

DILLARD'S, INC.  
Form 10-K  
March 30, 2018  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K  
(Mark one)

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

For the fiscal year ended February 3, 2018

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

71-0388071

State or other jurisdiction

(IRS Employer

of incorporation or organization

Identification No.)

1600 CANTRELL ROAD, LITTLE ROCK, ARKANSAS 72201

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (501) 376-5200

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

Title of each class \_\_\_\_\_ Name of each exchange on which registered \_\_\_\_\_

Class A Common Stock New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the

Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). ☒ Yes ☐ No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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 ☐ Smaller Reporting Company ☐ o

Non-Accelerated Filer ☐ o

(Do not check if a

Emerging Growth Company ☐ o

smaller reporting company)

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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 ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of July 29, 2017: \$1,601,756,904.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of March 3, 2018:

CLASS A COMMON STOCK, \$0.01 par value 23,909,448

CLASS B COMMON STOCK, \$0.01 par value 4,010,401

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held May 19, 2018 (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

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## PART I

## ITEM 1. BUSINESS.

Dillard's, Inc. ("Dillard's", the "Company", "we", "us", "our" or "Registrant") ranks among the nation's largest fashion apparel, cosmetics and home furnishing retailers. The Company, originally founded in 1938 by William T. Dillard, was incorporated in Delaware in 1964. As of February 3, 2018, we operated 292 Dillard's stores, including 24 clearance centers, and an Internet store offering a wide selection of merchandise including fashion apparel for women, men and children, accessories, cosmetics, home furnishings and other consumer goods. The Company also operates a general contracting construction company, CDI Contractors, LLC ("CDI"), a portion of whose business includes constructing and remodeling stores for the Company.

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

	Percentage of Net Sales					
	Fiscal 2017		Fiscal 2016		Fiscal 2015	
Retail operations segment:						
Cosmetics	14	%	14	%	14	%
Ladies' apparel	23		22		22	
Ladies' accessories and lingerie	16		16		16	
Juniors' and children's apparel	8		8		8	
Men's apparel and accessories	17		17		17	
Shoes	16		16		16	
Home and furniture	4		4		4	
	98		97		97	
Construction segment	2		3		3	
Total	100%		100%		100%	

Additional information regarding our business, results of operations and financial condition, including information pertaining to our reporting segments, can be found in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 hereof and in Note 2 in the "Notes to Consolidated Financial Statements" in Item 8 hereof.

We operate retail department stores in 29 states, primarily in the southwest, southeast and midwest regions of the United States. Most of our stores are located in suburban shopping malls and open-air centers. Customers may also purchase our merchandise online at our website, [www.dillards.com](http://www.dillards.com), which features online gift registries and a variety of other services.

Our retail merchandise business is conducted under highly competitive conditions. Although we are a large regional department store, we have numerous competitors at the national and local level that compete with our individual stores, including specialty, off-price, discount and Internet retailers. Competition is characterized by many factors including location, reputation, merchandise assortment, advertising, price, quality, operating efficiency, service and credit availability. We believe that our stores are in a strong competitive position with regard to each of these factors. Other retailers may compete for customers on some or all of these factors, or on other factors, and may be perceived by some potential customers as being better aligned with their particular preferences.

Our merchandise selections include, but are not limited to, our lines of exclusive brand merchandise such as Antonio Melani, Gianni Bini, GB, Roundtree & Yorke and Daniel Cremieux. Our exclusive brands/private label merchandise program provides benefits for Dillard's and our customers. Our customers receive fashionable, higher quality product often at a savings compared to national brands. Our private label merchandise program allows us to ensure the Company's high standards are achieved, while minimizing costs and differentiating our merchandise offerings from other retailers.

We have made a significant investment in our trademark and license portfolio, in terms of design function, advertising, quality control and quick response to market trends in a quality manufacturing environment. Dillard's trademark registrations are maintained for as long as Dillard's holds the exclusive right to use the trademarks on the

listed products.

Our merchandising, sales promotion and store operating support functions are conducted primarily at our corporate headquarters. Our back office sales support functions, such as accounting, product development, store planning and information technology, are also centralized.

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We have developed a knowledge of each of our trade areas and customer bases for our stores. This knowledge is enhanced through regular store visits by senior management and merchandising personnel and through the use of online merchandise information and is supported by our regional merchandising offices. We will continue to use existing technology and research to edit merchandise assortments by store to meet the specific preference, taste and size requirements of each local operating area.

Certain departments in our stores are licensed to independent companies in order to provide high quality service and merchandise where specialization, focus and expertise are critical. The licensed departments vary by store to complement our own merchandising departments. The principal licensed department is an upscale women's apparel vendor in certain stores. The terms of the license agreements typically range between three and five years with one year renewals and require the licensee to pay for fixtures and to provide their own employees. We regularly evaluate the performance of the licensed departments and require compliance with established customer service guidelines. Synchrony Financial ("Synchrony"; formerly GE Consumer Finance) owned and managed Dillard's private label credit cards, including credit cards co-branded with American Express (collectively "private label cards"), under a long-term marketing and servicing alliance ("Synchrony Alliance") that expired in November 2014. Following this scheduled expiration, Wells Fargo Bank, N.A. ("Wells Fargo") purchased the Dillard's private label card portfolio from Synchrony and began managing Dillard's private label cards under a new 10-year agreement ("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 earned on the portfolio is determined monthly and has no recourse provisions. We participate in the marketing of the private label cards and accept payments on the private label cards in our stores as a convenience to customers who prefer to pay in person rather than by paying online or mailing their payments to Wells Fargo. The Wells Fargo Alliance expires in fiscal 2024.

We seek to expand the number and use of the private label cards by, among other things, providing incentives to sales associates to open new credit accounts, which generally can be opened while a customer is visiting one of our stores. Customers who open accounts are rewarded with discounts on future purchases. Private label card customers are sometimes offered private shopping nights, direct mail catalogs, special discounts and advance notice of sale events. Wells Fargo administers the loyalty program that rewards customers for private label card usage.

Our earnings depend to a significant extent on the results of operations for the last quarter of our fiscal year. Due to holiday buying patterns, sales for that period average approximately one-third of annual sales.

As of February 3, 2018, we employed approximately 40,000 full-time and part-time associates, of which approximately 43% were part-time. The number of associates varies during the year, with increases occurring during peak seasonal selling periods.

We purchase merchandise from many sources and do not believe that we are dependent on any one supplier. We have no long-term purchase commitments or arrangements with any of our suppliers, but we consider our relationships to be strong and mutually beneficial.

Our fiscal year ends on the Saturday nearest January 31 of each year. Fiscal year 2017 ended on February 3, 2018 and contained 53 weeks, and fiscal years 2016 and 2015 ended on January 28, 2017 and January 30, 2016, respectively, and each contained 52 weeks.

The information contained on our website is not incorporated by reference into this Annual Report on Form 10-K (this "Annual Report") and should not be considered to be a part of this Annual Report. Our Annual Report, quarterly reports on Form 10-Q, current reports on Form 8-K, statements of changes in beneficial ownership of securities on Form 4 and Form 5 and amendments to those reports filed or furnished pursuant to Section 13(a), 15(d) or 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as applicable, are available free of charge (as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC) on the Dillard's, Inc. website: [www.dillards.com](http://www.dillards.com).

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We have adopted a Code of Conduct and Corporate Governance Guidelines, as required by the listing standards of the New York Stock Exchange and the rules of the SEC. We have posted on our website our Code of Conduct, Corporate Governance Guidelines, Social Accountability Policy, our most recent Social Accountability Report and committee charters for the Audit Committee of the Board of Directors and the Stock Option and Executive Compensation Committee of the Board of Directors.

Our corporate offices are located at 1600 Cantrell Road, Little Rock, Arkansas 72201, telephone: 501-376-5200.

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ITEM 1A. RISK FACTORS.

The risks described in this Item 1A, Risk Factors, of this Annual Report could materially and adversely affect our business, financial condition and results of operations.

The Company cautions that forward-looking statements, as such term is defined in the Private Securities Litigation Reform Act of 1995, contained in this Annual Report on Form 10-K are based on estimates, projections, beliefs and assumptions of 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.

The retail merchandise business is highly competitive, and that competition could lower our revenues, margins and market share.

We conduct our retail merchandise business under highly competitive conditions. Competition is characterized by many factors including location, reputation, fashion, merchandise assortment, advertising, operating efficiency, price, quality, customer service and credit availability. We have numerous competitors nationally, locally and on the Internet, including conventional department stores, specialty retailers, off-price and discount stores, boutiques, mass merchants, and Internet and mail-order retailers. Although we are a large regional department store, some of our competitors are larger than us with greater financial resources and, as a result, may be able to devote greater resources to sourcing, promoting and selling their products. Additionally, we compete in certain markets with a substantial number of retailers that specialize in one or more types of merchandise that we sell. In recent years, competition has intensified as a result of reduced discretionary consumer spending, increased promotional activity, deep price discounting, and few barriers to entry. Also, online retail shopping continues to rapidly evolve, and we continue to expect competition in the e-commerce market to intensify in the future as the Internet facilitates competitive entry and comparison shopping. We anticipate that intense competition will continue from both existing competitors and new entrants. If we are unable to maintain our competitive position, we could experience downward pressure on prices, lower demand for products, reduced margins, the inability to take advantage of new business opportunities and the loss of market share.

Changes in economic, financial and political conditions, and the resulting impact on consumer confidence and consumer spending, could have an adverse effect on our business and results of operations.

The retail merchandise business is highly sensitive to changes in overall economic and political conditions that impact consumer confidence and spending. Various economic conditions affect the level of disposable income consumers have available to spend on the merchandise we offer, including unemployment rates, interest rates, taxation, energy costs, the availability of consumer credit, the price of gasoline, consumer confidence in future economic conditions and general business conditions. Due to the Company's concentration of stores in energy producing regions, volatile conditions in these regions could adversely affect the Company's sales. Consumer purchases of discretionary items and other retail products generally decline during recessionary periods, and also may decline at other times when changes in consumer spending patterns affect us unfavorably. In addition, any significant decreases in shopping mall traffic could also have an adverse effect on our results of operations.

Our business is dependent upon our ability to accurately predict rapidly changing fashion trends, customer preferences, and other fashion-related factors.

Our sales and operating results depend in part on our ability to effectively predict and quickly respond to changes in fashion trends and customer preferences. We continuously assess emerging styles and trends and focus on developing a merchandise assortment to meet customer preferences at competitive prices. Even with these efforts, we cannot be certain that we will be able to successfully meet constantly changing fashion trends and customer preferences. If we are unable to successfully predict or respond to changing styles or preferences, we may be faced with lower sales, increased inventories, additional markdowns or promotional sales to dispose of excess or slow-moving inventory, and lower gross margins, all of which would have an adverse effect on our business, financial condition, and results of operations.





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Our failure to protect our reputation could have an adverse effect on our business.

We offer our customers quality products at competitive prices and a high level of customer service, resulting in a well-recognized brand and customer loyalty. Among other things, failure to respond rapidly to changing trends could diminish brand and customer loyalty and impact our reputation with customers.

Any significant damage to our brand or reputation could negatively impact sales, diminish customer trust and generate negative sentiment, any of which would harm our business and results of operation.

Fluctuations in the price of merchandise, raw materials, fuel and labor or their reduced availability could increase our cost of goods and negatively impact our financial results.

Fluctuations in the price and availability of fuel, labor and raw materials, combined with the inability to mitigate or to pass cost increases on to our customers or to change our merchandise mix as a result of such cost increases, could have an adverse impact on our profitability. Attempts to pass such costs along to our customers, however, might cause a decline in our sales volume. Additionally, any decrease in the availability of raw materials could impair our ability to meet our purchasing requirements in a timely manner. Both the increased cost and lower availability of merchandise, raw materials, fuel and labor may also have an adverse impact on our cash and working capital needs. Third party suppliers on whom we rely to obtain materials and provide production facilities may experience financial difficulties due to current and future economic conditions.

Our suppliers may experience financial difficulties due to a downturn in the industry or in other macroeconomic environments. Our suppliers' cash and working capital needs can be adversely impacted by the increased cost and lower availability of merchandise, raw materials, fuel and labor. Current and future economic conditions may prevent our suppliers from obtaining financing on favorable terms, which could impact their ability to supply us with merchandise on a timely basis.

We source many of our products from foreign countries, which exposes us to certain risks that include political and economic conditions.

Political discourse has recently focused on ways to discourage corporations in the United States from outsourcing manufacturing and production activities to foreign jurisdictions. Proposals to address this concern include the possibility of imposing tariffs, border adjustments or other penalties on goods manufactured outside the United States to attempt to discourage these practices. It has also been suggested that the United States may materially modify or withdraw from some of its existing trade agreements. Any of these actions, if ultimately enacted, could negatively impact our ability to source products from foreign jurisdictions and could lead to an increase in the cost of goods and adversely affect our profitability.

