



Genesco Inc.

First Quarter Fiscal 2027 Conference Call

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C O R P O R A T E P A R T I C I P A N T S

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Mimi Vaughn, *Board Chair, President and Chief Executive Officer*

C O N F E R E N C E C A L L P A R T I C I P A N T S

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Sam Poser, *Williams Trading*

Mitch Kummetz, *Seaport Research Partners*

PRESENTATION

Operator

Good day everyone and welcome to the Genesco First Quarter Fiscal 2027 Conference Call.

Just as a reminder, today's call is being recorded.

I will now turn the call over to Darryl MacQuarrie, Senior Director of FP&A and IR. Please go ahead, sir.

Darryl MacQuarrie

Good morning everyone and thank you for joining us to discuss our first quarter fiscal '27 results.

Participants on the call expect to make forward-looking statements reflecting our expectations as of today, but actual results could be different. Genesco refers you to this morning's earnings release and the Company's SEC filings, including its most recent 10-K and 10-Q filings, for some of the factors that could cause differences from the expectations reflected in the forward-looking statements made today.

Participants also expect to refer to certain adjusted financial measures during the call. All non-GAAP financial measures are reconciled to their GAAP counterparts in the attachments to this morning's press release and in schedules available on the Company's website in the Quarterly Results section. We have also posted a presentation summarizing our results here as well.

With me on the call today is Mimi Vaughn, Board Chair, President and Chief Executive Officer, and interim Chief Financial Officer. Now, I'd like to turn the call over to Mimi.

Mimi Vaughn

Good morning and thank you for joining our first quarter fiscal '27 earnings call. I will be reviewing the quarter's results and progress on our strategy and initiatives, and Darryl will come back to assist and cover our financials and walk through details of our latest guidance.

I'm pleased to report after a strong finish to fiscal '26 that we are off to a very good start to the year, delivering our seventh consecutive quarter of positive comparable sales and first quarter results that exceeded our expectations across the board. Our beat was broad based across sales, gross margin and expense leverage, reflecting a high level of execution, and we had gains in every business versus expectations. Our momentum is building, and the strategic initiatives we've put in place are translating into tangible results across our company.

We delivered total sales and operating income nicely ahead of last year, demonstrating that our strategy is working and that we are creating meaningful value through operational execution. We're driving a more profitable, higher-quality business, and Q1 once again provides clear proof of our progress.

For the quarter, comps were fueled by mid-single digit increases at Journeys and high single digit increases at Johnston & Murphy, offset to some extent by declines at Schuh as we began the pull-back from promotional activity.

April, overall for the Company, was the strongest comp month of the quarter. Stores in Q1 were again a highlight, as our strategic efforts to drive improvement in this channel achieved impact. While the beat was broad based, beyond the comp growth we were especially pleased with the efficiencies gained throughout the business.

The consumer environment is unchanged from what we've described over the past year: selective and intentional. Customers shop with purpose during key events and pull back in between. When they engage, they're looking for must-have product and newness, and when we deliver what they want they're willing to pay up for it. This pattern has become the new normal and we navigated effectively, even with the most recent external events of the first quarter.

Looking back, over a little more than the past year and a half, we've made tremendous strides working to improve our businesses to appeal to a consumer who has rapidly evolved. We've delivered positive overall comps in every quarter dating back to the third quarter of fiscal '25. We've strengthened our market share in key customer segments; we've improved operating income and EPS; and importantly, we've demonstrated that our company can perform in a volatile, event-driven consumer environment.

Now for Q1 color by business starting with Retail.

Journeys added to its run of comp gains, up 5% on top of an 8% increase last year. The transformation work we've been executing—elevating the assortment, sharpening our focus on the style-led teen girl, building brand awareness, improving the store and online experience, and rolling out our 4.0 stores continues to drive sustained comp growth and meaningful profit improvement.

Product was a key driver. On our last call, I said we had the opportunity to build further on a number of iconic footwear franchises, and this, coupled with growth of some newer brands, led to gains across a diversified base of brands.

Both athletic lifestyle and casual achieved healthy growth, with increased demand for sandals, boots, low profile and lifestyle running. The strength of our multi-branded, multi-category, elevated assortment drove stronger full-priced selling and considerably higher average transaction size in the quarter. We're outpacing the broader footwear market and continue to see market share gains at Journeys where we're gaining traction as the destination for the style-led teen girl as a result of our ongoing transformation momentum.

