifford, President and Chief Executive Officer of Shoe Carnival for opening remarks. Mr. Sifford, you may begin.

Clifton Sifford

Thank you and welcome to Shoe Carnival's third quarter 2018 conference call. Joining me on the call today is Kerry Jackson, Senior Executive Vice President, Chief Operating and Financial Officer.

On today's call, I'll provide a brief overview of our third quarter operating highlights and sales results as well as review our updated fiscal 2018 outlook. Kerry will discuss financial results in more detail. Then we'll open up the call to take your questions.

First, please remember that this -- that the 53rd week in fiscal 2017 resulted in a one-week shift of our fiscal 2018 calendar. This year's third quarter started and ended one week later as compared to the third quarter last year. As a reminder, in fiscal 2018, all of our quarterly year-over-year sales comparisons may be impacted if there are seasonal influences near the respective quarter-end days. Comparable store sales for the third quarter are presented on a comparable 13-week basis.

Now, I'd like to review our operating performance. We are very pleased to report a 4.5% comparable store sales increase for the third quarter. Our results for the quarter reflect growth across all geographic regions and most major product categories.

I was especially pleased with the strong comp store gains in the non-athletic categories. This demonstrates the core strength of our business model, which allows us to flex and react to changing trends in athletic and non-athletic footwear categories.

As you know, August is a key month for the quarter due to the back-to-school selling period. I'm happy to report that August comparable store sales increased 6.5% on top of a 7% increase for the same month last year. In addition to the strong growth achieved in August, we also reported positive comparable store sales for both September and October.

Our team focus on strengthening margins and effectively managing inventory resulted in significant margin expansion. Merchandise margins improved 110 basis points, driven by customer preference for our high margin seasonal categories.

BD&O was up 70 basis points as a percentage of net sales and we deleveraged SG&A by 70 basis points due to the lower current year sales volume, which was the result of a calendar shift. These results drove a 10.4% decrease in operating income, which when combined with a 41% decrease in tax expense, produced EPS of $0.76 per diluted share, an increase of 15% compared to third quarter last year.

As we have stated on each conference call this year, due to last year's 53rd week, we have been -- there have been high volume weeks that have shifted from quarter-to-quarter. I believe the most accurate way to illustrate our robust results during the third quarter is to remind you of what our EPS is year-to-date as compared to last year.

Through the third quarter, operating income has increased 28.6%, and that income has increased 61.1%, which generated EPS of $2.36 per diluted share. This translates into a 71% increase in EPS over the first three quarters last year.

Traffic for the quarter was basically flat. However, our customer-centric focus drove our conversion rate up by 130 basis points. Average units per transaction were up low single-digits and average dollars per transaction was flat to last year.

We ended the quarter with inventory up 4.6% on a per-store basis due to the shift in calendar, which moved both the Veterans Day and Black Friday promotions earlier than fiscal November. We remain focused on effective inventory management and expect per-door inventories to be down low single-digits at year end.

Focusing on our third quarter comparable store sales by department, women's non-athletic increased mid-single-digits, driven by the boot and sandal categories. Customers responded to our women's boot assortment and marketing efforts throughout the quarter, producing a third quarter comparable store sales increase in the 20s.

The men's non-athletic department was up mid-single-digits on a comparable basis. We are pleased with the performance of our men's casual category and the double-digit comp increase in the men's boot category for the quarter. Children's shoes were also up mid-single-digits on a comparable basis.

Our sales for the quarter were driven by both the athletic and non-athletic categories. Boots and sandals drove double-digit comp increases for the quarter in non-athletic. And on the athletic side of the business, boys produced a mid-single-digit comp gain, while girl's was up double-digit.

Adult athletic was also up low single-digits on a comparable basis. Men's athletic was flat for the quarter, while women's athletic was up mid-single-digits. We continue to be happy with the performance of our running footwear category for both men and women.