Moreover, our third-party suppliers in foreign jurisdictions are subject to political and economic uncertainty. We are subject to risks and uncertainties associated with changing economic and political conditions in foreign countries where our suppliers are located, including increased import duties, tariffs, trade restrictions and quotas, work stoppages, economic uncertainties, adverse foreign government regulations, wars, fears of war, terrorist attacks and organizing activities, adverse fluctuations of foreign currencies and political unrest. We cannot predict when, or the extent to which, the countries in which our products are manufactured will experience any of the foregoing events. Any event causing a disruption or delay of imports from foreign locations would likely increase the cost or reduce the supply of merchandise available to us and would adversely affect our operating results. In addition, trade restrictions, including increased tariffs or quotas, embargoes, safeguards, and customs restrictions against apparel items, as well as United States or foreign labor strikes, work stoppages, or boycotts, could increase the cost or reduce the supply of merchandise available to us or may require us to modify our current business practices, any of which could adversely affect our profitability.

Failure by third party suppliers to comply with our supplier compliance programs or applicable laws could have a material adverse effect on our business.

All of our suppliers must comply with our supplier compliance programs and applicable laws, including consumer and product safety laws, but we do not control our vendors or their labor and business practices. The violation of labor or

other laws by one of our vendors could have an adverse effect on our business. Additionally, although we diversify our sourcing and production, the failure of any supplier to produce and deliver our goods on time, to meet our quality standards and adhere to our product safety requirements or to meet the requirements of our supplier compliance program or applicable laws, could impact our ability to flow merchandise to our stores or directly to consumers in the right quantities at the right time, which could adversely affect our profitability and could result in damage to our reputation and translate into sales losses.

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A decrease in cash flows from our operations and constraints to accessing other financing sources could limit our ability to fund our operations, capital projects, interest and debt repayments, stock repurchases and dividends. Our business depends upon our operations to generate strong cash flow and to some extent upon the availability of financing sources to supply capital to fund our general operating activities, capital projects, interest and debt repayments, stock repurchases and dividends. Our inability to continue to generate sufficient cash flows to support these activities or the lack of available financing in adequate amounts and on appropriate terms when needed could adversely affect our financial performance including our earnings per share.

Reductions in the income and cash flow from our long-term marketing and servicing alliance related to our private label credit cards could impact operating results and cash flows.

Wells Fargo owns and manages our private label credit cards under the Wells Fargo Alliance. The Wells Fargo Alliance provides for certain payments to be made by Wells Fargo to the Company, including the Company's share of revenues under this alliance. The income and cash flow that the Company receives from the Wells Fargo Alliance is dependent upon a number of factors including the level of sales on Wells Fargo accounts, the level of balances carried on the 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, Wells Fargo's ability to extend credit to our customers as well as the cost of customer rewards programs, all of which can vary based on changes in federal and state banking and consumer protection laws and from a variety of economic, legal, social and other factors that we cannot control. If the income or cash flow that the Company receives from the Wells Fargo Alliance decreases, our operating results and cash flows could be adversely affected.

Credit card operations are subject to numerous federal and state laws that impose disclosure and other requirements upon the origination, servicing, and enforcement of credit accounts, and limitations on the amount of finance charges and fees that may be charged by a credit card provider. Wells Fargo may be subject to regulations that may adversely impact its operation of our private label credit card. To the extent that such limitations or regulations materially limit the availability of credit or increase the cost of credit to our cardholders or negatively impact provisions which affect our revenue streams associated with our private label credit card, our results of operations could be adversely affected. In addition, changes in credit card use, payment patterns, or default rates could be affected by a variety of economic, legal, social, or other factors over which we have no control and cannot predict with certainty. Such changes could also negatively impact our ability to facilitate consumer credit or increase the cost of credit to our cardholders. Our business is seasonal, and fluctuations in our revenues during the last quarter of our fiscal year can have a disproportionate effect on our results of operations.

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. Our fiscal fourth-quarter results may fluctuate significantly, based on many factors, including holiday spending patterns and weather conditions, and any such fluctuation could have a disproportionate effect on our results of operations for the entire fiscal year. Because of the seasonality of our business, our operating results vary considerably from quarter to quarter, and results from any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year.

A shutdown of, or disruption in, any of the Company's distribution or fulfillment centers would have an adverse effect on the Company's business and operations.

Our business depends on the orderly operation of the process of receiving and distributing merchandise, which relies on adherence to shipping schedules and effective management of distribution or fulfillment centers. Although we believe that our receiving and distribution process is efficient and that we have appropriate contingency plans, unforeseen disruptions in operations due to fire, severe weather conditions, natural disasters, or other catastrophic events, labor disagreements, or other shipping problems may result in the loss of inventory and/or delays in the delivery of merchandise to our stores and customers.

Current store locations may become less desirable, and desirable new locations may not be available for a reasonable price, if at all, either of which could adversely affect our results of operations.

In order to generate customer traffic and for convenience of our customers, we attempt to locate our stores in desirable locations within shopping malls and open air centers. Our stores benefit from the abilities that our Company, other anchor tenants and other area attractions have to generate consumer traffic. Adverse changes in the development of

new shopping malls in the United States, the availability or cost of appropriate locations within existing or new shopping malls, competition with other retailers for prominent locations, the success of individual shopping malls and the success or failure of other anchor tenants, or the continued popularity of shopping malls may continue to impact our ability to maintain or grow our sales in our existing stores, as well as our ability to open new stores, which could have an adverse effect on our financial condition or results of operations.

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Ownership and leasing of significant amounts of real estate exposes us to possible liabilities and losses.

We own the land and building, or lease the land and/or the building, for all of our stores. Accordingly, we are subject to all of the risks associated with owning and leasing real estate. In particular, the value of our real estate assets could decrease, and their operating costs could increase, because of changes in the investment climate for real estate, demographic trends and supply or demand for the use of the store, which may result from competition from similar stores in the area. Additionally, we are subject to potential liability for environmental conditions on the property that we own or lease. If an existing owned store is not profitable, and we decide to close it, we may be required to record an impairment charge and/or exit costs associated with the disposal of the store. We generally cannot cancel our leases. If an existing or future store is not profitable, and we decide to close it, we may be committed to perform certain obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. In addition, as each of the leases expires, we may be unable to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close stores in desirable locations. We may not be able to close an unprofitable owned store due to an existing operating covenant which may cause us to operate the location at a loss and prevent us from finding a more desirable location. We have approximately 75 stores along the Gulf and Atlantic coasts that are covered by third-party insurance but are self-insured for property and merchandise losses related to "named storms." As a result, the repair and replacement costs will be borne by us for damage to any of these stores from "named storms," which could have an adverse effect on our financial condition or results of operations.

A privacy breach could adversely affect our business, reputation and financial condition.

We receive certain personal information about our employees and our customers, including information permitting cashless payments, both in our stores and through our online operations at [www.dillards.com](http://www.dillards.com). In addition, our online operations depend upon the secure transmission of confidential information over public networks.

We have a longstanding Information Security Program committed to regular risk assessment practices surrounding the protection of confidential data. This program includes network segmentation and access controls around the computer resources that house confidential data. We continue to evaluate the security environment surrounding the handling and control of our critical data, especially the private data we receive from our customers, and we institute additional measures to help protect us from a privacy breach.

Despite our security measures, it is possible that unauthorized persons (through cyberattacks, which are evolving and becoming increasingly sophisticated, physical breach or other means) might defeat our security measures, those of Wells Fargo or of our other third party service providers or vendors, and obtain personal information of customers, employees or others. We have purchased Network Security and Cyber Liability insurance to provide some financial protection should a privacy breach occur; however, such a compromise, whether in our information security system or our third party service providers or vendors, resulting in personal information being obtained by unauthorized persons could adversely affect our reputation with our customers, employees and others, as well as our operations, results of operations, financial condition and liquidity, and could result in litigation against us or the imposition of penalties. In addition, a security breach could require that we expend significant additional resources related to our information security systems and could result in a disruption of our operations, particularly our online sales operations.

Litigation with customers, employees and others could harm our reputation and impact operating results.

In the ordinary course of business, we may be involved in lawsuits and regulatory actions. We are impacted by trends in litigation, including, but not limited to, class-action allegations brought under various consumer protection, employment, and privacy and information security laws. Additionally, we may be subject to employment-related claims alleging discrimination, harassment, wrongful termination and wage issues, including those relating to overtime compensation. We are susceptible to claims filed by customers alleging responsibility for injury suffered during a visit to a store or from product defects, and we are also subject to lawsuits filed by patent holders alleging patent infringement. These types of claims, as well as other types of lawsuits to which we are subject from time to time, can distract management's attention from core business operations and impact operating results, particularly if a lawsuit results in an unfavorable outcome.



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Our profitability may be adversely impacted by weather conditions.

Our merchandise assortments reflect assumptions regarding expected weather patterns and our profitability depends on our ability to timely deliver seasonally appropriate inventory. Unexpected or unseasonable weather conditions could render a portion of our inventory incompatible with consumer needs. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of the Company's inventory incompatible with those unseasonable conditions. Additionally, extreme weather or natural disasters, particularly in the areas in which our stores are located, could also severely hinder our ability to timely deliver seasonally appropriate merchandise. For example, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for the Company's customers to travel to its stores and thereby reduce the Company's sales and profitability. A reduction in the demand for or supply of our seasonal merchandise or reduced sales due to reduced customer traffic in our stores could have an adverse effect on our inventory levels, gross margins and results of operations.

Natural disasters, war, acts of violence, acts of terrorism, other armed conflicts, and public health issues may adversely impact our business.

The occurrence of, or threat of, a natural disaster, war, acts of violence, acts of terrorism, other armed conflicts, and public health issues could disrupt our operations, disrupt international trade and supply chain efficiencies, suppliers or customers, or result in political or economic instability. If commercial transportation is curtailed or substantially delayed our business may be adversely impacted, as we may have difficulty shipping merchandise to our distribution centers, fulfillment centers, stores, or directly to customers. As a result of the occurrence of, or threat of, a natural disaster, acts of violence or acts of terrorism in the United States, we may be required to suspend operations in some or all of our stores, which could have a material adverse impact on our business, financial condition, and results of operations.

Increases in the cost of employee benefits could impact the Company's financial results and cash flows.

The Company's expenses relating to employee health benefits are significant. Unfavorable changes in the cost of such benefits could impact the Company's financial results and cash flows. Healthcare costs have risen significantly in recent years, and recent legislative and private sector initiatives regarding healthcare reform could result in significant changes to the U.S. healthcare system. Pursuant to the Affordable Care Act, employees may be ineligible for certain healthcare subsidies if such employee is eligible and offered qualifying and affordable healthcare coverage under an employer's plan. Due to the breadth and complexity of the healthcare reform legislation, the lack of implementing regulations and interpretive guidance, and the uncertainty surrounding further reform proposals, the Company is not able to fully determine the impact that healthcare reform will have in the future on company sponsored medical plans. The Company depends on its ability to attract and retain quality employees, and failure to do so could adversely affect our ability to execute our business strategy and our operating results.

The Company's business is dependent upon attracting and retaining quality employees. The Company has a large number of employees, many of whom are in entry level or part-time positions with historically high rates of turnover. The Company's ability to meet its labor needs while controlling the costs associated with hiring and training new employees is subject to external factors such as unemployment levels, changing demographics, prevailing wage rates, and current or future minimum wage and health care reform legislation. In addition, as a complex enterprise operating in a highly competitive and challenging business environment, the Company is highly dependent upon management personnel to develop and effectively execute successful business strategies and tactics. Any circumstances that adversely impact the Company's ability to attract, train, develop and retain quality employees throughout the organization could adversely affect the Company's business and results of operations.

Variations in the amount of vendor allowances received could adversely impact our operating results.

We receive vendor allowances for advertising, payroll and margin maintenance that are a strategic part of our operations. A reduction in the amount of cooperative advertising allowances would likely cause us to consider other methods of advertising as well as the volume and frequency of our product advertising, which could increase/decrease our expenditures and/or revenue. Decreased payroll reimbursements would either cause payroll costs to rise, negatively impacting operating income, or cause us to reduce the number of employees, which may cause a decline in sales. A decline in the amount of margin maintenance allowances would either increase cost of sales, which would



negatively impact gross margin and operating income, or cause us to reduce merchandise purchases, which may cause a decline in sales.

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Our operations are dependent on information technology systems, and disruptions in those systems could have an adverse impact on our results of operations.

Our operations are dependent upon the integrity, security and consistent operation of various systems and data centers, including the point-of-sale systems in the stores, our Internet website, data centers that process transactions, communication systems and various software applications used throughout our Company to track inventory flow, process transactions and generate performance and financial reports. The Company's computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyberattack or other security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by the Company's employees. If the Company's computer systems are damaged or cease to function properly, the Company may have to make a significant investment to repair or replace them, and the Company may suffer loss of critical data and interruptions or delays in its operations in the interim. Any material interruption in the Company's computer systems could adversely affect its business or results of operations. Additionally, to keep pace with changing technology, we must continuously provide for the design and implementation of new information technology systems and enhancements of our existing systems. We could encounter difficulties in developing new systems or maintaining and upgrading existing systems. Such difficulties could lead to significant expenses or to losses due to disruption in business operations.