While elevated product is the initial draw, with mid-single digit conversion increases on top of increases last year our store teams are doing an exceptional job converting customers who cross the lease line.

Our 4.0 store rollout continues, with this new crop of stores also delivering in excess of a 25% sales lift. We opened 21 new 4.0 stores in the quarter and now have 105 completed to date, with 4.0's becoming an increasingly greater driver of performance.

Not only did the store channel perform well, but Journeys' appeal was across channels, with e-commerce posting double digit gains. Importantly, store closures and cost efficiencies created a meaningful 190 basis points of expense leverage, demonstrating the significant productivity gains achieved in tandem with the comp increases.

At Schuh, we are putting the building blocks in place to support profitable growth. Comps were down 9% in Q1, which was in part intentional as we prioritized and achieved more full-price selling and more controlled markdowns. This strategy resulted in higher average transaction size, but as expected, pressured store traffic beyond the pressure already present in the weaker U.K. consumer market. E-commerce also saw lower traffic due to reduced promotions as this channel in particular attracts bargain-seekers. That said, we're seeing improvement in product elevation with brand access and depth in brands like adidas, Nike and ASICS and expect additional progress as part of the Journeys' Retail Group.

Our work also includes tightening expenses and closing unprofitable stores, and we closed five stores in the first quarter.

We anticipate the Schuh turnaround will take longer than Journeys due to the tougher U.K. consumer environment right now and the need to pull back from promotional activity, but with sharpened customer positioning, we see the same opportunity to serve the style-led youth girl that we saw at Journeys. We also

see bigger growth opportunities for these businesses together in the future with their shared brand relationships. We put out a tactical plan for Schuh in Q4, and in time we are confident our approach will deliver improved results.

Moving now to branded, we were pleased with the overall contribution of our branded business in Q1. We're seeing encouraging green shoots at Johnston & Murphy as the brand delivered a strong quarter with a 7% comp gain. This sharp acceleration versus recent comp trends reflects the product work we've been doing, the pricing strategies we've implemented, and increased brand awareness driven by our higher marketing and social media spend, including the Peyton Manning campaign.

Product is resonating in both Apparel and Footwear. While Apparel has been a standout for some time, especially blazers and knits this quarter, we also saw nice growth in footwear. We've been working diligently to accelerate our product innovation, and we're seeing strong consumer response to our updated designs and new footwear concepts like the Ackerson and Tyson collections. We're also benefiting from a new trend shift toward more refined and tailored dressing, especially as people want to look good at the office, which is right in J&M's wheelhouse.

Desirable product drove higher full-priced selling and fewer markdowns. We've also seen awareness of J&M continue to trend up in the months since the Peyton Manning launch, especially among younger consumers with demand from new customers up double-digits.

At Genesco Brands we've now completed the wind-down of the Levi's license and are excited for the fall launch of our newest license, Wrangler footwear, which positions us for healthy growth going forward. In the meantime, our business led by Dockers delivered a solid start to fiscal '27 with sales and profits ahead of last year and ahead of plan despite the loss of substantial Levi's sales.

Let me address tariffs briefly. Tariff headwinds were highest in Q1 due to inventory flow timing, but our mitigating actions around pricing and sourcing diversification have helped ease these headwinds. The latest court rulings have provided some relief. Additionally, we're expecting IEEPA refunds of approximately \$23 million to \$25 million, which we have already filed for but are not included in our financials this quarter nor in our outlook. I will call out that these refunds apply to the branded side of our business where we import product directly which represents around 20% of our sales.

Turning now to guidance, we remain confident in continued momentum in North America and note the resilience of the consumer and their response to our compelling assortments as we navigated several external headwinds during the first quarter.

In Q2 so far, comps are tracking at a similar pace to Q1, with a bit of a pickup in North America and a give-up at Schuh where the economy and geopolitical pressures are taking a toll.

With our outperformance to expectations in Q1, we are rolling a portion of that upside forward, offset somewhat by a more cautious U.K. outlook.

At the same time, while we are optimistic about driving our business in the second half during Back to School and Holiday, when there are more reasons to shop, we are also taking the opportunity to lessen the pressure on the back half, considering the choppy consumer environment. We remain focused on recapturing gross margin by pulling back on Schuh discounting and lapping license exits and liquidation from last year. All together, this adds up to an increased full-year EPS guidance range of \$2.00 to \$2.40.

