# Genesco Reports Second Quarter Fiscal 2008 Results 

August 30, 2007

- Company Reports Loss of $\$ 0.13$ Per Share Before Discontinued Operations, Including Merger-Related Expenses, Asset Impairment Charges and

Store Closing Costs of Approximately $\$ 0.13$ Per Share -
NASHVILLE, Tenn., Aug. 30 /PRNewswire-FirstCall/ -- Genesco Inc. (NYSE: GCO) today reported a loss before discontinued operations of $\$ 2.9$ million, or $\$ 0.13$ per diluted share, for the second quarter ended August 4, 2007. Results for the quarter included $\$ 5.5$ million pretax, or approximately $\$ 0.13$ per diluted share, in expenses related to the Company's proposed merger with a subsidiary of The Finish Line Inc., retail store asset impairment charges and costs related to the previously announced decision to close certain underperforming stores, primarily in the Underground Station Group. For the second quarter ended July 29, 2006, earnings before discontinued operations were $\$ 5.9$ million, or $\$ 0.24$ per diluted share. Net sales for the second quarter of fiscal 2008 increased $8 \%$ to $\$ 328$ million, compared to $\$ 304$ million for the second quarter of fiscal 2007.

Genesco Chairman and Chief Executive Officer Hal N. Pennington said, "Our second quarter results were affected by the combination of a later start to back-to-school, later sales tax holidays in Texas and Florida and a generally challenging retail environment, especially in footwear. While back-toschool season is still in progress, we are encouraged by the improving trend in sales for the third quarter to date.
"Net sales in the Journeys Group increased $8 \%$ to approximately $\$ 148$ million in the second quarter, while same store sales declined $7 \%$. The shift in sales tax holidays in Texas and Florida from the second quarter last year to the third quarter this year had an especially pronounced effect on the Journeys Group, since approximately $16 \%$ of Journeys stores are located in those two states. Journeys' same store sales in Texas and Florida decreased $13 \%$ and $20 \%$, respectively, in the quarter. We expect the Journeys business for the balance of the year to benefit from the later back-toschool and tax holiday sales and from more pronounced competitive merchandising advantages in the fall and holiday seasons, and are pleased with the week-to-week improvement in comparable sales thus far in the quarter: Journeys Group's same store sales have improved from a $10 \%$ decline in the first week in August, to a 3\% increase in the second week, to a $9 \%$ increase for the week most recently ended, for a $1 \%$ increase for the month to date.
"Net sales in the Hat World Group increased $15 \%$ to approximately $\$ 90$ million, while same store sales declined $2 \%$ in the second quarter, primarily due to fewer store-wide promotions compared to last year, ongoing challenges in the urban market and the back-to-school and tax holiday shift. Hat World's core business, particularly Major League Baseball products, performed well during the quarter and the Canadian business remains strong across the board. Through the third week of fiscal August, same store sales for the Hat World Group increased 4\%.
"Net sales for the Underground Station Group, which includes the remaining Jarman stores, were $\$ 25$ million, and same store sales declined $23 \%$, in line with our expectations for the quarter. Same store sales again reflected the weak urban market, a difficult Nike comparison, and continued softness in the athletic category. Additionally, the tax holiday shift exacerbated the comparison, as $21 \%$ of Underground Station stores are located in Texas and Florida. For the first three weeks of August, same store sales in the Underground Station Group declined 20\%. We expect Underground Station to benefit in the second half from new merchandising strategies for the fall and from easier comparisons with last year, as Nike's significance to last year's sales progressively diminishes and overall comparisons moderate.
"Johnston \& Murphy Group's net sales increased $9 \%$ to approximately $\$ 46$ million in the second quarter. Wholesale sales rose $18 \%$, same store sales for the shops were up $5 \%$ and operating margin increased 200 basis points to $7.9 \%$, reflecting continuing strength across Johnston \& Murphy's product lines. For the first three weeks of August, same store sales increased 7\%.
"Second quarter sales of Licensed Brands increased $18 \%$ to approximately $\$ 19$ million, and operating margin increased 370 basis points to $12 \%$. The Dockers Footwear product continued to perform well in the volume moderate channel and its business with the specialty shoe chains was strong."

The Company said that because of its merger agreement with a subsidiary of The Finish Line, Inc., it does not expect to issue specific guidance with respect to sales and earnings expectations for the balance of the year.