The percentage-of-completion method of accounting that we use to recognize contract revenues for our construction segment may result in material adjustments, which could result in a credit or a charge against our earnings.

Our construction segment recognizes contract revenues using the percentage-of-completion method. Under this method, estimated contract revenues are recognized by applying the percentage of completion of the project for the period to the total estimated revenues for the contract. Estimated contract losses are recognized in full when determined. Total contract revenues and cost estimates are reviewed and revised at a minimum on a quarterly basis as the work progresses and as change orders are approved. Adjustments based upon the percentage of completion are reflected in contract revenues in the period when these estimates are revised. To the extent that these adjustments result in an increase, a reduction or an elimination of previously reported contract profit, we are required to recognize a credit or a charge against current earnings, which could be material.

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## ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

## ITEM 2. PROPERTIES.

All of our stores are owned by us or leased from third parties. At February 3, 2018, we operated 292 stores in 29 states totaling approximately 49.2 million square feet of which we owned approximately 44.2 million square feet. Our third-party store leases typically provide for rental payments based on a percentage of net sales with a guaranteed minimum annual rent. In general, the Company pays the cost of insurance, maintenance and real estate taxes related to the leases.

The following table summarizes by state of operation the number of retail stores we operate and the corresponding owned and leased footprint at February 3, 2018:

Location	Number of stores	Owned Stores	Leased Stores	Owned Building on Leased Land	Partially Owned and Partially Leased
Alabama	9	9	—	—	—
Arkansas	8	7	—	—	1
Arizona	17	16	—	1	—
California	3	3	—	—	—
Colorado	7	7	—	—	—
Florida	42	39	1	2	—
Georgia	12	8	3	1	—
Iowa	5	5	—	—	—
Idaho	2	2	—	—	—
Illinois	3	3	—	—	—
Indiana	3	3	—	—	—
Kansas	5	3	—	2	—
Kentucky	6	5	1	—	—
Louisiana	15	14	1	—	—
Missouri	9	6	1	2	—
Mississippi	6	4	1	1	—
Montana	2	2	—	—	—
North Carolina	14	14	—	—	—
Nebraska	3	2	1	—	—
New Mexico	6	3	3	—	—
Nevada	5	5	—	—	—
Ohio	14	11	3	—	—
Oklahoma	10	6	4	—	—
South Carolina	7	7	—	—	—
Tennessee	10	8	1	—	1
Texas	57	44	7	1	5
Utah	5	5	—	—	—
Virginia	6	5	—	1	—
Wyoming	1	1	—	—	—
Total	292	247	27	11	7



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At February 3, 2018, we operated the following additional facilities:

Facility	Location	Square Feet	Owned / Leased
Distribution Centers:	Mabelvale, Arkansas	400,000	Owned
	Gilbert, Arizona	295,000	Owned
	Valdosta, Georgia	370,000	Owned
	Olathe, Kansas	500,000	Owned
	Salisbury, North Carolina	355,000	Owned
	Ft. Worth, Texas	700,000	Owned
Internet Fulfillment Center	Maumelle, Arkansas	850,000	Owned
Dillard's Executive Offices	Little Rock, Arkansas	333,000	Owned
CDI Contractors, LLC Executive Office	Little Rock, Arkansas	25,000	Owned
CDI Storage Facilities	Maumelle, Arkansas	66,000	Owned
Total		3,894,000	

Additional property information is contained in Notes 1, 12 and 13 in the "Notes to Consolidated Financial Statements," in Item 8 hereof.

**ITEM 3. 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 March 30, 2018, neither the Company nor any of its subsidiaries is a party to, nor is any of their property the subject of, any material legal proceedings.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

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## EXECUTIVE OFFICERS OF THE COMPANY

The following table lists the names and ages of all executive officers of the Company, the nature of any family relationship between them and the Company's CEO and all positions and offices with the Company presently held by each person named. Each is elected to serve a one-year term. There are no other persons chosen to become executive officers.

Name	Age	Position & Office	Held Present Office Since	Family Relationship to CEO
William Dillard, II	73	Director; Chief Executive Officer	1998	Not applicable
Alex Dillard	68	Director; President	1998	Brother of William Dillard, II
Mike Dillard	66	Director; Executive Vice President	1984	Brother of William Dillard, II
Drue Matheny	71	Director; Executive Vice President	1998	Sister of William Dillard, II
Chris B. Johnson (1)	46	Senior Vice President; Co-Principal Financial Officer	2015	None
Phillip R. Watts (2)	55	Senior Vice President; Co-Principal Financial Officer and Principal Accounting Officer	2015	None
William Dillard, III (3)	47	Senior Vice President	2015	Son of William Dillard, II
Denise Mahaffy (4)	60	Senior Vice President	2015	Sister of William Dillard, II
Dean L. Worley (5)	52	Vice President; General Counsel	2012	None
Mike McNiff	65	Vice President	1995	None
Brant Musgrave (6)	45	Vice President	2014	None
Mike Litchford (7)	52	Vice President	2016	None
Tom Bolin (8)	55	Vice President	2016	None
Annemarie Jazic (9)	34	Vice President	2017	Niece of William Dillard, II
Alexandra Lucie (10)	34	Vice President	2017	Niece of William Dillard, II
Tony Bolte (11)	59	Vice President	2017	None
James D. Stockman (12)	61	Vice President	2017	None

(1) Mr. Johnson served as Vice President of Accounting from 2006 to 2012 and served as Vice President of Real Estate from 2012 to 2015. In 2015, he was promoted to Senior Vice President and Co-Principal Financial Officer. Since 2008, Mr. Johnson has also served as Chief Financial Officer of CDI, the Company's wholly-owned general contracting construction subsidiary.

(2) Mr. Watts served as Vice President of Tax from 2002 to 2015. In 2015, he was promoted to Senior Vice President, Co-Principal Financial Officer and Principal Accounting Officer.

(3) Mr. Dillard served as Vice President of Corporate Merchandising and Product Development from 2001 to 2015. In 2015, he was promoted to Senior Vice President.

(4) Mrs. Mahaffy served as Corporate Vice President of Advertising from 2000 to 2015. In 2015, she was promoted to Senior Vice President.

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- (5) Mr. Worley served as Assistant General Counsel from 1996 to 2012. In 2012, he was promoted to Vice President and General Counsel.
- (6) Mr. Musgrave served as a Regional Vice President of Stores from 2007 to 2014. In 2014, he was promoted to Corporate Vice President of Stores.
- (7) Mr. Litchford served as a Regional Vice President of Stores from 2005 to 2016. In 2016, he was promoted to Corporate Vice President of Stores.
- (8) Mr. Bolin served as a Regional Vice President of Stores from 2000 to 2016. In 2016, he was promoted to Corporate Vice President of Stores.

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- (9) Mrs. Jazic served as Director of Contemporary Sportswear from 2006 to 2013 and Director of Online Experience from 2013 to 2017. In 2017, she was promoted to Vice President of Online Experience.
- (10) Mrs. Lucie served as a Divisional Merchandise Manager of Ladies', Juniors' and Children's Exclusive Brands from 2010 to 2014 and served as a General Merchandise Manager of Ladies', Juniors' and Children's Exclusive Brands from 2014 to 2017. In 2017, she was promoted to Corporate Vice President of Ladies', Juniors' and Children's Exclusive Brands.
- (11) Mr. Bolte served as Vice President of Logistics from 2007 through 2017. In 2017, he was promoted to Vice President of Information Technology and Logistics.
- (12) Mr. Stockman served as General Merchandise Manager of Exclusive Brands from 2004 through 2017. In 2017, he was promoted to Vice President of Corporate Ladies' Apparel.



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## PART II

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

## Market and Dividend Information for Common Stock

The Company's Class A Common Stock trades on the New York Stock Exchange under the Ticker Symbol "DDS".

No public market currently exists for the Company's Class B Common Stock.

The high and low sales prices of the Company's Class A Common Stock, and dividends declared on each class of common stock, for each quarter of fiscal 2017 and 2016 are presented in the table below:

Fiscal Quarter	2017		2016		Dividends per Share	
	High	Low	High	Low	2017	2016
First	\$60.96	\$46.56	\$88.58	\$65.24	\$0.07	\$0.07
Second	79.11	45.51	72.08	54.37	0.07	0.07
Third	83.44	50.40	77.70	56.05	0.10	0.07
Fourth	71.93	49.91	75.54	54.42	0.10	0.07

While the Company expects to continue paying quarterly cash dividends during fiscal 2018, all prospective dividends are subject to and conditional upon the review and approval of and declaration by the Board of Directors.

## Stockholders

As of March 3, 2018, there were 2,610 holders of record of the Company's Class A Common Stock and 8 holders of record of the Company's Class B Common Stock.

## Repurchase of Common Stock

## Issuer Purchases of Equity Securities

Period	(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
October 29, 2017 through November 25, 2017	178,801	\$ 53.11	178,801	\$ 59,964,234
November 26, 2017 through December 30, 2017	114,802	57.55	114,802	53,357,467
December 31, 2017 through February 3, 2018	290,395	63.85	290,395	34,815,596
Total	583,998	\$ 59.32	583,998	\$ 34,815,596

In February 2016, 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 plan ("February 2016 Stock Plan"). This authorization permitted 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 authorization had no expiration date. There was \$34.8 million in remaining availability pursuant to the February 2016 Stock Plan as of February 3, 2018.

Reference is made to the discussion in Note 9 in the "Notes to Consolidated Financial Statements" in Item 8 of this Annual Report, which information is incorporated by reference herein.



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Securities Authorized for Issuance under Equity Compensation Plans

The information concerning the Company's equity compensation plans is incorporated herein by reference to Item 12 of this Annual Report under the heading "Equity Compensation Plan Information".

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## Company Performance

The graph below compares the cumulative total returns on the Company's Class A Common Stock, the Standard & Poor's 500 Index and the Standard & Poor's 500 Department Stores Index for each of the last five fiscal years. The cumulative total return assumes \$100 invested in the Company's Class A Common Stock and each of the indices at market close on February 1, 2013 (the last trading day prior to the start of fiscal 2013) and assumes reinvestment of dividends.

The table below shows the dollar value of the respective \$100 investments, with the assumptions noted above, in each of the Company's Class A Common Stock, the Standard & Poor's 500 Index and the Standard & Poor's 500 Department Stores Index as of the last day of each of the Company's last five fiscal years.

	2013	2014	2015	2016	2017
Dillard's, Inc.	\$102.48	\$133.64	\$83.07	\$64.75	\$75.90
S&P 500	120.30	137.41	136.49	164.98	202.64
S&P 500 Department Stores	116.05	144.80	104.42	84.23	103.55

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## ITEM 6. SELECTED FINANCIAL DATA.

The selected financial data set forth below should be read in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations", our consolidated audited financial statements and notes thereto and the other information contained elsewhere in this report.

(Dollars in thousands, except per share data)

	2017*	2016	2015	2014	2013
Net sales	\$6,261,493	\$6,256,971	\$6,595,626	\$6,621,054	\$6,531,647
Percent change	—	% (5	)% —	% 1	% (1
Cost of sales	4,199,718	4,166,411	4,350,805	4,272,605	4,223,715
Percent of sales	67.1	% 66.6	% 66.0	% 64.5	% 64.7
Interest and debt expense, net	62,580	63,059	60,923	61,306	64,505
Income before income taxes and income on and equity in losses of joint ventures	212,689	257,675	408,784	510,768	496,224
Income taxes	(7,800	) 88,500	140,770	179,480	173,400
Income on and equity in losses of joint ventures	835	45	1,356	565	847
Net income	221,324	169,220	269,370	331,853	323,671
Net income per diluted common share	7.51	4.93	6.91	7.79	7.10
Dividends per common share	0.34	0.28	0.26	0.24	0.22
Book value per common share	60.77	53.41	49.98	49.02	45.33
Average number of diluted shares outstanding	29,486,671	34,308,211	39,004,500	42,603,236	45,586,087
Accounts receivable	39,650	48,230	47,138	56,510	30,840
Merchandise inventories	1,463,561	1,406,403	1,374,505	1,374,481	1,345,321
Property and equipment, net	1,696,276	1,790,267	1,939,832	2,029,171	2,134,200
Total assets	3,673,169	3,888,136	3,863,901	4,168,101	4,048,523
Long-term debt	365,429	526,106	613,061	612,815	612,569
Capital lease obligations	2,880	3,988	7,269	5,919	6,759
Other liabilities	240,173	238,424	238,980	250,455	228,439
Deferred income taxes	116,831	225,684	258,070	278,999	314,162
Subordinated debentures	200,000	200,000	200,000	200,000	200,000
Total stockholders' equity	1,708,155	1,717,417	1,795,305	2,019,270	1,992,197
Number of stores					
Opened	1	—	3	2	—
Closed	2	4**	3	1	6
Total—end of year	292	293	297	297	296

\*Fiscal 2017 contains 53 weeks.

\*\* Closed stores in 2016 include a retail store that is currently closed due to water damage.

The items below are included in the Selected Financial Data.