I'd now like to touch briefly on some of the exciting initiatives we're implementing in the coming months as we advance our Footwear First strategy, starting with Journeys.

Journeys' strategic growth plan aims to serve a wider teen audience interested in style and trend that is 6 to 7 times larger than the market we've traditionally served and who is underserved in the mall today. Upcoming initiatives are heavily focused on Back to School and include leaning into current product trends

with continued growth across both athletic and casual including lifestyle running, low profile and sandals, from the diversified mix of existing and new brands that have been driving the business; launching the Life on Loud BTS campaign featuring multiple celebrities and influencers and backed by a substantial increase in media spend to build on Journeys brand awareness gains and achieve new customer growth; doubling the 4.0 store count this year, adding a targeted 90 stores—up from a little more than 80—about two-thirds of which will be remodels and the balance, relocations to larger footprints and a handful of new stores for even more growth; working to improve discoverability including new product feed enhancements within agentic search, and trialing an online shopping agent to drive digital growth; and releasing the next iteration of our All-Access Loyalty Program which currently has close to 11 million members, featuring a fresh look and better ways to connect with our most valuable customers.

Moving to Schuh, our immediate priority continues to be actions in this reset year to ultimately improve profitability, including continuing to reduce reliance on discounting by removing additional calendar promotions and discount stacking to steer gross margin recovery. The largest opportunity is ahead of us in the coming quarters. The market in Q2 currently is athletically focused with price sensitivity and fewer trends than we're seeing in the U.S. right now, so this will take time. Building on the improved product access we have been achieving with brands like Nike and adidas, and rationalizing tertiary brands in the assortment; optimizing the store footprint with the closure of 12 stores over the last 14 months; eliminating unproductive locations and shifting volume to nearby stores to improve store channel economics; and, implementing cost reduction actions in areas like rent and selling salaries, improving efficiency in areas like digital marketing, and implementing a new procurement function.

Touching on Johnston & Murphy, we're building on our robust comp momentum by further capitalizing this spring and fall on the trend shift to more refined dressing, supporting a more professional look and more neutral, textured apparel to attract customers interested in refilling their closets; shifting additional dollars into brand building and continuing our successful partnership with Peyton Manning by launching a new fall campaign to further drive brand awareness and attract a younger customer; and expanding brand distribution by opening up to 15 new stores this year, or 10% of the fleet not including store closures.

Lastly, we are pleased with initiatives like the IT transformation, where we're driving operating efficiencies in addition to enhanced capabilities, and our more broad-based automation and spend optimization efforts across the Company where AI can unlock additional potential. With this, we are announcing a new \$40 million to \$50 million program between now and fiscal '29 aimed at structurally reducing our cost base beyond our ongoing efforts.

Finally, let me step back and emphasize a few key themes that define where we are as a company. First, our strategy is working. Seven consecutive quarters of positive comp growth, improving profitability, and momentum at multiple businesses demonstrate that we're executing our plan effectively. The right product, the right brand positioning, the right experience in stores and online, all of these matter and, as we've gotten these lined up in our Footwear First strategy, we win.

Second, we are creating value through operational execution. We have a credible path to unlock considerable earnings upside and historical operating profit levels in each of our strategically well-positioned businesses. The quarter's results add to our track record of improvement, with Journeys' rapid turnaround as our most recent example of evolving in response to dynamic consumer change.

Third, cost savings and disciplined expense management are meaningful parts of our path forward to accelerate the impact of comp growth and more rapid profit improvement.

And finally, we're off to a strong start and look forward to delivering another year of improved performance.

Before I turn it over to Darryl to walk through our financials and guidance details, I want to thank our incredible people across our company for their tremendous efforts: the operational progress that we're making, the execution discipline you're demonstrating, and your deep understanding of what our customers want are essential to our success.

Darryl MacQuarrie

Thanks, Mimi.

Higher sales, improved gross margins and expense leverage drove a notable improvement in operating income in the first quarter.

Revenue for the quarter increased 3% to \$487 million, driven by overall comparable sales growth of 2%. These gains, along with other non-comp sales gains and favorable foreign currency impact were partially offset by store closings from ongoing footprint optimization.