Now, I'd like to spend a few minutes to update you on our key initiatives for 2018. We began fiscal 2018 with the possibility of closing 25 to 30 stores this year. Our teams in real estate, merchandising, operations, and marketing have done a terrific job of improving the metrics of many of those stores to where they are now more productive contributors to our store base.

With the improving metrics of those particular locations, we are now able to boost the number of projected store closures from the range of 25 to 30 to a total of 14. This includes nine that are already closed and five that are planned to close in the fourth quarter.

We opened three stores at the end of the third quarter. This past weekend, we had our official grand opening celebration in all three new stores and I am excited about the positive results we experienced at each of the openings. We ended the third quarter with 402 stores in 35 states in Puerto Rico.

Our real estate strategy remains conservative as we complete the implementation of our CRM initiative. I continue to be excited about our CRM strategy. We have already experienced some quick wins and I expect as we continue to roll this program out, it will be instrumental in driving comparable store sales results and allow us to, once again, grow our store base.

This multiyear holistic project will touch almost every aspect of our company. CRM is a key element in understanding who our customer is and creating a one-to-one relationship with them.

Although a large part of the customer data comes from our loyalty program, it's not just about loyalty. We believe this holistic approach to CRM will give us a clear runway for growing Shoe Carnival now and in the future.

I am very happy with the relaunch and upgrade to our Shoe Perks program, which was launched just prior to back-to-school. This new program offers our high-value customers a new tier of rewards that is designed to incentivize them to make Shoe Carnival their store of choice for all their family footwear purchases.

I'm thrilled with the way Shoe Perks members have responded to our new program, driving a double-digit increase in member sales for the quarter. This increase of member spending allowed us to welcome over 200,000 new members to Gold status within the quarter.

In order to stay relevant with the changing retail landscape and the ever-evolving consumer, we must continuously improve and innovate. The investments we're making in technology and customer engagement are incredibly important as we take Shoe Carnival to the next level of growth.

Finally, I'd like to give you an update on our financial expectations for fiscal 2018. I'm very happy with the performance of our seasonal categories throughout the third quarter. Our customers are excited by our selection of boots and booties and we continue to see positive results from our kids department in both the athletic and non-athletic categories.

The adult athletic categories that drove our athletic sales in the third quarter also continue to perform. We believe that the customer shops us at key time periods because they trust us to have the right styles and brands in depth at a compelling value.

Weather does become a factor of both positively as it creates a need for weatherproof boots and negatively, if a winter storm occurs during a high volume time period. Based on these factors, we expect comparable store sales for the fiscal year to increase approximately 3.5%.

In addition, we expect gross margin for the fiscal year to increase approximately 90 basis points on a GAAP basis versus fiscal year 2017. As a result of this sales and margin guidance, we are raising and tightening our previous earnings per share expectations from a range of $2.05 to $2.15 to a range of $2.36 to $2.38.

That concludes my overview. I would now like to turn the call over to Kerry.

Kerry Jackson

Thanks Cliff. Our net sales for the third quarter ended November 3rd, 2018, decreased $18.3 million to $269.2 million compared to the third quarter ended August 28th, 2017. Comparable store sales for the 13-week period ended November 3rd, 2018, increased 4.5% compared to the 13-week period ended November 4th, 2017.

The decrease in net sales was primarily due to a decrease of $12 million for stores included in our comparable store sales base and a loss of $7.6 million in sales from the 26 stores closed since the beginning of the third quarter last year. These decreases were partially offset by an increase of $1.3 million for the 10 stores we have opened since the beginning of the third quarter of last year.

As we have previously discussed, due to last year -- fiscal year being a 53-week year, Q1, Q2, and Q3 this year are one week later than last year. The calendar shift moved an important week of back-to-school that was included in Q3 last year into Q2 this year.

The net effect of this week shift compared to last year decreased sales in our comparable stores in Q3 this year by $25.1 million. This shift accounts for the full decrease in net sales in Q3 this year compared to Q3 last year.