2017

The items below amount to a net \$4.1 million pretax gain (\$80.1 million after tax or \$2.71 per share).

a \$4.9 million pretax gain (\$3.2 million after tax or \$0.11 per share) related to the disposal of assets from the sale of a store property and insurance recovery on a previously damaged full-line store location partially offset by a loss on the sale of equipment.



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an \$0.8 million pretax loss (\$0.5 million after tax or \$0.02 per share) related to the write-off of certain deferred financing fees in connection with the amendment and extension of the Company's senior unsecured revolving credit facility.

an estimated tax benefit of approximately \$77.4 million (\$2.62 per share) related to the Tax Cuts and Jobs Act of 2017.

2016

A \$6.5 million pretax charge (\$4.2 million after tax or \$0.12 per share) for asset impairment related to the write-down of a cost method investment (See Note 13 in the "Notes to Consolidated Financial Statements" in Item 8 hereof).

2015

A \$12.6 million pretax gain (\$8.1 million after tax or \$0.21 per share) primarily related to the sale of four retail store locations.

2014

A \$5.9 million pretax gain (\$3.8 million after tax or \$0.09 per share) related to the sale of a retail store location.

2013

The items below amount to a net \$7.9 million pretax gain (\$5.1 million after tax gain or \$0.11 per share).

an \$11.7 million pretax gain (\$7.6 million after tax or \$0.17 per share) related to the sale of an investment.

a \$5.4 million pretax charge (\$3.5 million after tax or \$0.08 per share) for asset impairment and store closing charges related to the write-down of certain cost method investments.

a \$1.5 million pretax gain (\$1.0 million after tax or \$0.02 per share) related to a pension adjustment.

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

Dillard's, Inc. operates 292 retail department stores spanning 29 states and an Internet store. The Company also operates a general contractor, CDI, a portion of whose business includes constructing and remodeling stores for the Company, which is a reportable segment separate from our retail operations.

In accordance with the National Retail Federation fiscal reporting calendar and our bylaws, the fiscal 2017 reporting period presented and discussed below ended February 3, 2018 and contained 53 weeks. The fiscal 2016 and 2015 reporting periods presented and discussed below ended January 28, 2017 and January 30, 2016, respectively, and each contained 52 weeks. For comparability purposes, where noted, some of the information discussed below is based upon comparison of the 52 weeks ended January 27, 2018 to the 52 weeks ended January 28, 2017.

EXECUTIVE OVERVIEW

Fiscal 2017

The Company's performance during fiscal 2017 reflected positive sales trends during the fourth quarter. Comparable retail sales remained unchanged on a percentage basis for the 52-week period ended January 27, 2018 compared to the 52-week period ended January 28, 2017. Gross margin from retail operations declined 65 basis points of sales for the 53 weeks ended February 3, 2018 compared to the prior 52 weeks ended January 28, 2017 primarily due to increased markdown activity. Consolidated gross margin for the 53 weeks ended February 3, 2018 declined 48 basis points of sales compared to the prior 52 weeks ended January 28, 2017. Consolidated selling, general and administrative ("SG&A") expenses during the 53 weeks ended February 3, 2018 increased 56 basis points of sales compared to the 52 weeks ended January 28, 2017. The increase in expenses is primarily due to the additional week of operations during the 2017 reporting period. Net income increased to \$221.3 million, or \$7.51 per share, during fiscal 2017 from \$169.2 million, or \$4.93 per share, in the prior year.

Included in net income for fiscal 2017 is a pretax gain of \$4.9 million (\$3.2 million after tax or \$0.11 per share) on disposal of assets related to the sale of a store property and insurance recovery on a previously damaged full-line store location partially offset by a loss on the sale of equipment and a pretax loss of \$0.8 million (\$0.5 million after tax or \$0.02 per share) related to the write-off of certain deferred financing fees in connection with the amendment and extension of the Company's senior unsecured revolving credit facility. Also included in net income for the fiscal year is an estimated tax benefit of approximately \$77.4 million (\$2.62 per share) related to the Tax Cuts and Jobs Act of 2017.

Included in net income for fiscal 2016 is a pretax charge of \$6.5 million (\$4.2 million after tax or \$0.12 per share) for asset impairment related to the write-down of a cost method investment.

During fiscal 2017, the Company repurchased \$219.0 million, or 4.1 million shares, of Class A Common Stock under the February 2016 Stock Plan, with \$34.8 million in authorization remaining at February 3, 2018.

As of February 3, 2018, we had working capital of \$690.2 million (including cash and cash equivalents of \$187.0 million) and \$726.4 million of total debt outstanding, excluding capital lease obligations, with \$161.0 million in scheduled maturities in fiscal 2018. We operated 268 Dillard's locations, 24 clearance centers and one Internet store as of February 3, 2018.



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## Key Performance Indicators

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

	Fiscal 2017	Fiscal 2016	Fiscal 2015
Net sales (in millions)	\$6,261.5	\$6,257.0	\$6,595.6
Gross profit (in millions)	\$2,061.8	\$2,090.6	\$2,244.8
Gross profit as a percentage of net sales	32.9 %	33.4 %	34.0 %
Retail gross profit as a percentage of retail net sales	33.6 %	34.3 %	35.0 %
Selling, general and administrative expenses as a percentage of net sales	27.0 %	26.5 %	25.3 %
Cash flow from operations (in millions)	\$274.3	\$517.0	\$450.2
Total retail store count at end of period	292	293	297
Retail sales per square foot	\$127	\$126	\$130
Retail stores sales trend	(1) % **	(5) %	(2) %
Comparable retail store sales trend	— % **	(5) %	(2) %
Retail store inventory trend	4 %	2 %	— %
Retail merchandise inventory turnover	2.5	2.5	2.7

\*\* Based upon the 52 weeks ended January 27, 2018 and the 52 weeks ended January 28, 2017.

## Trends and Uncertainties

Fluctuations in the following key trends and uncertainties may have a material effect on our operating results.

**Cash flow**—Cash from operating activities is a primary source of our liquidity that is adversely affected when the retail industry faces economic challenges. Furthermore, operating cash flow can be negatively affected by competitive factors.

**Pricing**—If our customers do not purchase our merchandise offerings in sufficient quantities, we respond by taking markdowns. If we have to reduce our retail selling prices, the cost of sales on our consolidated statement of income will correspondingly rise, thus reducing our net income and cash flow.

**Success of brand**—The success of our exclusive brand merchandise as well as merchandise we source from national vendors is dependent upon customer fashion preferences and how well we can predict and anticipate trends.

**Sourcing**—Our store merchandise selection is dependent upon our ability to acquire appealing products from a number of sources. Our ability to attract and retain compelling vendors as well as in-house design talent, the adequacy and stable availability of materials and production facilities from which we source our merchandise and the speed at which we can respond to customer trends and preferences all have a significant impact on our merchandise mix and, thus, our ability to sell merchandise at profitable prices.

**Store growth**—Our ability to open new stores is dependent upon a number of factors, such as the identification of suitable markets and locations and the availability of shopping developments, especially in a weak economic environment. Store growth can be further hindered by mall attrition and subsequent closure of underperforming properties.

## Seasonality and Inflation

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.

We do not believe that inflation has had a material effect on our results during the periods presented; however, our business could be affected by such in the future.



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## 2018 Guidance

A summary of management's estimates of certain financial measures for fiscal 2018 is shown below.

	Fiscal	Fiscal
(in millions of dollars)	2018	2017
	Estimated	Actual
Depreciation and amortization	\$ 230	\$ 232
Rentals	27	28
Interest and debt expense, net	50	63
Capital expenditures	140	130
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 fiscal year. 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.

**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, 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 capital lease obligations.

**Loss on early extinguishment of debt.** Loss on early extinguishment of debt includes charges related to the write-off of deferred financing fees in connection with the amendment of the Company's senior unsecured revolving credit facility.

**Gain on disposal of assets.** 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 the insured assets.

Asset impairment and store closing charges. Asset impairment and store closing charges consist of (a) write-downs to fair value of under-performing or held for sale properties and of cost method investments and (b) exit costs associated with the closure of certain stores. Exit costs include future rent, taxes and common area maintenance expenses from the time the stores are closed.

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Income on and equity in losses of joint ventures. Income on and equity in losses of joint ventures includes the Company's portion of the income or loss of the Company's unconsolidated joint ventures as well as the distribution of excess cash (excluding returns of investments) from a mall joint venture.

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### Critical Accounting Policies and Estimates

The Company's significant accounting policies are also described in Note 1 in the "Notes to Consolidated Financial Statements" in Item 8 hereof. As disclosed in that note, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company evaluates its estimates and judgments on an ongoing basis and predicates those estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Since future events and their effects cannot be determined with absolute certainty, actual results could differ from those estimates.

Management of the Company believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in preparation of the Company's consolidated financial statements.

**Merchandise inventory.** All of the Company's inventories are valued at the lower of cost or market using the last-in, first-out ("LIFO") inventory method. Approximately 97% of the Company's inventories are valued using the LIFO retail inventory method. Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are calculated by applying a calculated cost to retail ratio to the retail value of inventories. The retail inventory method is an averaging method that is widely used in the retail industry due to its practicality. Inherent in the retail inventory method calculation are certain significant management judgments including, among others, merchandise markon, markups, and markdowns, which significantly impact the ending inventory valuation at cost as well as the resulting gross margins. During periods of deflation, inventory values on the first-in, first-out ("FIFO") retail inventory method may be lower than the LIFO retail inventory method. Additionally, inventory values at LIFO cost may be in excess of net realizable value. At February 3, 2018 and January 28, 2017, merchandise inventories valued at LIFO, including adjustments as necessary to record inventory at the lower of cost or market, approximated the cost of such inventories using the FIFO retail inventory method. The application of the LIFO retail inventory method did not result in the recognition of any LIFO charges or credits affecting cost of sales for fiscal 2017, 2016 or 2015. A 1% change in the dollar amount of markdowns would have impacted net income by approximately \$11 million for fiscal 2017.

The Company regularly records a provision for estimated shrinkage, thereby reducing the carrying value of merchandise inventory. Complete physical inventories of the Company's stores and warehouses are performed no less frequently than annually, with the recorded amount of merchandise inventory being adjusted to coincide with these physical counts. The differences between the estimated amounts of shrinkage and the actual amounts realized during the past three years have not been material.

**Revenue recognition.** The Company's retail operations segment recognizes revenue upon the sale of merchandise to its customers, net of anticipated returns of merchandise. The provision for sales returns is based on historical evidence of our return rate. We recorded an allowance for sales returns of \$4.8 million and \$5.1 million as of February 3, 2018 and January 28, 2017, respectively. Adjustments to earnings resulting from revisions to estimates on our sales return provision were not material for fiscal years 2017, 2016 or 2015.

The Company's share of income earned under the Wells Fargo Alliance and former Synchrony Alliance involving the Dillard's branded private label credit cards is included as a component of service charges and other income. The Company received income of approximately \$101 million, \$104 million and \$105 million from the alliances in fiscal 2017, 2016 and 2015, respectively. The Company participates in the marketing of the private label credit cards and accepts payments on the private label credit cards in its stores as a convenience to customers who prefer to pay in person rather than by paying online or mailing their payments to Wells Fargo.

Revenues from CDI construction contracts are generally recognized by applying percentages of completion for each period to the total estimated revenue for the respective contracts. The length of each contract varies but is typically nine to eighteen months. The percentages of completion are determined by relating the actual costs of work performed to date to the current estimated total costs of the respective contracts. Any anticipated losses on completed contracts are recognized as soon as they are determined.

**Vendor allowances.** The Company receives concessions from vendors through a variety of programs and arrangements, including co-operative advertising, payroll reimbursements and margin maintenance programs.

Cooperative advertising allowances are reported as a reduction of advertising expense in the period in which the advertising occurred. If vendor advertising allowances were substantially reduced or eliminated, the Company would likely consider other methods of advertising as well as the volume and frequency of our product advertising, which could increase or decrease our expenditures. Similarly, we are not able to assess the impact of vendor advertising allowances on creating additional revenues, as such allowances do not directly generate revenues for our stores.

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Payroll reimbursements are reported as a reduction of payroll expense in the period in which the reimbursement occurred.

Amounts of margin maintenance allowances are recorded only when an agreement has been reached with the vendor and the collection of the concession is deemed probable. All such merchandise margin maintenance allowances are recognized as a reduction of cost purchases. Under the retail inventory method, a portion of these allowances reduces cost of goods sold and a portion reduces the carrying value of merchandise inventory.

**Insurance accruals.** The Company's consolidated balance sheets include liabilities with respect to claims for self-insured workers' compensation (with a self-insured retention of \$4 million per claim) and general liability (with a self-insured retention of \$1 million per claim and a one-time \$1 million corridor). The Company's retentions are insured through a wholly-owned captive insurance subsidiary. The Company estimates the required liability of such claims, utilizing an actuarial method, based upon various assumptions, which include, but are not limited to, our historical loss experience, projected loss development factors, actual payroll and other data. The required liability is also subject to adjustment in the future based upon the changes in claims experience, including changes in the number of incidents (frequency) and changes in the ultimate cost per incident (severity). As of February 3, 2018 and January 28, 2017, insurance accruals of \$40.4 million and \$43.1 million, respectively, were recorded in trade accounts payable and accrued expenses and other liabilities. Adjustments resulting from changes in historical loss trends have helped control expenses during fiscal 2017 and 2016, partially due to Company programs that have helped decrease both the number and cost of claims. Further, we do not anticipate any significant change in loss trends, settlements or other costs that would cause a significant change in our earnings. A 10% change in our self-insurance reserve would have affected net income by \$3.0 million for fiscal 2017.