This release contains forward-looking statements, including those regarding the performance outlook for the Company and its individual businesses, the proposed merger with a subsidiary of The Finish Line, Inc., and all other statements not addressing solely historical facts or present conditions. Actual results could vary materially from the expectations reflected in these statements. A number of factors could cause differences. These include uncertainty regarding the effect and timing of the Company's proposed merger with a subsidiary of The Finish Line, Inc., weakness in consumer demand for products sold by the Company, fashion trends that affect the sales or product margins of the Company's retail product offerings, changes in the timing of holidays or in the onset of seasonal weather affecting period to period sales comparisons, changes in buying patterns by significant wholesale customers, disruptions in product supply or distribution, further unfavorable trends in foreign exchange rates and other factors affecting the cost of products, and competition in the Company's markets. Additional factors that could affect the Company's prospects and cause differences from expectations include the ability to open, staff and support additional retail stores on schedule and at acceptable expense levels and to renew leases in existing stores on schedule and at acceptable expense levels, the ability to negotiate acceptable lease terminations and otherwise to execute the store closing plan referred to in this release on schedule and at expected expense levels, variations from expected pension-related charges caused by conditions in the financial markets, and the outcome of litigation and environmental matters involving the Company. Forward-looking statements reflect the expectations of the Company at the time they are made. The Company disclaims any obligation to update such statements.

The Company's live conference call on August 30, 2007, at 7:30 a.m. (Central time) may be accessed through the Company's internet website, www.genesco.com. To listen live, please go to the website at least 15 minutes early to register, download and install any necessary software.

Genesco Inc., a Nashville-based specialty retailer, sells footwear, headwear and accessories in more than 2,100 retail stores in the United States and Canada, principally under the names Journeys, Journeys Kidz, Shi by Journeys, Johnston \& Murphy, Underground Station, Hatworld, Lids, Hat Shack, Hat Zone, Head Quarters and Cap Connection, and on internet websites www.journeys.com , www.journeyskidz.com , www.shibyjourneys.com , www.undergroundstation.com , www.johnstonmurphy.com, www.lids.com and www.lidskids.com. The Company also sells footwear at wholesale under its Johnston \& Murphy brand and under the licensed Dockers brand. Additional information on Genesco and its operating divisions may be accessed at its website www.genesco.com.

GENESCO INC.


Earnings Per Share Information

| In Thousands (except per | Three Months <br> August 4, <br> share amounts) <br> July 29, | Six Months <br> August 4, | Ended <br> July |
| :--- | :---: | :---: | :---: | :---: |
| 29, |  |  |  |



* Includes $\$ 0.2$ million of other charges in the second quarter of Fiscal 2008 which includes $\$ 0.4$ million of retail asset impairments offset by a $\$ 0.2$ million excise tax refund and includes $\$ 6.8$ million of other charges in the first six months of Fiscal 2008 of which $\$ 6.7$ million is asset impairments related to underperforming stores, primarily in the Underground Station Group, and $\$ 0.3$ million for lease terminations offset by a $\$ 0.2$ million excise tax refund. Includes $\$ 0.5$ million and $\$ 0.6$ million of other charges in the second quarter and six months of Fiscal 2007, respectively, primarily for asset impairments. The second quarter and six months of Fiscal 2008 also includes $\$ 5.4$ million in expenses related to the Company's proposed merger with a subsidiary of The Finish Line Inc.

GENESCO INC.

| Consolidated Balance Sheet |  | August 4, |
| :--- | :---: | ---: |
| In Thousands | 2007 | July 29, |
| Assets |  | 2006 |
| Cash and cash equivalents | $\$ 22,129$ | $\$ 19,360$ |
| Accounts receivable | 22,154 | 19,293 |
| Inventories | 347,574 | 331,439 |
| Other current assets | 54,610 | 31,313 |
| Total current assets | 446,467 | 401,405 |
| Property and equipment | 236,154 | 204,419 |


| Other non-current assets | 171,948 | 156,285 |
| :--- | ---: | ---: |
| Total Assets | $\$ 854,569$ | $\$ 762,109$ |
| Liabilities and Shareholders' Equity |  |  |
| Accounts payable | $\$ 119,727$ | $\$ 144,954$ |
| Other current liabilities | 56,374 | 55,212 |
| Total current liabilities | 176,101 | 200,166 |
|  |  |  |
| Long-term debt | 188,220 | 129,250 |
| Other long-term liabilities | 86,271 | 76,173 |
| Shareholders' equity | 403,977 | 356,520 |
| Total Liabilities and Shareholders' |  |  |
| Equity | $\$ 854,569$ | $\$ 762,109$ |

GENESCO INC.