Our gross profit margin for the quarter was 30.2% compared to 29.8% in the third quarter last year. This increase was driven by a 110 basis point increase in our merchandise margin, partially offset by a 70 basis point increase in buying, distribution, and occupancy expenses as a percentage of sales.

SG&A expenses decreased $2.6 million in Q3 to $65.2 million. The decrease in expense was primarily due to $2.5 million decrease in advertising expense in existing stores, a $2.2 million decrease in expenses for closed stores, and a $911,000 net gain from insurance proceeds related to stores affected by recent hurricanes. These decreases were partially offset by a $4.1 million increase in incentive and equity compensation expense as a result of the improved financial performance of the company.

As a percentage of net sales, these expenses increased 0.7% to 24.3%. The deleveraging of SG&A expenses and the reduction in advertising expense in Q3 were both the result of the shift in sales into Q2. You may recall, we reported a $2.7 million increase in advertising expense in Q2 this year.

The effective income tax rate for the third quarter of fiscal 2018 was 25.9% compared to 40.0% for the same period last year. For the full fiscal year of 2018, we expect our tax rate to be approximately 24.2%. As a reminder, in December 2017, the U.S. Tax Cuts and Jobs

Act was enacted, which reduced our corporate statutory tax rate from 35% to approximately 21%.

Net earnings for the third quarter of fiscal 2018 were $12 million or $0.76 per diluted share. For the third quarter of fiscal 2017, we reported net earnings of $10.7 million or $0.66 per diluted share.

Now, turning to information affecting cash flow. In Q3 this year, we repurchased, under our share repurchase program, approximately 519,000 shares of our common stock at a total cost of $20 million.

For the first three quarters this year, we repurchased 1.3 million shares at a total cost of $39 million. We have not projected in our updated our annual guidance any repurchases in Q4 and now expect our diluted weighted average shares outstanding for the fiscal year to be approximately 15.5 million shares. This is a decrease of about 200,000 shares from our previous guidance. We currently have $11 million available under our $50 million share repurchase authorization.

Depreciation expense in Q3 was $5.3 million. Depreciation expense is projected to be approximately $21 million for the full fiscal year. Capital expenditures for fiscal 2018, including actual expenditures during the third quarter are expected to be approximately $10 million with a little more than half to be used for new stores, relocations, and remodels. Lease incentives are anticipated to be approximately $900,000 for the year.

My final comment today will be on sales for the fourth quarter. Inclusive in our annual sales guidance is the expectation of our Q4 sales to range from $225 million to $227 million. This compares with Q4 sales last year at $243.2 million.

The expected decline of sales is due to a $15 million reduction due to one less week of sales in Q4 this year and an estimated $5.8 million reduction in sales from stores that have closed, partially offset by sales increases from an expected comparable store sales increase and sales from new stores.

This concludes our financial review. Now, I'd like to open up the call for questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions]

The first question will come from Mitch Kummetz with Pivotal Research. Please go ahead with your question.

Mitch Kummetz

Yes, thanks for taking my questions. Cliff, let me begin on boots. I was hoping you could just elaborate on the performance in the quarter. What was the overall boot comp in the quarter? Can you maybe say how sort of booties performed versus weather boots versus fur versus however else you kind of classify the various boot sub-segments? And then I'm also curious, kind of, how you have boots planned for the fourth quarter?

Clifton Sifford

Well, we plan boots for the season of mid-singles -- mid- to low high singles. But we had a double-digit growth in the 20s, increase in women's boots for the quarter. So, very pleased with that.

Mitch, to be honest with you, I really don't want to get down to the category. I can tell you that weather boots -- what we would classify as weather boots, snow kind of boots, they only sell that really only take off when you have inclement weather. So, it was more casual boots in nature and I'd really like to hold it at that.

Mitch Kummetz

Got it. Fair enough. And then, Kerry, on the merch margin improvement, can you just -- how much of the 110 bps was a mix shift to boots, which is a high margin category for you guys versus just overall cleaner inventories? Is there any way you can kind of break out the 110 bps? And I'm curious what your -- what kind of merch margins baked into the guide for the fourth quarter.