**Long-lived assets.** The Company's judgment regarding the existence of impairment indicators is based on market and operational performance. We assess the impairment of long-lived assets, primarily fixed assets, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- Significant changes in the manner of our use of assets or the strategy for the overall business;
- Significant negative industry or economic trends;
- A current-period operating or cash flow loss combined with a history of operating or cash flow losses; and
- Store closings.

The Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the related asset exceeds the fair value, the carrying value is reduced to its fair value. Various factors including future sales growth, profit margins and real estate values are included in this analysis. To the extent these future projections or the Company's strategies change, the conclusion regarding impairment may differ from the current estimates.

**Income taxes.** Temporary differences arising from differing treatment of income and expense items for tax and financial reporting purposes result in deferred tax assets and liabilities that are recorded on the balance sheet. These balances, as well as income tax expense, are determined through management's estimations, interpretation of tax law for multiple jurisdictions and tax planning. If the Company's actual results differ from estimated results due to changes in tax laws, changes in store locations, settlements of tax audits or tax planning, the Company's effective tax rate and tax balances could be affected. As such, these estimates may require adjustment in the future as additional facts become known or as circumstances change. Changes in the Company's assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of income.

The total amount of unrecognized tax benefits as of February 3, 2018 was \$3.2 million, of which \$2.3 million would, if recognized, affect the Company's effective tax rate. The total amount of unrecognized tax benefits as of January 28, 2017 was \$4.0 million, of which \$2.5 million would, if recognized, affect the Company's effective tax rate. The Company does not expect a significant change in unrecognized tax benefits in the next twelve months. The Company classifies accrued interest expense and penalties relating to income tax in the consolidated financial statements as income tax expense. The total amounts of interest and penalties were not material.

The fiscal tax years that remain subject to examination for the federal tax jurisdiction and major state tax jurisdictions are 2014 and forward. At this time, the Company does not expect the results from any income tax audit to have a



material impact on the Company's consolidated financial statements.

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Pension obligations. The discount rate that the Company utilizes for determining future pension obligations is based on the Citigroup Above Median Pension Index Curve on its annual measurement date and is matched to the future expected cash flows of the benefit plans by annual periods. The discount rate decreased to 3.7% as of February 3, 2018 from 4.0% as of January 28, 2017. We believe that these assumptions have been appropriate and that, based on these assumptions, the pension liability of \$194.7 million is appropriately stated as of February 3, 2018; however, actual results may differ materially from those estimated and could have a material impact on our consolidated financial statements. A further 50 basis point change in the discount rate would increase or decrease the pension liability by approximately \$12.1 million. The Company expects to make a contribution to the pension plan of approximately \$5.1 million in fiscal 2018. The Company expects pension expense to be approximately \$11.3 million in fiscal 2018 with a liability of \$201.0 million at February 2, 2019.

**RESULTS OF OPERATIONS**

The following table sets forth the results of operations and percentage of net sales, for the periods indicated:

(in thousands of dollars)	For the years ended					
	February 3, 2018		January 28, 2017		January 30, 2016	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$6,261,493	100.0 %	\$6,256,971	100.0 %	\$6,595,626	100.0 %
Service charges and other income	161,183	2.6	161,038	2.6	158,919	2.4
	6,422,676	102.6	6,418,009	102.6	6,754,545	102.4
Cost of sales	4,199,718	67.1	4,166,411	66.6	4,350,805	66.0
Selling, general and administrative expenses	1,692,145	27.0	1,655,658	26.5	1,669,916	25.3
Depreciation and amortization	231,595	3.7	243,657	3.9	250,011	3.8
Rentals	28,012	0.4	25,954	0.4	26,732	0.4
Interest and debt expense, net	62,580	1.0	63,059	1.0	60,923	0.9
Loss on early extinguishment of debt	797	—	—	—	—	—
Gain on disposal of assets	(4,860)	(0.1)	(905)	—	(12,626)	(0.2)
Asset impairment and store closing charges	—	—	6,500	0.1	—	—
Income before income taxes and income on and equity in losses of joint ventures	212,689	3.4	257,675	4.1	408,784	6.2
Income taxes	(7,800)	(0.1)	88,500	1.4	140,770	2.1
Income on and equity in losses of joint ventures	835	—	45	—	1,356	—
Net income	\$221,324	3.5 %	\$169,220	2.7 %	\$269,370	4.1 %

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## Sales

(in thousands of dollars) Fiscal 2017 Fiscal 2016 Fiscal 2015

## Net sales:

Retail operations segment \$6,108,053 \$6,071,404 \$6,388,769

Construction segment 153,440 185,567 206,857

Total net sales \$6,261,493 \$6,256,971 \$6,595,626

The percent change by segment and product category in the Company's sales for the past two years is as follows:

	Percent Change		
	Fiscal 2017-2016	Fiscal 2017-2016*	Fiscal 2016 - 2015
Retail operations segment			
Cosmetics	(3.2 )%	(4.3 )%	(5.3 )%
Ladies' apparel	3.5	2.1	(3.6 )
Ladies' accessories and lingerie	0.1	(1.2 )	(6.7 )
Juniors' and children's apparel	2.2	0.9	(5.1 )
Men's apparel and accessories	1.8	0.4	(3.9 )
Shoes	(1.0 )	(2.2 )	(5.3 )
Home and furniture	(1.2 )	(2.4 )	(7.3 )
Construction segment	(17.3)	(17.3 )	(10.3)

\*Based upon the 52 weeks ended January 27, 2018 and 52 weeks ended January 28, 2017

## 2017 Compared to 2016

Net sales from the retail operations segment increased \$36.6 million during the 53-week period ended February 3, 2018 compared to the 52-week period ended January 28, 2017, increasing 1% in total stores. Sales in comparable stores remained unchanged on a percentage basis for the 52-week period ended January 27, 2018 compared to the 52-week period ended January 28, 2017. During the same 52-week periods, sales of ladies' apparel increased moderately, and sales of juniors' and children's apparel increased slightly. Sales of ladies' accessories and lingerie decreased slightly. Sales of cosmetics, shoes and home and furniture decreased moderately, while sales of men's apparel and accessories remained essentially flat.

The number of sales transactions during the 53-week period ended February 3, 2018 decreased 2% over the 52-week period ended January 28, 2017 while the average dollars per sales transaction increased 2%.

Net sales from the construction segment decreased \$32.1 million or 17.3% during fiscal 2017 as compared to fiscal 2016 due to a decrease in construction projects. The backlog of awarded construction contracts at February 3, 2018 totaled \$319.7 million, increasing approximately 36% from January 28, 2017.

## 2016 Compared to 2015

Net sales from the retail operations segment decreased \$317.4 million during fiscal 2016 as compared to fiscal 2015, decreasing 5% in both total and comparable stores. During fiscal 2016, sales of ladies' apparel and men's apparel and accessories decreased moderately from the prior year. Sales of ladies' accessories and lingerie, shoes, juniors' and children's apparel, cosmetics and home and furniture decreased significantly from the prior year.

The number of sales transactions during fiscal 2016 decreased 7% over fiscal 2015 while the average dollars per sales transaction increased 2%.

Net sales from the construction segment decreased \$21.3 million or 10.3% during fiscal 2016 as compared to fiscal 2015 due to a decrease in construction projects. The backlog of awarded construction contracts at January 28, 2017 totaled \$235.8 million, increasing approximately 41% from January 30, 2016.



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## Exclusive Brand Merchandise

Sales penetration of exclusive brand merchandise for fiscal years 2017, 2016 and 2015 was 21.4%, 21.7% and 21.7% of total net sales, respectively.

## Service Charges and Other Income

				Dollar Change		Percent Change	
(in millions of dollars)	Fiscal 2017	Fiscal 2016	Fiscal 2015	2017 - 2016	2016 - 2015	2017 - 2016	2016 - 2015
Service charges and other income:							
Retail operations segment							
Income from Wells Fargo Alliance and former Synchrony Alliance	\$101.3	\$103.6	\$105.4	\$(2.3)	\$(1.8)	(2.2 )%	(1.7 )%
Leased department income	6.0	7.3	7.2	(1.3 )	0.1	(17.8)	1.4
Shipping and handling income	33.3	29.2	26.1	4.1	3.1	14.0	11.9
Other	17.9	19.3	17.7	(1.4 )	1.6	(7.3 )	9.0
	158.5	159.4	156.4	(0.9 )	3.0	(0.6 )	1.9
Construction segment	2.7	1.6	2.5	1.1	(0.9 )	68.8	(36.0)
Total	\$161.2	\$161.0	\$158.9	\$0.2	\$2.1	0.1 %	1.3 %

## 2017 Compared to 2016

Service charges and other income is composed primarily of income from the Wells Fargo Alliance and former Synchrony Alliance. Income from the alliances decreased \$2.3 million in fiscal 2017 compared to fiscal 2016 primarily due to a decrease in finance charge income and an increase in funding costs, partially offset by a sales tax settlement from the former Synchrony Alliance.

Leased department income is primarily earned from an upscale women's apparel vendor in certain stores. During fiscal 2017, the vendor filed for bankruptcy; however, the vendor was subsequently acquired, and the operations of the business remained intact.

## 2016 Compared to 2015

Service charges and other income is composed primarily of income from the Wells Fargo Alliance and former Synchrony Alliance. Income from the alliances decreased \$1.8 million in fiscal 2016 compared to fiscal 2015 primarily due to a decrease in income from the former Synchrony Alliance.

## Gross Profit

(in thousands of dollars)	Fiscal 2017	Fiscal 2016	Fiscal 2015
Gross profit:			
Retail operations segment	\$2,054,985	\$2,081,769	\$2,237,077
Construction segment	6,790	8,791	7,744
Total gross profit	\$2,061,775	\$2,090,560	\$2,244,821
Gross profit as a percentage of segment net sales:			
Retail operations segment	33.6	% 34.3	% 35.0
Construction segment	4.4	4.7	3.7
Total gross profit as a percentage of net sales	32.9	33.4	34.0



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## 2017 Compared to 2016

Gross profit as a percentage of net sales declined 48 basis points of sales during fiscal 2017 compared to fiscal 2016. Gross profit from retail operations declined 65 basis points of segment net sales during the same periods primarily due to increased markdowns.

During fiscal 2017, gross margin declined slightly in ladies' apparel, cosmetics and juniors' and children's apparel.

Gross margin declined moderately in ladies' accessories and lingerie. Gross margin increased slightly in men's apparel and accessories while remaining essentially flat in shoes and home and furniture.

Gross profit from the construction segment decreased \$2.0 million and 31 basis points of segment net sales. The basis point decrease was due to a decrease in fees for external contracts.

Retail store inventory increased 4% at February 3, 2018 compared to January 28, 2017.

## 2016 Compared to 2015

Gross profit as a percentage of net sales declined 62 basis points of sales during fiscal 2016 compared to fiscal 2015.

Gross profit from retail operations declined 73 basis points of segment net sales during the same periods primarily due to increased markdowns.

During fiscal 2016, gross margin declined slightly in cosmetics, men's apparel and accessories and juniors' and children's apparel. Gross margin declined moderately in ladies' accessories and lingerie. Gross margin was essentially flat in ladies' apparel, shoes and home and furniture.

Gross profit from the construction segment increased \$1.0 million and increased, on a percentage basis, by 100 basis points of segment net sales. The increase was due to an increase in fees for external contracts.

Retail store inventory increased 2% at January 28, 2017 compared to January 30, 2016.

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

(in thousands of dollars)

	Fiscal 2017	Fiscal 2016	Fiscal 2015
SG&A:			
Retail operations segment	\$1,685,079	\$1,649,654	\$1,664,301
Construction segment	7,066	6,004	5,615
Total SG&A	\$1,692,145	\$1,655,658	\$1,669,916
SG&A as a percentage of segment net sales:			
Retail operations segment	27.6	% 27.2	% 26.1
Construction segment	4.6	3.2	2.7
Total SG&A as a percentage of net sales	27.0	26.5	25.3

## 2017 Compared to 2016

SG&A increased \$36.5 million and 56 basis points of sales during the 53 weeks ended February 3, 2018 compared to the 52 weeks ended January 28, 2017. The dollar increase in expenses was primarily driven by payroll due to the additional week of operations during the 2017 reporting period.

## 2016 Compared to 2015

SG&A decreased \$14.3 million and increased 114 basis points of sales during fiscal 2016 compared to fiscal 2015.

The decrease in expense was primarily driven by decreased advertising (\$7.0 million), supplies (\$7.3 million) and utilities (\$4.3 million) expenses partially offset by an increase in payroll (\$3.8 million) and employee-related insurance expense (\$4.3 million).