We ended the quarter with 48 net fewer stores versus a year ago, a decrease of about 4% of the fleet and 4% of square footage, representing approximately 1% of the sales. These closures were accretive to operating income and for many we saw positive sales transfers north of 15%, generating improved fixed cost leverage across the fleet.

Store comps increased 3% while direct comps were flat as a result of the decreased promotions at Schuh which especially impact the online channel. Johnston & Murphy led the business with comps up 7%, followed by Journeys up 5%, partially offset by Schuh comps, down 9%.

Adjusted gross margin for the quarter was 47%, up 30 basis points versus last year. The increase was driven by reduced promotions at Schuh, shipping and warehouse efficiencies, and favorable mix in our branded businesses, partially offset by expected brand mix pressure at both Journeys and Schuh.

Adjusted SG&A expense was 51.9% of sales, leveraging 60 basis points versus last year. We achieved this meaningful improvement, which was driven by occupancy, selling salaries and other cost initiatives, despite additional investments in marketing and more performance-based incentive compensation.

As a result of our strong performance, adjusted operating loss improved by \$4 million to \$23.9 million, compared to a loss of \$27.9 million last year. Adjusted diluted loss per share was \$2.18, compared to a loss of \$2.05 last year. Earnings per share was below last year despite improved operating profits due to a lower adjusted tax rate of approximately 7% this year versus approximately 27% last year, driven by the valuation allowance discussed on our Q4 call.

Turning now to capital allocation and the balance sheet, we continue to operate from a position of strength, bolstered by disciplined inventory management and healthy liquidity. Inventory at quarter end was up 6% versus last year, driven by Journeys, reflecting investments in new brand development, support for 4.0 store expansion, and increased inventory in key growth product categories. Overall, inventory remains clean as we position ourselves for Back to School sales opportunities.

Capital expenditures during the quarter totaled \$15 million and were focused primarily on Journeys 4.0 remodels. We ended the quarter with 1,208 total stores following 2 openings and 30 closures.

For the trailing 12 months, we achieved an overall sales per square foot gain of 9% demonstrating the improved efficiency across our fleet.

We did not repurchase shares during the quarter and have \$29.8 million remaining under our existing authorization after repurchasing a little over 5% of our shares last year. We continue to view share repurchases as an important component of our balanced capital allocation strategy and we are committed to deploying excess capital. As a reminder, we have repurchased 50% of our outstanding shares since the beginning of fiscal '20.

Turning now to our outlook, the core assumptions underpinning our fiscal '27 guidance remain intact. These include continued strength at Journeys, improvement at Johnston & Murphy, and the promotion reset at

Schuh for gross margin recovery at the expense of comps and sales, all leading to a healthy increase in operating profit and earnings per share weighted to the back half, especially the fourth quarter.

As a reminder, for the full year we discussed positive comps being offset by \$30 million of store closures and \$30 million of lost sales from license exits, resulting in flattish overall sales. We expect positive Journeys and Johnston & Murphy comps to offset the negative Schuh comps.

For gross margin, we expect improvement driven by the reduced Schuh discounting and lapping the license exit headwinds from last year.

We expect continued cost discipline, though no leverage on a flat sales base.

Finally, quarterly tax rate volatility due to the valuation allowance will lead to materially lower rates in the first three quarters with a fourth quarter true up to end with a comparable full-year rate. This will distort quarterly earnings per share comparisons, particularly in Q1 and Q2 where a lower tax rate will generate higher losses per share in loss-making quarters. So, again, we recommend investors focus on operating income trends as the cleanest read on underlying performance.

Now, based on our better-than-expected start to the year partially offset by a more cautious view of Schuh in the near-term and a little more conservatism relating to the consumer in the back half of the year, we are raising our full year earnings per share guidance range to \$2.00 to \$2.40.

Our upwardly revised full year guidance now assumes SG&A as a percent of sales ranging from approximately flat to 20 basis points of deleverage compared to prior expectations of 10 to 30 basis points of deleverage, and adjusted operating income of approximately \$34 million to \$40 million compared to prior expectations of \$32 million to \$38 million, with the middle of the range the most likely outcome.

The remaining assumptions of our initial full year guidance remain unchanged. These include: comparable sales growth of approximately 1% to 2%; total sales of down 1% to flat; gross margin up approximately 50 to 60 basis points with an assumed annual incremental tariff rate of 15% and not including the impact of any tariff refunds; no incremental share repurchases, resulting in fiscal '27 average share count of approximately 10.9 million, and a full-year tax rate of approximately 30%.