Kerry Jackson

We had planned on our merchandise margin being up for the quarter. Where we overachieved our expectations was in the boot margin itself. So that comp increase that we got in the boots that Cliff was just referring to, that was the primary driver of the gross profit improvement. You're selling boots in October; you're getting a much better price than if you sold him later in the fourth quarter.

Clifton Sifford

I'll add to that, if I can, Mitch, that not only we have an increase in the 20s in women's boots, but we had double-digit increases in men's boots and in kid's boots. So, very high margin. So, that really helped drive the overall margin up.

Mitch Kummetz

Got it. And then maybe a last question, also for Kerry. I think you said that, in the quarter, incentive comp was up $4.1 million year-over-year. Can you say, sort of, where incentive comp -- how much it will be, or how much you think it will be up for the year?

And I know it's a little early to talk about 2019, but is it sort of fair to assume, given how well you guys are sort of outperforming this year, that you would be planning incentive comp down year-over-year in 2019?

Kerry Jackson

I'll start with your last first. Yes, highly likely. What we have this year, and particularly the third quarter, the number was much larger than we had originally anticipated. What happened was, during the quarter, a set of restrict -- performance-based restricted stock that we did not think was going to vest, because of our strong performance so far this year, particularly in the third quarter, it now came into play. And the way the accounting works on it, you have to catch up that adjustment to-date.

So, we had a little over a $2 million adjustment of the total $4 million was getting that $1,000 turned on, so to say. Another almost $1 million of that was other performance stock that was based on a range of outcomes. And since our outcomes are higher in the range in that we picked up almost $1 million worth of expense for that. So, the fourth quarter adjustment was very high and -- by those two events.

Mitch Kummetz

Got it. All right. Thanks guys. Good luck.

Operator

Thank you for the question. The next question will come from Chris Svezia with Wedbush. Please go ahead with your question.

Chris Svezia

Good afternoon gentlemen and congratulations on the quarter. Nice job.

Clifton Sifford

Thanks Chris.

Chris Svezia

Boots. Just remind me, what -- so two things. One, you planned it up mid-single-digits, so thereabouts; you're running stronger than that. What's your ability to kind of chase into that category? And how do we think about it fourth quarter versus third quarter percentage of the business? Does it flex from 10%-ish in Q3 to 20% in Q4? Just any thoughts about that.

Clifton Sifford

It will be mid-20s to the total and women's boots to the total for total women's. I think I'm right on that.

Kerry Jackson

Total boots.

Clifton Sifford

Total boots. Total boots will be in the mid-20s. Sorry. I got a little confused there. But now for the first part of your question, are we able to get back in? We were able to get back into a few boots. But the good news in all of that is that we will be clean at the end of the fiscal year.

Chris Svezia

Okay. So, is it -- just go back, when you say mid-20s, that's for Q4? What is it in Q3?

Kerry Jackson

This past year is just under about -- it's right around 8% of the total. It gets much diluted in the third quarter because of the athletics and the back-to-school.

Chris Svezia

Okay, okay. Got it. What was the comp progression as you came through the quarter? We know what August was. But can you tell what September and October were?

Kerry Jackson

They were up low single-digits.

Chris Svezia

Okay. And remind us again, what you're up against going into Q4, November, December, January, last year, what you did?

Kerry Jackson

For the quarter, we were down 0.5 points.

Clifton Sifford

If you remember, Chris, last year, we closed on Thanksgiving Day, which took a big number out of our fourth quarter. We made most of that back up during the quarter. So, the 0.5% down is a little misleading because of that -- the one day that we decided not to open.

Chris Svezia

Okay. So, November last year was down quite a bit because you decided not to open, and then you made it up December/January, correct?

Kerry Jackson

Quite a bit may be an overstatement. But directionally, you're correct. It was down low singles and we were ultimately flat in December, and then we were up in January.

Chris Svezia

Okay. And this year, you're closed on Thanksgiving, so you're comping the comp, right?