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## Depreciation and Amortization

(in thousands of dollars)	Fiscal 2017	Fiscal 2016	Fiscal 2015
Depreciation and amortization:			
Retail operations segment	\$ 230,946	\$ 242,981	\$ 249,508
Construction segment	649	676	503
Total depreciation and amortization	\$ 231,595	\$ 243,657	\$ 250,011

## 2017 Compared to 2016

Depreciation and amortization expense decreased \$12.1 million during fiscal 2017 compared to fiscal 2016, primarily due to the timing and composition of capital expenditures.

## 2016 Compared to 2015

Depreciation and amortization expense decreased \$6.4 million during fiscal 2016 compared to fiscal 2015, primarily due to the timing and composition of capital expenditures.

## Interest and Debt Expense, Net

(in thousands of dollars)	Fiscal 2017	Fiscal 2016	Fiscal 2015
Interest and debt expense (income), net:			
Retail operations segment	\$ 62,638	\$ 63,127	\$ 60,989
Construction segment	(58 )	(68 )	(66 )
Total interest and debt expense, net	\$ 62,580	\$ 63,059	\$ 60,923

## 2017 Compared to 2016

Net interest and debt expense decreased \$0.5 million during the 53-week period ended February 3, 2018 compared to 52-week period ended January 28, 2017 primarily due to an increase in capitalized interest and investment income.

Total weighted average debt outstanding during fiscal 2017 decreased approximately \$14.5 million compared to fiscal 2016, due to a decrease in short term borrowings under the credit facility and a note maturity in 2017.

## 2016 Compared to 2015

Net interest and debt expense increased \$2.1 million in fiscal 2016 compared to fiscal 2015 primarily due to a decrease in capitalized interest and investment income. Total weighted average debt outstanding during fiscal 2016 decreased approximately \$21.5 million compared to fiscal 2015, due to a decrease in average outstanding short term borrowings under the credit facility.

## Loss on Early Extinguishment of Debt

(in thousands of dollars)	Fiscal 2017	Fiscal 2016	Fiscal 2015
Loss on early extinguishment of debt:			
Retail operations segment	\$ 797	\$ —	—
Construction segment	—	—	—
Total loss on early extinguishment of debt	\$ 797	\$ —	—

During fiscal 2017, we recorded charges totaling \$0.8 million due to the write-off of certain deferred financing fees in connection with the amendment and extension of the Company's senior unsecured revolving credit facility.



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## Gain on Disposal of Assets

(in thousands of dollars)	Fiscal 2017	Fiscal 2016	Fiscal 2015
Gain on disposal of assets:			
Retail operations segment	\$(4,855)	\$(886)	\$(12,619)
Construction segment	(5 )	(19 )	(7 )
Total gain on disposal of assets	\$(4,860)	\$(905)	\$(12,626)

## Fiscal 2017

During fiscal 2017, the Company received proceeds of \$16.8 million primarily from the sale of two store properties, insurance recovery on a previously damaged full-line store location and sale of equipment, resulting in a gain of \$4.9 million that was recorded in gain on disposal of assets.

## Fiscal 2015

During fiscal 2015, the Company received proceeds of \$25.5 million primarily from the sales of four retail store locations in Huntsville, Alabama, Sandy, Utah, Tampa, Florida and Arlington, Texas, resulting in a gain of \$12.6 million that was recorded in gain on disposal of assets.

## Asset Impairment and Store Closing Charges

(in thousands of dollars)	Fiscal 2017	Fiscal 2016	Fiscal 2015
Asset impairment and store closing charges:			
Retail operations segment	\$ —	—\$6,500	\$ —
Construction segment	—	—	—
Total asset impairment and store closing charges	\$ —	—\$6,500	\$ —

## Fiscal 2016

Asset impairment for fiscal 2016 consisted of the write-down of a cost method investment.

## Income Taxes

The Tax Cuts and Jobs Act of 2017 (“the Act”) was signed into law on December 22, 2017. The Act’s primary impact to the Company’s consolidated financial statements was its reduction of the federal corporate income tax rate from 35% to 21%, effective January 1, 2018. The Company has determined a reasonable estimate of the income tax effects of the Act and recorded provisional amounts within its consolidated financial statements. The Company continues to analyze additional information and guidance related to certain aspects of the Tax Act, including, but not limited to, increased expensing of business assets, limitations on the deductibility of executive compensation, conformity or changes by state taxing authorities in response to the Tax Act, and any impact on the final determination of the net deferred tax liabilities. The final income tax effects of the Act may differ from the provisional amounts recorded due to, among other factors, anticipated guidance to be released in the coming year, including IRS notices, and any resulting changes in the Company’s interpretation and application of the Act. The Company will finalize its accounting for the income tax effects of the Act within the one-year measurement period provided under SEC Staff Accounting Bulletin No. 118. The Company's estimated federal and state effective income tax rate, inclusive of income on and equity in losses of joint ventures, was (3.7)% in fiscal 2017, 34.3% in fiscal 2016, and 34.3% in fiscal 2015. The Company expects the fiscal 2018 federal and state effective income tax rate to approximate 22% - 23%.

## Fiscal 2017

During fiscal 2017, income taxes included estimated tax benefits of approximately \$77.4 million related to the Act. The Company’s estimate of this benefit is comprised of: (1) approximately \$74.2 million for the effect of reduced future corporate income tax rates on existing net deferred tax liabilities; and (2) approximately \$3.2 million due to the lower blended federal statutory income tax rate in effect for fiscal 2017. Income taxes also included the recognition of tax benefits of approximately \$4.4 million related to federal tax credits, which includes the employee retention credit available to employers impacted by the 2017 hurricanes.



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## Fiscal 2016

During fiscal 2016, income taxes included the recognition of tax benefits of approximately \$2.4 million related to federal tax credits. These tax benefits were partially offset by tax expense of approximately \$1.9 million due to net increases in valuation allowances related to state net operating loss carryforwards.

## Fiscal 2015

During fiscal 2015, income taxes included the recognition of tax benefits of approximately \$2.0 million related to federal tax credits and \$1.5 million due to net decreases in valuation allowances related to state net operating loss carryforwards.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's current non-operating priorities for its use of cash are stock repurchases, strategic investments to enhance the value of existing properties and dividend payments to stockholders.

Cash flows for the Company's most recent three fiscal years were as follows:

(in thousands of dollars)	Fiscal 2017	Fiscal 2016	Fiscal 2015	Percent Change	
				2017 - 2016	2016 - 2015
Operating Activities	\$274,285	\$517,007	\$450,226	(46.9)%	14.8%
Investing Activities	(110,207 )	(119,649 )	(132,939 )	7.9	10.0
Financing Activities	(324,035 )	(253,242 )	(518,170 )	(28.0)	51.1
Total Cash Provided (Used)	\$(159,957)	\$144,116	\$(200,883)		

## Operating Activities

The primary source of the Company's liquidity is cash flows from operations. Due to the seasonality of the Company's business, we have historically realized a significant portion of the cash flows from operating activities during the second half of the fiscal year. Retail operations sales are the key operating cash component, providing 95.1%, 94.6% and 94.6% of total revenues in fiscal 2017, 2016, and 2015, respectively.

Operating cash inflows also include revenue and reimbursements from the Wells Fargo Alliance and former Synchrony Alliance and cash distributions from joint ventures (excluding returns of investments). Operating cash outflows include payments to vendors for inventory, services and supplies, payments to employees and payments of interest and taxes.

Synchrony owned and managed Dillard's private label credit cards under the Synchrony Alliance that expired in November 2014. Following that scheduled expiration, Wells Fargo purchased the Dillard's private label card portfolio from Synchrony and began managing 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 earned on 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. We accept payments on the private label cards in our stores as a convenience to customers who prefer to pay in person rather than by paying online or mailing their payments to Wells Fargo. The Wells Fargo Alliance expires in fiscal 2024.

The Company received income of approximately \$101 million, \$104 million and \$105 million from the Wells Fargo Alliance and former Synchrony Alliance during fiscal 2017, 2016 and 2015, respectively.

Net cash flows from operations decreased \$242.7 million during fiscal 2017 compared to fiscal 2016. This decrease was primarily attributable to a decrease of \$205 million related to changes in working capital items, primarily decreases in trade accounts payable and increases in inventory, and decreases in deferred income taxes.

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Net cash flows from operations increased \$66.8 million during fiscal 2016 compared to fiscal 2015. This increase was primarily attributable to an increase of \$153.1 million related to changes in working capital items, primarily increases in trade accounts payable and accrued expenses. These increases were partially offset by decreases in gross profit.

### Investing Activities

Cash inflows from investing activities generally include proceeds from sales of property and equipment. Investment cash outflows generally include payments for capital expenditures such as property and equipment.

Capital expenditures increased \$25.6 million for fiscal 2017 compared to fiscal 2016. The increase in capital expenditures was primarily related to the construction of new stores and remodeling of existing stores. The fiscal 2017 expenditures of \$130.5 million were primarily for (a) the opening of a store in The Mall at Greenhills in Nashville, Tennessee (180,000 square feet), replacing an owned location (180,000 square feet) at that center, (b) the purchase and opening of a store at Temple Mall in Temple, Texas (109,000 square feet), replacing a leased location (91,000 square feet) at that center, (c) the purchase of a store at Layton Hills Mall in Layton, Utah (160,000 square feet), which opened in November 2017 and (d) the remodeling of existing stores.

Capital expenditures decreased \$61.0 million for fiscal 2016 compared to fiscal 2015. The decline in capital expenditures was primarily related to the construction of new stores during the comparable prior year period. The fiscal 2016 expenditures of \$104.8 million were primarily for the remodeling of our Four Seasons store in Greensboro, North Carolina (200,000 square feet replacing 214,000 square feet) and other existing stores.

Capital expenditures for fiscal 2018 are expected to be approximately \$140 million. These expenditures are primarily for the construction and remodeling of stores.

During fiscal 2017, we closed the Salina store in Salina, Kansas (70,000 square feet) and the Greenspoint clearance center in Houston, Texas (70,000 square feet). We remain committed to closing under-performing stores where appropriate and may incur future closing costs related to these stores when they close.

During fiscal 2017, the Company received proceeds of \$11.7 million for the sale of owned locations in Ohio (115,000 square feet) and Texas (70,000 square feet) and the sale of equipment resulting in a net loss of \$1.0 million.

Additionally, the Company received insurance proceeds of \$5.1 million from the recovery of a previously damaged full-line store location. The Company recorded a gain of \$5.9 million as a result of the final insurance settlement for the damaged store.

During fiscal 2016 and 2015, we received proceeds from the sale of property and equipment of \$1.2 million and \$25.5 million, respectively, and recorded related gains of \$0.9 million and \$12.6 million, respectively. At the beginning of fiscal 2015, \$7.3 million of the fiscal 2014 proceeds was being held in escrow for the acquisition of replacement property under like-kind exchange agreements. The escrow accounts were administered by an intermediary. Pursuant to the like-kind exchange agreements, the cash was restricted for a maximum of 180 days from the date of the property sale pending the acquisition of replacement property. Changes in restricted cash balances are reflected as an investment activity in the accompanying Consolidated Statements of Cash Flows. During fiscal 2015, payments of \$7.3 million were made from restricted cash for like-kind property.

During fiscal 2016, the Company invested \$20.0 million in an existing open air center joint venture located in Bonita Springs, Florida. The investment was funded using cash on hand. The joint venture used these funds in the refinancing of its debt. The Company received distributions of \$3.5 million and \$2.5 million from this investment in 2017 and 2016, respectively.

### Financing Activities

Our primary source of cash inflows from financing activities is generally our \$800 million senior unsecured revolving credit facility. Financing cash outflows generally include the repayment of borrowings under the revolving credit facility, the repayment of long-term debt, capital lease obligations, the payment of dividends and the purchase of treasury stock.

Cash used in financing activities increased to \$324.0 million in fiscal 2017 from \$253.2 million in fiscal 2016. This decrease in cash of \$70.8 million was primarily due to the debt payment of \$87.2 million for the maturity of the 6.625% Notes.

Cash used in financing activities decreased to \$253.2 million in fiscal 2016 from \$518.2 million in fiscal 2015. This increase of cash of \$264.9 million was primarily due to a decrease in stock repurchases.

Stock Repurchase. In February 2016, the Company's Board of Directors authorized the Company to repurchase up to \$500 million of the Company's Class A Common Stock under an open-ended plan ("February 2016 Stock Plan"). During fiscal 2017, the Company repurchased 4.1 million shares for \$219.0 million (including the accrual of \$2.0 million of share repurchases that had not settled as of February 3, 2018) at an average price of \$53.46 per share. Additionally, the Company paid



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\$6.0 million for share repurchases that had not yet settled but were accrued at January 28, 2017. As of February 3, 2018, \$34.8 million authorization remained under the February 2016 Stock Plan.

During fiscal 2016, the Company repurchased 3.8 million shares for \$246.2 million (including the accrual of \$6.0 million of share repurchases that had not settled as of January 28, 2017) at an average price of \$64.61 per share.