For the second quarter specifically versus our original guidance, we now expect more top line pressure and a little less gross margin pickup at Schuh, leading to: flat to slightly down overall comps as negative Schuh comps again offset positive Journeys and J&M comps; total sales down 3% to 4% versus last year, reflecting lower Schuh sales, much greater loss of license revenue, and store closures; gross margin to increase 50 basis points to 70 basis points with more opportunity for improvement as Schuh promotions and licensed product liquidation began in earnest this time last year; SG&A deleverage of 60 basis points to 80 basis points with the lower sales in this lower volume quarter, and a tax rate of approximately 7% to 8%.

Taking all this into account, we expect second quarter operating loss to be in line with to slightly worse than last year, with earnings per share expected to be approximately \$0.20 to \$0.30 lower, primarily due to the lower tax benefit. We expect Q2 to be the most pressured quarter year-over-year with improvement thereafter driven by higher sales volumes and continued gross margin recapture.

In summary, we are encouraged by our start to the year and the progress we are making across the business. While the environment remains dynamic, we are confident in our ability to drive profitable growth through differentiated assortments, strong brand partnerships, and disciplined expense management.

Operator, we are now ready for questions.

Operator

Thank you. If you'd like to ask a question, please press star, one on your telephone keypad; a confirmation tone will indicate your line is in the question queue. You may press star, two, if you'd like to remove your question from the queue. For participants that are using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question comes from the line of Joseph Civello with Truist Securities. Please proceed with your question.

Joseph Civello

Hi guys. Great quarter. Congratulations. Thanks so much for taking my questions here.

First off, on the Journeys side, you mentioned expanded access to some of the bigger brands and maybe rationalizing some of the more tertiary ones. Can you provide a little more color on that and then your outlook for each category this year if we think about casual, athletic, canvas and the product pipelines in those?

Mimi Vaughn

Great. Joe, thanks for joining us this morning. Thanks for your questions. I think you're asking about Journeys. The tertiary brands that we are rationalizing are really more in relation to Schuh. We've already done some of that in Journeys. I want to just talk about the fashion trends of note at Journeys and the strength of our assortment.

We've been talking a lot about how there's opportunity to serve this teen girl that we're serving with both fashion athletic and casual, and Journeys is really well positioned to take advantage of this.

Growth is coming from multiple places that we've seen that we had the opportunity to build on some of the franchises that have been doing well. We've seen extensions into colors, into patterns and into different materials, and the Samba is a great example of that. We have seen that—so, lots of extensions of things that have been working well.

The sandal business has been just on fire this spring, and we have been delighted to see that. It's been a bit of a later spring, but sandals have been good.

Low profile is gaining a lot of traction, and there are some brands that are well represented in low profile. There are some other nice trends that have been emerging like ballerinas and Mary Janes and that's represented in a few brands as well.

We introduced some new brands last year that I talked about; Nike and Hoka were two that I had called out, and we typically start slowly and then we build upon that. We've seen a few trends in Boots as well and certain shoe silhouettes.

So there's just lots to choose from right now. There's no one thing that I would call out, but what is really encouraging is just the diversity of different opportunities across the assortment, across the brand mix.

Joseph Civello

Got it. Great. Then on the Johnston & Murphy side, you guys are clearly seeing some strength through the Peyton Manning and the other initiatives you have going there and then also probably some of this like underlying dress-up trends that people are talking about. Is there any way to parse out like how much of the acceleration came from each of those?

Mimi Vaughn

Yes. There are so many good things working in Johnston & Murphy right now, and that acceleration to 7% was great. I think it is the real work that we've been doing over time that is paying off. And I think the icing on the cake is the dressing up part for sure.

But I'd say that what's really important right now is to have the exact right product for consumers. They're picking and choosing, but if you have newness and if you are delivering newness and something different, the consumer really responds. We've done a ton of work in terms of increased freshness across our categories. We've seen that Apparel has been very good in Johnston & Murphy. But what was notable this quarter is the pickup in Footwear.

We've been working on accelerating our overall cycle time so that we can deliver more freshness within the season. We have a lot more new introductions on the year. The XC+ collection has been working well. The Ackerson, the Higgins, that's been good on the product front.