Clifton Sifford

I'm sorry. We didn't hear that.

Chris Svezia

I said, this year, you're closed on Thanksgiving, so you're comping that?

Clifton Sifford

That is correct.

Chris Svezia

Okay, got it. Okay. Just on the margin, Kerry, just for you, for Q4, how do we think about -- I know, Cliff, you gave the annual, I think, up 90 basis points. How do we think about just Q4 between merchandise margin, occupancy cost, deleverage, just some of the puts and takes? And you've got store closing costs and liquidations going on. Just a lot of moving parts. Maybe any color about how we think about those two line items, gross margin, SG&A for Q4?

Kerry Jackson

Well, for the -- from the merchandise margin standpoint, we expect it to be down on a year-over-year basis in our guidance at the high end. And the primary reason is because, if you remember, last year in the fourth quarter, we booked a $3.3 million gain on the insurance settlement on the Puerto Rico inventory hurricane loss. So, on a GAAP basis, it'll be down. We expect--

Chris Svezia

On a non-GAAP basis -- do you expect it to be up on a non-GAAP basis? Because I think most of us are looking at it as non-GAAP.

Kerry Jackson

Chris, there's such strict rules surrounding non-GAAP. If I discussed that, we'd have to put out additional reports. I'd say, we're giving you a bogey of the GAAP number. So, why don't you refer back to our Q4 release last year that will help you discern against an adjusted number.

Chris Svezia

Okay. And on SG&A?

Kerry Jackson

[Indiscernible] standpoint, we expect to be relative flat to slightly down.

Chris Svezia

And SG&A?

Kerry Jackson

We should see some leverage on that. Here again, the GAAP number was distorted last year because of an impairment charge of, I believe, about $3.3 million. And we also had a -- because of the change in the tax laws, we had to accelerate some equity compensation of about $2 million.

Chris Svezia

Okay. So, final thing, just real quick for me. Just when you think about your consumer and your consumer demographic, how does, maybe, the macro backdrop play into that, given consumer sentiment, unemployment, minimum wage, payrolls, et cetera? Just any thoughts about how you think some of that might be playing into how your consumer is purchasing?

Clifton Sifford

We -- Chris, we believe it has a lot to do with that. I mean, we can almost go back to the Tax Cuts when two weeks after the Tax Cuts took effect, which would've been pretty much our first paycheck, is when we began to see our business take off. And it's been -- this has, as you have witnessed, been pretty good all year.

Chris Svezia

Okay. All the best. Congrats and we'll talk to you soon.

Clifton Sifford

Thank you, Chris.

Operator

Thank you. [Operator Instructions]

We'll take our next question from Greg Pendy with Sidoti. Please go ahead.

Greg Pendy

Hi, it's Greg Pendy at Sidoti. Thanks for taking my question. Just wanted to understand, I guess, the guidance on the inventory at year end. Your -- you said low single-digits. Is there anything we should know, I mean was there any moving parts last year? Is that mainly less seasonal product, you think, at this year end? Or is there something with store closures? I just wanted to understand if you're up 4.6% per store now.

Clifton Sifford

The 4.6% is misleading because of the shift in week. With presidents -- not presidents, but Veterans Day moved up a full week, and Thanksgiving is never -- I can't think of a time it's been this early in the calendar because the 1st of the month happened to be on a Thursday. So, it's as early as it can get.

So, that product had to come in prior to November in order to for us to have it on the floor and available to sell. So, I wouldn't get too hung up on the inventory levels at the end of October.

The decrease in inventory at the end of year is really most likely threefold. One is we continue to reduce our per-store inventories in order to maximize our turn in the stores. You can maximize your turn, you can raise your margin, and that is the overall goal.

But the second in that is that we will have less seasonal inventory as we come out of January due to the fact that we are over-performing in boots and actually, over-performing in most seasonal categories. So, we expect to have less seasonal product on the floor as we walk out of January.