In November 2014, the Company's Board of Directors authorized the Company to repurchase up to \$500 million of the Company's Class A Common Stock under an open-ended plan ("November 2014 Stock Plan"). During fiscal 2015, the Company repurchased 5.3 million shares for \$500.0 million at an average price of \$94.22 per share, which completed the authorization under the November 2014 Stock Plan.

The ultimate disposition of the repurchased stock has not been determined.

**Revolving Credit Agreement.** In August 2017, the Company amended and extended its senior unsecured revolving credit facility (the "new credit agreement") replacing the Company's previous credit agreement. The new credit agreement provides borrowing capacity of \$800 million with a \$200 million expansion option and matures on August 9, 2022. As part of our overall liquidity management strategy, the credit facility is available 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 new credit agreement and a commitment fee to the participating banks based on the Company's debt rating. The rate of interest on borrowings is LIBOR plus 1.375%, and the commitment fee for unused borrowings is 0.20% per annum.

No borrowings were outstanding at February 3, 2018. Letters of credit totaling \$25.6 million were issued under the new credit agreement leaving unutilized availability under the facility of approximately \$774 million at February 3, 2018. The Company had weighted-average borrowings of \$9.5 million, \$19.8 million and \$41.3 million during fiscal 2017, 2016 and 2015, respectively.

Peak borrowings under the credit facility were \$122 million during fiscal 2017.

To be in compliance with the financial covenants of the new credit agreement, the Company's total leverage ratio cannot exceed 3.5 to 1.0, and the Company's coverage ratio cannot be less than 2.5 to 1.0, as defined in the credit agreement. At February 3, 2018, the Company was in compliance with all financial covenants related to the credit agreement.

**Long-term Debt.** At February 3, 2018, the Company had \$526.4 million, including current portion, of long-term debt, comprised of unsecured notes. The unsecured notes bear interest at rates ranging from 7.0% to 7.875% with due dates from fiscal 2018 through fiscal 2028.

Long-term debt maturities over the next five years are (in millions):

Long-Term	
Fiscal Year	Debt
Maturities	
2018	\$ 161.0
2019	—
2020	—
2021	—
2022	44.8

During fiscal 2017, the Company decreased its net level of outstanding debt and capital leases by \$90.2 million, specifically related to the maturity of 6.625% Notes of \$87.2 million and capital leases, compared to a decrease of \$3.0 million in fiscal 2016. No debt matured during fiscal 2016.

**Subordinated Debentures.** As of February 3, 2018, the Company had \$200 million outstanding of its 7.5% subordinated debentures due August 1, 2038. All of these subordinated debentures were held by Dillard's Capital Trust I, a 100% owned, unconsolidated finance subsidiary of the Company. The Company has the right to defer the payment of interest on the subordinated debentures at any time for a period not to exceed 20 consecutive quarters; however, the Company has no present intention of exercising this right to defer interest payments.



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## Fiscal 2018 Outlook

During fiscal 2018, the Company expects to finance its capital expenditures and its working capital requirements, as well as stock repurchases and the payment of dividends from cash on hand, cash flows generated from operations and utilization of the credit facility. At present, there are numerous general business and economic factors impacting the retail industry that could affect the Company's liquidity. These factors include: consumer confidence; economic instability around the globe; and other factors that are both separate from, and outgrowths of, these factors. These conditions could impact our net sales which may result in reduced cash flows if we are unable to appropriately manage our inventory levels and expenses. Depending upon our actual and anticipated sources and uses of liquidity, the Company will from time to time consider possible financing transactions, the proceeds of which could be used to refinance current indebtedness or for other corporate purposes.

## 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.

## CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

To facilitate an understanding of the Company's contractual obligations and commercial commitments, the following data is provided:

## PAYMENTS DUE BY PERIOD

(in thousands of dollars)	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Contractual Obligations					
Long-term debt	\$527,584	\$160,959	\$—	\$44,800	\$321,825
Interest on long-term debt	253,844	32,897	54,601	54,331	112,015
Subordinated debentures	200,000	—	—	—	200,000
Interest on subordinated debentures	307,521	14,959	29,918	29,918	232,726
Capital lease obligations, including interest	4,659	1,428	2,505	726	—
Benefit plan participant payments	196,999	5,441	15,827	20,901	154,830
Purchase obligations(1)	1,358,427	1,358,427	—	—	—
Operating leases(2)	54,361	16,788	20,613	8,806	8,154
Total contractual cash obligations(3)(4)	\$2,903,395	\$1,590,899	\$123,464	\$159,482	\$1,029,550

The Company's purchase obligations principally consist of purchase orders for merchandise and store construction (1) commitments. Amounts committed under open purchase orders for merchandise inventory represent \$1,347.0 million of the purchase obligations.

(2) The operating leases included in the above table do not include contingent rent based upon sales volume, which represented approximately 14% of minimum lease obligations in fiscal 2017.

The total liability for unrecognized tax benefits is \$2.2 million, including tax, penalty, and interest. The Company (3) is not able to reasonably estimate the timing of future cash flows and has excluded these liabilities from the table above; however, at this time, the Company does not expect a significant change in unrecognized tax benefits in the next twelve months.

The Company is unable to reasonably estimate the timing of future cash flows of workers' compensation and (4) general liability insurance reserves of \$23.8 million and gift card liabilities of \$20.8 million and have excluded these from the table above.



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## AMOUNT OF COMMITMENT EXPIRATION PER PERIOD

(in thousands of dollars)	Total Amounts Committed	Within 1 year	2 - 3 years	4 - 5 years	After 5 years
Other Commercial Commitments					
\$800 million line of credit, none outstanding(1)	\$ —	\$ —	\$ —	—\$	—\$ —
Standby letters of credit	25,624	25,624	—	—	—
Import letters of credit	—	—	—	—	—
Total commercial commitments	\$ 25,624	\$25,624	\$ —	—\$	—\$ —

(1) At February 3, 2018, letters of credit totaling \$25.6 million were issued under the credit agreement.

## NEW ACCOUNTING PRONOUNCEMENTS

For information with respect to new accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 1 in the "Notes to Consolidated Financial Statements" in Item 8 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," "hope," "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 those statements included under the headings "2018 Guidance" and "Fiscal 2018 Outlook" included in this Management's Discussion and Analysis and other statements regarding management's expectations and forecasts for fiscal 2018, statements concerning the opening of new stores or the closing of existing stores, statements concerning capital expenditures and sources of liquidity, statements concerning pension contributions 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) 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 confidence, spending patterns, debt levels and their ability to meet credit obligations; high levels of unemployment; changes in tax legislation; changes in legislation, affecting such matters as the cost of employee benefits or credit card income; adequate and stable availability of materials, production facilities and labor from which the Company sources its merchandise at acceptable pricing; 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; potential disruption from terrorist activity and the effect on ongoing consumer confidence; epidemic, pandemic or other public health issues; potential disruption of international trade and supply chain efficiencies; world conflict and the possible impact on consumer spending patterns and other economic and demographic changes of similar or dissimilar nature, and other risks and uncertainties, including those detailed from time to time in our periodic reports filed with the SEC, particularly those set forth under the caption "Item 1A, Risk Factors" in this Annual Report.



Table of Contents**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

The table below provides information about the Company's obligations that are sensitive to changes in interest rates. The table presents maturities of the Company's long-term debt and subordinated debentures along with the related weighted-average interest rates by expected maturity dates.

Expected Maturity Date  
(fiscal year)

(in thousands of dollars)	2018	2019	2020	2021	2022	Thereafter	Total	Fair Value
Long-term debt	\$160,959	\$ —	\$ —	\$ —	\$44,800	\$321,825	\$527,584	\$571,481
Average fixed interest rate	7.1	% —%	% —%	% —%	7.9	% 7.4	% 7.5	%
Subordinated debentures	\$ —	\$ —	\$ —	\$ —	\$ —	\$200,000	\$200,000	\$203,440
Average interest rate	—	—	—	—	—	7.5	% 7.5	%

The Company is exposed to market risk from changes in the interest rates under its \$800 million senior unsecured revolving credit facility. Outstanding balances under this facility bear interest at a variable rate of LIBOR plus 1.375%. The Company had weighted average borrowings of \$9.5 million during fiscal 2017. Based on the average amount outstanding during fiscal 2017, a 100 basis point change in interest rates would result in an approximate \$0.1 million annual change to interest expense.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The consolidated financial statements of the Company and notes thereto are included in this report beginning on page F-1.

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

None.

**ITEM 9A. CONTROLS AND PROCEDURES.****Evaluation of Disclosure Controls and Procedures**

The Company has established and maintains disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). 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 year covered by this annual 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.

**Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Principal Executive Officer and Co-Principal Financial Officers, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in 2013 Internal Control - Integrated Framework, our management concluded that our internal control over financial reporting was effective as of February 3, 2018.

Our independent registered public accounting firm, KPMG LLP ("KPMG"), has audited our consolidated financial statements included in this Annual Report and has issued a report on the effectiveness of our internal control over financial reporting as of February 3, 2018. Please refer to KPMG's "Report of Independent Registered Public Accounting Firm" on page F-2 of this Annual Report.

**Changes in Internal Controls**





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There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended February 3, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

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## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

## A. Directors of the Company

The information called for by this item regarding directors of the Company is incorporated herein by reference from the information under the headings "Election of Directors", "Audit Committee Report", "Information Regarding the Board and Its Committees" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

## B. Executive Officers of the Company

Information regarding executive officers of the Company is included in Part I of this report under the heading "Executive Officers of the Company." Reference additionally is made to the information under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement, which information is incorporated herein by reference.

The Company's Board of Directors ("Board") has adopted a Code of Conduct that applies to all Company employees, including the Company's executive officers, and, when appropriate, the members of the Board. As stated in the Code of Conduct, there are certain limited situations in which the Company may waive application of the Code of Conduct to employees or members of the Board. For example, since non-employee members of the Board rarely, if ever, deal financially with vendors and other suppliers of the Company on the Company's behalf, it may not be appropriate to seek to apply the Code of Conduct to their dealings with these vendors and suppliers on behalf of other organizations which have no relationship to the Company. To the extent that any such waiver applies to an executive officer or a member of the Board, the waiver requires the express approval of the Board, and the Company intends to satisfy the disclosure requirements of Form 8-K regarding any such waiver from, or an amendment to, any provision of the Code of Conduct, by posting such waiver or amendment on the Company's website. The current version of the Code of Conduct is available free of charge on the Company's website, [www.dillards.com](http://www.dillards.com), and is available in print to any stockholder who requests copies by contacting Julie J. Guymon, Director of Investor Relations, at the Company's corporate executive offices at 1600 Cantrell Rd, Little Rock, AR 72201.

## ITEM 11. EXECUTIVE COMPENSATION.

The information called for by this item is incorporated herein by reference from the information under the headings "2017 Director Compensation", "Compensation Discussion and Analysis", "Compensation Committee Report" and "Executive Compensation" in the Proxy Statement.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND

## RELATED STOCKHOLDER MATTERS.

## Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise prices of outstanding options	Number of securities available for future issuance under equity compensation plans
Equity compensation plans approved by stockholders*	—	\$	—8,808,126
Total	—	\$	—8,808,126

\* Included in this category are the following equity compensation plans, which have been approved by the Company's stockholders:

- 1990 Incentive and Nonqualified Stock Option Plan
- 1998 Incentive and Nonqualified Stock Option Plan
- 2000 Incentive and Nonqualified Stock Option Plan
- Dillard's, Inc. Stock Bonus Plan

Dillard's, Inc. Stock Purchase Plan

Dillard's, Inc. 2005 Non-Employee Director Restricted Stock Plan

There are no non-stockholder approved plans. Balances presented in the table above are as of February 3, 2018.

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Additional information called for by this item is incorporated herein by reference from the information under the headings "Security Ownership of Certain Beneficial Holders" and "Security Ownership of Management" in the Proxy Statement.

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

The information called for by this item is incorporated herein by reference from the information under the headings "Certain Relationships and Transactions" and "Information Regarding the Board and its Committees" in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information called for by this item is incorporated herein by reference from the information under the heading "Independent Accountant Fees" in the Proxy Statement.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a)(1) and (2) Financial Statements

An "Index of Financial Statements" has been filed as a part of this report beginning on page F-1 hereof.

(a)(3) Exhibits and Management Compensatory Plans

The "Exhibit Index" beginning on page 40 hereof identifies exhibits incorporated herein by reference or filed with this report.