There's no question that Peyton has been really beneficial to us, too. We have seen just more brand awareness. We've seen more interest in the brand. New customer growth is up double digits and particularly with the younger customer. So, product is good. Peyton is great. We are excited to announce that we've extended Peyton into a new fall campaign, which should help sustain that momentum.

Then the last piece, which I think is helpful, and it's a real thing for Johnston & Murphy—and I think it's a real thing for the consumer who's interested in dressing up more, that they want to show up in the office and look more refined and just more tailored dressing. I'm not saying that this isn't going back to dress shoes. It's just a more tailored look. There's been a pronounced shift from sporty styles to these more refined looks. And you'll see that in our offering; it's very much in Johnston & Murphy's wheelhouse.

I think it's all these things coming together that are sustaining the momentum.

Joseph Civello

Got it. Thanks so much. Then one last one. Just on the \$40 million to \$50 million cost program, can you just talk about that a little bit and where you see the lowest hanging fruit?

Mimi Vaughn

Yes. I think that we have room to improve our profitability, and we've been working hard on strategic initiatives and working hard to grow the top line. But to accelerate this improvement, we think we need to do some extra things on the cost side.

Where we started was really the work that we're doing on the IT transformation, and we started with looking for a set of capabilities in IT to say how could we take advantage of AI and some other of the technical capabilities that are out there. We ended up landing in a place where we are pursuing a very different approach to IT with a partnership that gave us some efficiency.

We just talk about that's some structural change to the way that we are doing the work. So it's structural changes that we are looking at. Over the past three years, we've been growing, have had very moderate growth in our expenses—it's been about 0.5 percentage point—but this program will help us to keep that low and even lower. We're looking at areas like selling salaries, actually taking out hours, working differently in stores. We're looking at robotics and automation within our distribution centers, some marketing spend optimization work as well. Really, just overall, how are we changing how we do our work?

We've done enough work to think that \$40 million to \$50 million is achievable and are really refining more of the details for next year and the year beyond.

Joseph Civello

Got it. Thanks so much. Congrats again.

Mimi Vaughn

Thank you.

Operator

Thank you. Our next question comes from the line of Mantero Moreno-Cheek with Jefferies. Please proceed with your question.

Mantero Moreno-Cheek

Thank you for taking my questions and congrats on the quarter. I guess my first question is, I know you called out that the Schuh turnaround should take longer than Journeys, but should we expect the banner to inflect positive as early as 1Q next year? Or should it take a little bit more time than that?

Mimi Vaughn

Mantero, thank you. We did say that the inflection in Schuh is going to take a bit more time than Journeys for two reasons. One is that the whole market really went into a very promotional cycle and what we called out for this year is that we are pulling back from those promotions, and that it will take a bit longer than expected just because the consumer market has been a bit more challenged. The things that we're working on right now are that, number one, pulling back from promotional activity, and that is certainly working; we do expect a nice pickup in gross margin through the course of the year this year. We are chasing into additional brands and better allocation of product and our assortment actually looks really good right now. I think that the market is just very athletically focused, and it's also just very price sensitive. And so that will help as well, better allocation of product.

We're working on just the cost base, as I said. Altogether, I think through the course of this year, we will see how it goes. A lot depends on the consumer environment. We are really affected right now because of the proximity to the Iran conflict and consumer sentiment has been affected by that, but hopefully that conflict will be resolved as we go through the year and sentiment will pick up, and we'll see how that market ends up changing.

Mantero Moreno-Cheek

Thank you. Then one quick one for me again. I believe you called out higher average transaction size for Journeys. Can you just break out transaction and ticket for comps? Thank you.

Mimi Vaughn

Yes. Two things have been driving Journeys transaction sizes: higher average selling prices and much better conversion. Overall for the footwear market, if we look at footwear traffic for the overall sector, footwear traffic has been down pretty considerably. What we're seeing is that the consumer is reaching up to afford higher price points, but they are shopping less frequently, buying fewer pairs. So overall, U.S. footwear traffic has been down. Journeys has been down in line, perhaps even a little bit more because we had some pickups last year in traffic, but consumers just love what they see when they cross the lease line. Our people in our stores have been doing a great job of converting and so we've been gaining market share overall for Journeys.

Mantero Moreno-Cheek

Thank you.

Mimi Vaughn

Thank you.