And third, Easter is a little later this year than it was last year. So, you don't have to bring as much Easter product in, in January to have it on the floor in time for Easter.

Greg Pendy

Now, that's helpful. And then just one final one. This is, just -- it looks like you trimmed your store closing or your net closings again this year. I know you've been, in the past, talking about looking for more attractive leases, but you're also seeing better operating performance. So, can you kind of give us kind of the puts and takes on what's bringing it down? Is this purely operational? Or are you finding more attractive lease opportunities as well or is it a combination?

Clifton Sifford

It's a combination of all the above. We -- the tax cut helped our business get better, that's number one, in all stores, it lifted sales in more stores. That's number one. Number two, we were able to negotiate some better deals with landlords. And number three, we've done, in my opinion, a much better job marketing this year with -- actually, I've got to say four ways, marketing to our customer because we understand today better who our customer is than we did a year ago or two years ago through our CRM program and some of the things that we're learning about, our customer segments and who they are and how they shop and how best to talk to them. So, that's been helpful.

And lastly, as our stores have been very focused -- very, very focused on making sure that our conversion rate continues to rise. In fact, for the third quarter, I think our conversion rate was up 130 basis points, which is -- that falls on two -- that falls on merchandise, and that falls on our store operators.

Greg Pendy

That's helpful. Thanks a lot.

Clifton Sifford

Thank you.

Operator

Thank you. The next question comes from Sam Poser with Susquehanna. Please go ahead.

Sam Poser

Good afternoon. Thanks for taking my questions. I've got a few. Number one, I'm going to re-ask the question about, can you give us more details on the comp in September/October then close? Just so we can -- you gave us one. Why not give us all three? We're greedy.

Clifton Sifford

We gave you back-to-school. We gave you August because it's such an important month to our overall year. That is a key month. So, we give that. I really don't have any--

Kerry Jackson

September/October were low single-digits.

Sam Poser

Hello?

Clifton Sifford

Yes, the -- Kerry answered that. September and October.

Sam Poser

Okay. So, when we look at the fourth quarter, at your comparisons are easier last year on both a one year and a two-year basis. The implication is for a low single-digit comp. Why wouldn't the comp be better, given the trend? Or is this restricted by, sort of, the availability of the seasonal product now?

Clifton Sifford

Well, twofold. One is that we want to make sure that we're -- we remain conservative in our sales guidance because again, it's early in the quarter, Sam. And you don't know what the weather is going to be. A cold front -- a snow cold front moving through the week of Christmas could destroy the quarter. So, -- well, not destroy it. It could hurt the quarter. But I'm -- we're going to remain conservative in our sales guidance and we'll see how it goes.

As far as the seasonal product is concerned, we are going to be short going into January. There's no question in my mind about that. I believe we're in good shape leading into Christmas.

Sam Poser

Thank you. And then lastly, your -- you've lowered your store closings. When we look -- when we look forward, are we looking at a more conservative store closing? Are you going to start -- how do you think about beyond -- from a store opening and closing perspective, beyond this year, given the work you've done with the CRM and so on that's starting to help turn around some of those businesses and those which were up more underperforming stores?

Clifton Sifford

We are -- right now, we're -- we think that we will close stores somewhere in the low- to mid-teens. We're still continuing to work on those. That's the reason I didn't talk about it on the call today. We have hope that we can lower that number. So, we'll be a little more forthcoming on that as we get to our first -- to our fourth quarter call. That's number one.

Number two, there's, at this point in time, there are no new stores scheduled for 2019. We're looking toward 2020 as once we get our CRM initiative launched and we have a great understanding of who our customer is and where they live, and at that point, we will be sending our real estate team out to find sites.

Sam Poser

All right. Thank you very much and continue to success.

Clifton Sifford

All right. Thanks.

Kerry Jackson

Thanks Sam.

Operator

Thank you. The next question will come from Mitch Kummetz with Pivotal Research. Please go ahead.