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Exhibit Index

Number Description

- \*3(a) Restated Certificate of Incorporation (Exhibit 3 to Form 10-Q for the quarter ended August 1, 1992, File No. 1-6140, as amended Exhibit 3 to Form 10-Q for the quarter ended May 3, 1997, File No. 1-6140).
- \*3(b) By-Laws of Dillard's, Inc., as amended (Exhibit 3 to Form 8-K dated as of August 20, 2013, File No. 1-6140).
- \*4 Indenture between Registrant and Chemical Bank, Trustee, dated as of May 15, 1988, as supplemented (Exhibit 4 to Registration Statement File No. 33-21671, Exhibit 4.2 to Registration Statement File No. 33-25114, Exhibit 4(c) to Form 8-K dated September 26, 1990, File No. 1-6140 and Exhibit 4-q to Registration Statement File No. 333-59183).
- \*+10(a) 1990 Incentive and Nonqualified Stock Option Plan (Exhibit 10(b) to Form 10-K for the fiscal year ended January 30, 1993, File No. 1-6140).
- \*+10(b) Senior Management Cash Bonus Plan (Exhibit 10(d) to Form 10-K for the fiscal year ended January 28, 1995, File No. 1-6140).
- \*+10(c) 1998 Incentive and Nonqualified Stock Option Plan (Exhibit 10(b) to Form 10-K for the fiscal year ended January 30, 1999, File No. 1-6140).
- \*+10(d) 2000 Incentive and Nonqualified Stock Option Plan (Exhibit 10(e) to Form 10-K for the fiscal year ended February 3, 2001, File No. 1-6140).
- \*+10(e) Dillard's, Inc. Stock Bonus Plan, as amended (Exhibit 10(e) to Form 10-K for the fiscal year ended January 30, 2016, File No. 1-6140).
- \*+10(f) Dillard's, Inc. Stock Purchase Plan (Exhibit 10.2 to Form 10-Q for the quarter ended April 30, 2005, File No. 1-6140).
- \*+10(g) Dillard's, Inc. 2005 Non-Employee Director Restricted Stock Plan, as amended (Exhibit 10 to Form 10-Q for the fiscal quarter ended April 29, 2017, File No. 1-6140).
- \*+10(h) Amended and Restated Corporate Officers Non-Qualified Pension Plan (Exhibit 10.1 to Form 8-K dated as of November 21, 2007, File No. 1-6140).
- \*10(i) Credit Card Program Agreement by and among Dillard's, Inc., Wells Fargo Bank, N.A. and for the limited purposes stated therein, Dillard Investment Co., Inc. (Exhibit 10 to Form 10-Q for the quarter ended May 3, 2014, File No. 1-6140).
- \*10(j) Five-Year Credit Agreement between Dillard's, Inc., Dillard Store Services, Inc. and JPMorgan Chase Bank, N.A. as agent for a syndicate of lenders (Exhibit 10.1 to Form 8-K filed on May 15, 2015, File No. 1-6140).
- \*10(k) Amendment No. 1 to Five-Year Credit Agreement between Dillard's, Inc., Dillard Store Services, Inc. and JPMorgan Chase Bank, N.A. as agent for a syndicate of lenders (Exhibit 10.1 to Form 8-K dated as of August 10, 2017, File No. 1-6140).

- 21      Subsidiaries of Registrant.
- 23      Consent of Independent Registered Public Accounting Firm.
- 31(a)    Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31(b)    Certification of Co-Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31(c)    Certification of Co-Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32(a)    Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
- 32(b)    Certification of Co-Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
- 32(c)    Certification of Co-Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

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Number Description

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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\* Incorporated by reference as indicated.

+ A management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: /s/ Phillip R. Watts

Phillip R. Watts

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

By: /s/ Chris B. Johnson

Chris B. Johnson

Senior Vice President and Co-Principal Financial  
Officer

Date: March 30, 2018

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

/s/ William Dillard, II

William Dillard, II

Chairman of the Board and Chief Executive Officer  
(Principal Executive Officer)

/s/ Chris B. Johnson

Chris B. Johnson

Senior Vice President and Co-Principal Financial  
Officer

/s/ Alex Dillard

Alex Dillard

President and Director

/s/ Phillip R. Watts

Phillip R. Watts

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

/s/ Mike Dillard

Mike Dillard

Executive Vice President and Director

/s/ Drue Matheny

Drue Matheny

Executive Vice President and Director

/s/ Robert C. Connor

Robert C. Connor

Director

/s/ James I. Freeman

James I. Freeman

Director

/s/ H. Lee Hastings

H. Lee Hastings

Director

/s/ Frank R. Mori

Frank R. Mori

Director

/s/ Reynie Rutledge

Reynie Rutledge

Director

/s/ Warren A. Stephens

Warren A. Stephens

Director

/s/ J.C. Watts, Jr.

J. C. Watts, Jr.

Director

/s/ Nick White

Nick White

Director

Date: March 30, 2018



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<u>Consolidated Balance Sheets—February 3, 2018 and January 28, 2017</u>	<u>F-4</u>
<u>Consolidated Statements of Income—Fiscal years ended February 3, 2018, January 28, 2017 and January 30, 2016</u>	<u>F-5</u>
<u>Consolidated Statements of Comprehensive Income—Fiscal years ended February 3, 2018, January 28, 2017 and January 30, 2016</u>	<u>F-6</u>
<u>Consolidated Statements of Stockholders' Equity—Fiscal years ended February 3, 2018, January 28, 2017 and January 30, 2016</u>	<u>F-7</u>
<u>Consolidated Statements of Cash Flows—Fiscal years ended February 3, 2018, January 28, 2017 and January 30, 2016</u>	<u>F-8</u>
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Dillard's, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Dillard's, Inc. and subsidiaries (the Company) as of February 3, 2018 and January 28, 2017, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended February 3, 2018, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of February 3, 2018, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of the Company as of February 3, 2018 and January 28, 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended February 3, 2018, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 3, 2018, based on the criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding

prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ KPMG LLP

We have served as the Company's auditor since 2011.

Dallas, Texas

March 30, 2018

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## Consolidated Balance Sheets

Dollars in Thousands

	February 3, 2018	January 28, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$187,028	\$346,985
Accounts receivable	39,650	48,230
Merchandise inventories	1,463,561	1,406,403
Other current assets	39,612	36,303
Total current assets	1,729,851	1,837,921
Property and equipment:		
Land and land improvements	64,003	64,313
Buildings and leasehold improvements	3,096,838	3,106,481
Furniture, fixtures and equipment	1,041,758	1,065,291
Buildings under construction	1,464	9,024
Buildings and equipment under capital leases	23,648	23,648
Less accumulated depreciation and amortization	(2,531,435 )	(2,478,490 )
	1,696,276	1,790,267
Other assets	247,042	259,948
Total assets	\$3,673,169	\$3,888,136
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable and accrued expenses	\$835,747	\$839,305
Current portion of long-term debt	160,927	87,201
Current portion of capital lease obligations	1,107	3,281
Federal and state income taxes	41,920	46,730
Total current liabilities	1,039,701	976,517
Long-term debt	365,429	526,106
Capital lease obligations	2,880	3,988
Other liabilities	240,173	238,424
Deferred income taxes	116,831	225,684
Subordinated debentures	200,000	200,000
Commitments and contingencies		
Stockholders' equity:		
Common stock, Class A—119,860,744 and 119,814,702 shares issued; 24,096,228 and 28,147,158 shares outstanding	1,199	1,198
Common stock, Class B (convertible)—4,010,401 and 4,010,401 shares issued and outstanding	40	40
Additional paid-in capital	946,147	943,467
Accumulated other comprehensive loss	(15,444 )	(11,137 )
Retained earnings	4,365,219	4,153,844
Less treasury stock, at cost, Class A—95,764,516 and 91,667,544 shares	(3,589,006 )	(3,369,995 )
Total stockholders' equity	1,708,155	1,717,417
Total liabilities and stockholders' equity	\$3,673,169	\$3,888,136
See notes to consolidated financial statements.		





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## Consolidated Statements of Income

Dollars in Thousands, Except Per Share Data

	Years Ended		
	February 3, 2018	January 28, 2017	January 30, 2016
Net sales	\$6,261,493	\$6,256,971	\$6,595,626
Service charges and other income	161,183	161,038	158,919
	6,422,676	6,418,009	6,754,545
Cost of sales	4,199,718	4,166,411	4,350,805
Selling, general and administrative expenses	1,692,145	1,655,658	1,669,916
Depreciation and amortization	231,595	243,657	250,011
Rentals	28,012	25,954	26,732
Interest and debt expense, net	62,580	63,059	60,923
Loss on early extinguishment of debt	797	—	—
Gain on disposal of assets	(4,860)	) (905	) (12,626 )
Asset impairment and store closing charges	—	6,500	—
Income before income taxes and income on and equity in losses of joint ventures	212,689	257,675	408,784
Income taxes (benefit)	(7,800)	) 88,500	140,770
Income on and equity in losses of joint ventures	835	45	1,356
Net income	\$221,324	\$169,220	\$269,370
Earnings per common share:			
Basic	\$7.51	\$4.93	\$6.91
Diluted	7.51	4.93	6.91

See notes to consolidated financial statements.

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Consolidated Statements of Comprehensive Income

Dollars in Thousands

	Years Ended		
	February 3, 2018	January 28, 2017	January 30, 2016
Net income	\$221,324	\$169,220	\$269,370
Other comprehensive income (loss):			
Amortization of retirement plan and other retiree benefit adjustments (net of tax of (\$1,395), \$3,686 and \$8,574)	(4,307 )	5,981	13,911
Comprehensive income	\$217,017	\$175,201	\$283,281
See notes to consolidated financial statements.			

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## Consolidated Statements of Stockholders' Equity

Dollars in Thousands, Except Share and Per Share Data

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total
	Class A	Class B					
Balance, January 31, 2015	\$1,197	\$ 40	\$937,993	\$ (31,029 )	\$3,734,891	\$(2,623,822)	\$2,019,270
Net income	—	—	—	—	269,370	—	269,370
Other comprehensive income	—	—	—	13,911	—	—	13,911
Issuance of 34,830 shares under stock bonus plans	1	—	2,803	—	—	—	2,804
Purchase of 5,306,737 shares of treasury stock	—	—	—	—	—	(500,000 )	(500,000 )
Cash dividends declared:							
Common stock, \$0.26 per share	—	—	—	—	(10,050 )	—	(10,050 )
Balance, January 30, 2016	1,198	40	940,796	(17,118 )	3,994,211	(3,123,822 )	1,795,305
Net income	—	—	—	—	169,220	—	169,220
Other comprehensive income	—	—	—	5,981	—	—	5,981
Issuance of 47,554 shares under stock bonus plans	—	—	2,671	—	—	—	2,671
Purchase of 3,810,385 shares of treasury stock	—	—	—	—	—	(246,173 )	(246,173 )
Cash dividends declared:							
Common stock, \$0.28 per share	—	—	—	—	(9,587 )	—	(9,587 )
Balance, January 28, 2017	1,198	40	943,467	(11,137 )	4,153,844	(3,369,995 )	1,717,417
Net income	—	—	—	—	221,324	—	221,324
Other comprehensive loss	—	—	—	(4,307 )	—	—	(4,307 )
Issuance of 46,042 shares under stock bonus plans	1	—	2,680	—	—	—	2,681
Purchase of 4,096,972 shares of treasury stock	—	—	—	—	—	(219,011 )	(219,011 )
Cash dividends declared:							
Common stock, \$0.34 per share	—	—	—	—	(9,949 )	—	(9,949 )
Balance, February 3, 2018	\$1,199	\$ 40	\$946,147	\$ (15,444 )	\$4,365,219	\$(3,589,006)	\$1,708,155

See notes to consolidated financial statements.

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## Consolidated Statements of Cash Flows

Dollars in Thousands

	Years Ended		
	February 3, 2018	January 28, 2017	January 30, 2016
Operating activities:			
Net income	\$221,324	\$169,220	\$269,370
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and other deferred cost	233,683	245,923	252,147
Deferred income taxes	(102,065 )	(35,703 )	(35,975 )
Loss (gain) on disposal of assets	1,000	(905 )	(12,626 )
Proceeds from insurance	—	3,173	—
Gain from insurance proceeds	(5,861 )	(1,635 )	—
Loss on early extinguishment of debt	797	—	—
Asset impairment and store closing charges	—	6,500	—
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	8,580	(1,092 )	9,372
Increase in merchandise inventories	(57,158 )	(33,436 )	(24 )
(Increase) decrease in other current assets	(2,391 )	8,981	2,911
Decrease in other assets	2,196	5,844	2,939
(Decrease) increase in trade accounts payable and accrued expenses and other liabilities	(19,615 )	156,342	(33,702 )
Decrease in income taxes payable	(6,205 )	(6,205 )	(4,186 )
Net cash provided by operating activities	274,285	517,007	450,226
Investing activities:			
Purchase of property and equipment	(130,464 )	(104,824 )	(165,788 )
Proceeds from disposal of assets	11,683	1,150	25,503
Proceeds from insurance	5,114	1,525	—
Decrease in restricted cash	—	—	7,346
Investment in joint venture	—	(20,000 )	—
Distribution from joint venture	3,460	2,500	—
Net cash used in investing activities	(110,207 )	(119,649 )	(132,939 )
Financing activities:			
Principal payments on long-term debt and capital lease obligations	(90,483 )	(3,284 )	(5,299 )
Cash dividends paid	(9,424 )	(9,787 )	(10,008 )
Purchase of treasury stock	(223,013 )	(240,171 )	(500,000 )
Issuance cost of line of credit	(1,115 )	—	(2,863 )
Net cash used in financing activities	(324,035 )	(253,242 )	(518,170 )
(Decrease) increase in cash and cash equivalents	(159,957 )	144,116	(200,883 )
Cash and cash equivalents, beginning of year			