Operator

Thank you. Our next question comes from the line of Sam Poser with Williams Trading. Please proceed with your question.

Sam Poser

Hi. Thank you for taking my questions. I just wanted to do a little follow-up about the cost savings.

You talked about the selling salaries. I mean where do you anticipate most of the money coming from? And then the timing of it, we're not going to see that much this year, I assume, but would we start to see some next year? How does it pace for that \$40 million to \$50 million?

Mimi Vaughn

Sure. Sam, I think that you are already seeing some of the benefit of all of the work that we've been doing on cost. This is just an acceleration of what we've been doing. We had a 2% comp, and we picked up 60 basis points of leverage, and so I think that's just a testament to some of the work that we've been doing.

We will be seeing some of the benefit this year with our IT transformation work. We think in general that that's going to give us about \$10 million of savings between this year and next year. We do expect that some of the additional savings will come from additional rent and store closures like we have been doing. That structurally takes expense out of the overall base.

We've been working on selling salaries and taking hours out by changing the way that we're doing work and another big project that we are exploring is more automation and robotics within our distribution centers. So, we have looked overall and believe we can get the \$40 million to \$50 million and are further refining some of the initiatives that will be out into next year and the following year. But there will be savings this year and next year and the following.

Sam Poser

Thank you. Then this refers to last year and to Q1: you said that there was an offset to higher incentive comp, both there was—the incentive comp was up last year and it was up again in Q1. Can you break out the incentive comp between like the operating divisions and Corporate and how that—as a percent or however you want to do it?

Mimi Vaughn

So I'm going to start with last year. Incentive compensation was up by maybe a few hundred thousand dollars last year, Sam, so I'm not sure what you're referring to there. If I wanted to break that out, I'd say it's probably 75% divisions and 25% Corporate in terms of where we were last year. Journeys clearly had an amazing year last year and much of the bonus was there and, in fact a couple of our divisions did not bonus last year.

As far as the incentive compensation for this first quarter, we called out accruing more incentive compensation simply because we outperformed where our plan was and that's why there was more for the first quarter. In our current guidance, we are not anticipating a greater amount of incentive compensation this year.

Sam Poser

Okay. Then lastly, on the tariffs, you've filed for the refund. When you get—assuming you get the refund, how do you anticipate accounting for it? Is it just going to go to cash on the balance sheet? Is it going to be a one-time in a gross margin line whenever it shows up? I assume you're doing the cash-on-hand approach to this. Can you give us some idea of how to think about that?

Then as attached to that, you talk about your buybacks being opportunistic. What do you regard as opportunistic? Given the stock is going to be up today and the stock has been at low lows in recent months, how do you view what opportunistic is when it comes to the buybacks?

Mimi Vaughn

Okay. I think we've got a couple of questions in there. Let me start with tariffs, Sam.

We talked about \$23 million to \$25 million of refunds. We are using the gain contingency method just for—there are a couple of different ways that you can do it. That means that you actually book the dollars when you receive them. We're not certain when we're going to receive them. Everyone is saying maybe 60 to 90 days, which would mean in the second quarter. Of that \$23 million to \$25 million, I'd say probably two-thirds of that apply to tariffs from last year and maybe a third from this year. So what we would end up booking is running that through our income statement, but we're likely going to break that out. We think tariffs will go back to where they have been. At least that's what the administration has said, that they're looking to put in Section 301 tariffs at the levels we're assuming where the IEEPA tariffs were. So we'll see what ends up happening for the balance of the year, but we'll really break it out for you as just one-time puts and takes.

I don't think we said anything about buybacks being opportunistic. In fact, we've been very deliberate and intentional about buying back our stock. Every year over the past 10 years, except for the pandemic year, we have repurchased stock really systematically. We've repurchased over 50% of our shares since fiscal year '20 at rather big levels. So I'd say that we look at capital allocation to invest in our business. And in fact, we bought back 5% of our shares last year.

We look at our capital allocation right now as investing in our business, and also just seeing opportunities like the 4.0s that we are backing and investing against some of the inventory growth we need to drive our business.

We've got a really good track record of not sitting on cash as demonstrated by our buyback record, and so we're committed to the return of capital to our investors, which we have demonstrated with our specific actions.

Operator

Thank you. Our next question comes from the line of Mitch Kummetz with Seaport Research Partners. Please proceed with your question.