Mitch Kummetz

Yes, I just had a couple of quick follow-ups. You -- I think you guys said something about Black Friday promotion shifting from Q4 to Q3, just given the timing of when the quarter closed. Could you just elaborate on that? And -- I'm sorry, go ahead.

Clifton Sifford

No, no. What I said was that last year, Black Friday was the fourth week of November. This year, it's the third week of November and that's key when you talk about inventory levels.

Mitch Kummetz

Got it, okay. It seemed early for you guys to be doing Black Friday promotions in Q3. And then on the -- yes, on the impact of closing the stores, Kerry, I think you said there was a $2.2 million benefit in the quarter.

As we think about Q4, I would imagine you would also see a benefit in Q4 from the stores that you closed last year, but then you're also going to have some negative on the gross margin side, I guess, from the stores that you're liquidating. So, how do we sort of think of those things balancing out? I don't know if that's a way to look at it.

Kerry Jackson

Well, what you're referencing is that our SG&A was $2.6 million quarter -- third quarter this year versus last quarter because of the closed stores. I don't look at it as [Indiscernible] because we also lost the sale and we also lost the margin.

Typically, when we're closing stores, especially when we have to liquidate the inventory, we take a hit in the -- on a year-over-year basis, particularly in the quarter it closes. So, on the next year benefit, you would see a little bit of a rebound.

However, we're going to -- we projected close to 14 stores this year. Cliff just mentioned we're going to be in that range generally for next year. So, on a year-over-year basis, you might assume about the same amount of store closing costs.

Mitch Kummetz

Okay. And then, I guess, maybe one last one. I mean, you guys, obviously, you over-delivered on the earnings side this quarter, especially relative to consensus. But I don't think you guys really gave an earnings target on the quarter. I mean, how did you sort of over-deliver relative to your internal plan? I don't know if you can speak to that. I mean, the comp kind of came in at the high end. But I'm just kind of curious, either from an EBITDA standpoint or from an earnings standpoint, much better did you guys come in than what you thought, was it similar to the beat on it in terms of consensus or?

Kerry Jackson

Well, you're talking about the Q3 beat against what we--

Mitch Kummetz

Yes.

Kerry Jackson

We had some guidance out there. Generally, we overachieved -- the two biggest factors were we overachieved our previous guidance almost $4 million on the topline. And we had about 65 basis points of margin improvement over what we had previously guided to.

We also -- our SG&A came in a little lower than what we were expecting. And that was probably to be more related to the insurance gain that we booked through the quarter had not been a contemplated part.

Mitch Kummetz

Got it, all right. Thanks again.

Clifton Sifford

Thank you.

Operator

Thank you for the question. We have a follow-up question from Chris Svezia with Wedbush. Please go ahead with your question.

Chris Svezia

Yes, thanks for taking my follow-up. So just, I want to go back to, I think, in the third quarter. When you gave the guidance, I think you expected September to be up low singles, October comp negative, just kind of given what happened last year and the uncertainty with the weather. So, it seems like, obviously, October was the big factor to driving the upside in the comp. Is that correct?

Kerry Jackson

Yes. So, that was the biggest change from our guidance -- overachievement from our guidance we had.

Clifton Sifford

And that was all based on the boots performance, Chris.

Chris Svezia

Right. Okay. Any -- so I know you don't want -- as we look at Q4, any reason to think any month would comp negative? I know you, throughout the observation, you might be short some boot inventory for January. But I don't -- I'm sure, by then, you want to be transitioning out anyway. But I'm just kind of curious what's your thoughts about, as you think about monthly comp [Indiscernible] any reason to think any month wouldn't comp positive?

Clifton Sifford

No, we don't -- we're not planning any month to be comp positive. We don't expect January to comp as -- we expect January to be the lowest comp due to the fact that we will be lower on boots.

Chris Svezia

Okay, got it. And then just I'm curious on the CRM activity. When do you expect to be done on that front? When do we get more of an update about what you're learning? Just in general. When is that completed?