Retail Units Operated -- Six Months Ended August 4, 2007

|  | Balance <br> $01 / 28 / 06$ | Acquisi- <br> tions | Open | Conv | Close |
| :--- | :---: | :---: | :---: | :---: | :---: |
| Journeys Group | 761 |  | 96 | 0 | 4 |
| Journeys | 710 |  | 61 | 0 | 3 |
| Journeys Kidz | 50 |  | 24 | 0 | 1 |
| Shi by Journeys | 1 |  | 11 | 0 | 0 |
| Underground Station Group | 229 |  | 11 | 0 | 17 |
| $\quad$ Underground Station | 180 |  | 11 | 3 | 1 |
| Jarman Retail | 49 |  | 0 | $(3)$ | 16 |
| Hat World Group | 641 | 49 | 104 | 0 | 9 |
| Johnston \& Murphy Group | 142 |  | 13 | 0 | 7 |
| $\quad$ Shops | 107 |  | 7 | 0 | 5 |
| $\quad$ Factory Outlets | 35 |  | 6 | 0 | 2 |
| Total Retail Units | 1,773 | 49 | 224 | 0 | 37 |


|  | $\begin{aligned} & \text { Balance } \\ & 02 / 03 / 07 \end{aligned}$ | Open | Conv | Close | $\begin{aligned} & \text { Balance } \\ & 8 / 04 / 2007 \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Journeys Group | 853 | 58 | 0 | 2 | 909 |
| Journeys | 768 | 23 | 0 | 2 | 789 |
| Journeys Kidz | 73 | 18 | 0 | 0 | 91 |
| Shi by Journeys | 12 | 17 | 0 | 0 | 29 |
| Underground Station Group | 223 | 1 | 0 | 5 | 219 |
| Underground Station | 193 | 1 | 1 | 2 | 193 |
| Jarman Retail | 30 | 0 | (1) | 3 | 26 |
| Hat World Group | 785 | 51 | 0 | 7 | 829 |
| Johnston \& Murphy Group | 148 | 6 | 0 | 0 | 154 |
| Shops | 109 | 4 | 0 | 0 | 113 |
| Factory Outlets | 39 | 2 | 0 | 0 | 41 |
| Total Retail Units | 2,009 | 116 | 0 | 14 | 2,111 |
| Retail Units Operated -- Three Months Ended August 4, 2007 |  |  |  |  |  |
|  | Balance $05 / 05 / 07$ | Open | Conv | Close | Balance $8 / 04 / 2007$ |
| Journeys Group | 884 | 25 | 0 | 0 | 909 |


| Journeys | 777 | 12 | 0 | 0 | 789 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Journeys Kidz | 84 | 7 | 0 | 0 | 91 |
| Shi by Journeys | 23 | 6 | 0 | 0 | 29 |
| Underground Station Group | 223 | 0 | 0 | 4 | 219 |
| Underground Station | 195 | 0 | 0 | 2 | 193 |
| Jarman Retail | 28 | 0 | 0 | 2 | 26 |
| Hat World Group | 809 | 25 | 0 | 5 | 829 |
| Johnston \& Murphy Group | 152 | 2 | 0 | 0 | 154 |
| Shops | 112 | 1 | 0 | 0 | 113 |
| Factory Outlets | 40 | 1 | 0 | 0 | 41 |
| Total Retail Units | 2,068 | 52 | 0 | 9 | 2,111 |

Constant Store Sales
Three Months Ended Six Months Ended

| August 4, July 29, August 4, July 29, |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| 2007 | 2006 | 2007 | 2006 |


| Journeys Group | $-7 \%$ | $5 \%$ | $-2 \%$ | $3 \%$ |
| :--- | :---: | :---: | :---: | :---: |
| Underground Station Group | $-23 \%$ | $-6 \%$ | $-22 \%$ | $-5 \%$ |
| Underground Station | $-25 \%$ | $-5 \%$ | $-24 \%$ | $-3 \%$ |
| Jarman Retail | $-12 \%$ | $-11 \%$ | $-13 \%$ | $-10 \%$ |
| Hat World Group | $-2 \%$ | $0 \%$ | $-3 \%$ | $0 \%$ |
| Johnston \& Murphy Group | $5 \%$ | $-3 \%$ | $4 \%$ | $-1 \%$ |
| Shops | $5 \%$ | $-2 \%$ | $4 \%$ | $0 \%$ |
| Factory Outlets | $6 \%$ | $-6 \%$ | $6 \%$ | $-3 \%$ |
| Total Constant Store Sales | $-6 \%$ | $1 \%$ | $-4 \%$ | $1 \%$ |

SOURCE Genesco Inc.
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08/30/2007
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