Mitch Kummetz

Thanks for taking my questions. I've got a few. Let me start with Schuh.

It sounds like you're maybe a little less bullish on the U.K. environment. I guess I'm curious as to why the sales guide for the year hasn't changed. Then also, when we think about that guide, what kind of comp is assumed there? Because I would guess in the quarter the sales were down 6%, comp was down 9%. I would guess the difference is really FX, but I would think that FX is less of a benefit as we go through the year. Are you assuming a better comp for Schuh than a minus 9% over the balance of the quarter starting in the second quarter? And I have a couple of others.

Mimi Vaughn

Great. Mitch, thank you for your questions. We are less bullish on the U.K. environment just because of recent events and really specifically for the second quarter. So, if this is the case, why hasn't the full year sales changed? So we did have a pickup from foreign exchange in the first part of the year. We do think it's going to be less of a pickup as we go through the year this year. So the puts and takes in terms of the overall sales guidance is a little bit less in Schuh, but we also had a little bit more in the first quarter. Then there's a little bit more sales—there's a little bit more comp that's offset in our other businesses, so there are a few puts and takes there.

For Schuh, we expect that comps will not be a whole lot better in the second quarter. But then in the third and the fourth quarters we are just anticipating right now that the conflict in Iran won't be as prolonged as into the back part of the year and that consumer sentiment perhaps will pick up.

We also are looking at some of the new product receipts that we have and we have more opportunity to impact the back part of the year. But it's a very dynamic situation in the U.K. right now.

Mitch Kummetz

I really appreciate all that color. Then my second question on the Genesco Brands Group, it definitely did better in the quarter than I was modeling. I'm curious, on this \$30 million drag for the year on the exited licenses, how much did that hit in the quarter? How do you expect the balance of that to kind of play out the remainder of the year? Then I've got one more, one last question.

Mimi Vaughn

Sure. So for us also, Genesco Brands performed better in the first quarter for sure, Mitch. We had a sales gap that we needed to make up and the team made up the entire sales gap in the quarter. If you compare this year to last year, sales were up. We do not expect that to happen. The biggest hit begins in the second quarter. That is a large part of the reason for the sales being down in the second quarter because a big amount of sales come out of the second quarter and then the third quarter as well. So second and third quarter are the biggest hits, and then the fourth quarter. That's typically how it will play out.

Darryl, I don't know if you have anything to add to that, but it's the second and the third quarter that are the biggest hits with some remaining in the third quarter.

Darryl MacQuarrie

Yes, Mitch. That's when we had more heavy clearance activity in the Levi's exit last year, so that's where you're seeing it the most really, in that second and third quarter.

Mitch Kummetz

Okay. And then lastly, on the Lead with Her strategy at Journeys, can you remind us what percent of your Journeys sales is to the female consumer? Can you talk a little bit about—and I know that a lot of what you sell is unisex, and so it might be hard to kind of parse that out. But could you also talk about kind of what you're seeing in terms of the female performance at that business as you started this initiative?

Mimi Vaughn

Sure. Strategy is exactly right, Mitch, that we see an opportunity out there to serve this teen girl at Journeys, who is really well served for apparel in the mall, but who is very underserved as far as footwear goes. Where trends have gone recently has been to just a diversified, she's interested in changing her look from one day to the next and looking for a diversified set of brands to be able to do that. So I think that when we started all of this, that we tilted a bit more heavily toward that female consumer, but we see an opportunity to serve a market that is 6 to 7 times bigger than the customer that we have traditionally served.

Elevating the product has been a very important part of the strategic growth plan. The work that we're doing, the work that our merchant team is doing, the work that Chris is doing is absolutely paying off. We are seeing that the sales—and you're right, a lot of that is unisex—but we have seen increased growth to our females. We're well over 50% of our sales to females.

Some of the trends right now, the trends that I called out in terms of Mary Janes and ballerinas and some of the different color treatments and the different texture treatments are very female-led. So the trends are nicely supporting the direction that we're heading as well.

Mitch Kummetz

Great. Thanks and good luck.

Mimi Vaughn

Thank you.

Operator

Thank you. Ladies and gentlemen, that concludes our question-and-answer session. I'll turn the floor back to Ms Vaughn for any final comments.

Mimi Vaughn

Great. Thank you for joining us. We look forward to talking to you on our second quarter call.

Operator

Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.