Clifton Sifford

Well, the implementation of the software that is going to drive this will be at least mid-year of 2019 before it's fully implemented. We expect to have wins throughout that time period.

But Chris, it's important to understand that this is not a one year or a two-year program. This is going to be something that will continue to evolve over the next -- hopefully, for a long, long time. Because we believe that it's transformational to our company and what it's going to do for us from a comp and store growth standpoint.

Chris Svezia

Thank you. And then, lastly, I just have, just, when you close stores, does sales transfer to existing stores? Any color about what's going on with that? I guess my question more specifically is as we start to think about next year, and you're not opening stores, but you're closing, obviously, stores.

If we think about low single-digit comp, any reason to think that revenues would not grow? I mean you should have some revenue growth, assuming the base is becoming more productive as you transfer those sales. Just any thoughts about that?

Clifton Sifford

We are -- we do expect the revenue growth. We're not prepared yet to give you a 2019 -- our 2019 expectations at this point, but we do expect revenue growth.

Kerry Jackson

Chris, on the comp position question you had. Typically, we're not -- when we put the stores in place to begin with, we try to give them enough breathing room so that they're not cannibalizing each other.

So, what happens when we close that store, more often than not, we're not seeing significant movement of sales to other stores, not enough that would drive the needle that we'd be reporting or you might see it flow through in our overall numbers.

Chris Svezia

Interesting. Okay, all right. That's all I have. Thank you very much guys. Appreciate it.

Clifton Sifford

Thanks Chris.

Operator

Thank you. The next question will come from Sam Poser with Susquehanna.

Sam Poser

We're all getting -- twice today. The insurance that -- was that a onetime event in SG&A? And how much was it?

Kerry Jackson

It was $911,000 in Q3. It's a one-time occurrence at that particular episode. So, that was primarily closing out the Puerto Rico claim for the hurricane that occurred last year. We closed out the inventory portion of it in Q4 last year and then we finished up the fixed asset piece of it this year.

Sam Poser

But did you have insurance [Indiscernible] for that this year or was this it?

Kerry Jackson

This was it. Typically, you have two key pieces of it, inventory and fixed assets, and they close out at different times.

Sam Poser

So, I mean we wouldn't anticipate that benefit a year from now, just to be clear?

Kerry Jackson

Not for that particular hurricane, no.

Sam Poser

And do you have other -- are there other recurring -- are those kind of charges happening from other events or -- worth talking about?

Kerry Jackson

No, but hurricane seemed to be, these past three years, not isolated events that -- so we have seen several hurricanes that we've had insurance claims on Puerto Rico and Houston. And then we saw -- we're working on one right now for the hurricane to hit the Gulf Coast.

Sam Poser

Our any of the -- do you expect any of those to be the magnitude of Puerto Rico? And then lastly, what -- as well as, what is the status of Puerto Rico stores right now?

Kerry Jackson

No. No one -- Puerto Rico was a nine-store event. And we lost inventory and all those stores. So, that was a -- the largest claim the company had ever had. And we hope to never repeat that. So, there was [ph] anything of that magnitude that we expect to see again.

Sam Poser

And then this -- the Puerto Rico stores, are there -- are those stores opened? How many are open in Puerto Rico right now?

Kerry Jackson

Yes. Six of those nine stores have reopened. Three of them will not reopen. We had -- we settled out the lease. The one lease event we settled out in the fourth quarter last year and the other two stores, the landlord did not rebuild the center. So, those leases were canceled due to that.

Sam Poser

Thank you very much.

Clifton Sifford

Thank you.

Operator

Thank you. This concludes the Q&A portion. I'll now turn the call back over to Mr. Sifford.

Clifton Sifford

I want to thank this opportunity to thank -- just saying on our call, we look forward to announcing our fourth quarter and full year results in March. Also, want to wish each of you a great Thanksgiving and a very happy holiday season. With that, I want to send the call back to the operator.

Operator

Thank you. Ladies and gentlemen, this concludes today's event. You may now disconnect your lines. Have a great evening.

Comments **(0)**