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Genesco Inc.

Second Quarter Fiscal 2027 Conference Call

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Joseph Civello, *Truist Securities*

Mitch Kummetz, *Seaport Research Partners*

Sam Poser, *Williams Trading*

Kylie Cohu, *Jefferies*

PRESENTATION

Operator

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

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

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

Darryl MacQuarrie

Good morning everyone and thank you for joining us to discuss our second quarter fiscal 2027 results.

During today's call, participants expect to make forward-looking statements that reflect our expectations as of today and actual results could differ materially. 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 actual results to differ from the expectations reflected in the forward-looking statements made today.

We 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 the schedules available on the Company's website in the Quarterly Results section. We have also posted a presentation summarizing our results there as well.

With me on the call today is Mimi Vaughn, Board Chair, President and Chief Executive Officer, and Jonathan Collins, Senior Vice President, Finance and Chief Financial Officer.

Now, I'd like to turn the call over to Mimi.

Mimi Vaughn

Thanks, Darryl. Good morning everyone and thank you for joining our second quarter fiscal '27 earnings call.

Before I get into our results and progress on strategy and initiatives, I'd like to start by welcoming Jonathan Collins, who joined Genesco in early August as our Chief Financial Officer. Jonathan brings more than 30 years of exceptional financial experience. His senior leadership roles in major global retail and ecommerce businesses include CFO of Walmart Africa and CAO of India's Flipkart Group, and he was most recently Chief Financial Officer of America's Car-Mart. Jonathan's public company leadership, multichannel retail experience and capital markets expertise make him a strong fit for Genesco as we continue executing our Footwear First strategy and generating shareholder value. I'm confident he'll be an excellent partner to me, our leadership team and the Board as we drive our next phase of growth. Welcome Jonathan.

Jonathan's arrival, along with our appointment of Tomas Petersson as President of Schuh following Colin Temple's retirement, which I'll touch on in more detail shortly, reflect our strong belief in the direction we are headed and our determination to keep accelerating our progress.

Turning now to Q2, I'm very pleased to report that we delivered bottom line results that were significantly better than last year and well ahead of our expectations with every business achieving gains versus plans.

The quarter once again highlights that our strategy is working and our momentum is building. We've been taking considerable action to respond to changes in a dynamic consumer environment and successfully evolve our business, and Q2 provides clear proof of our continued progress.

Earnings improvement came from strong execution, evidenced by higher gross margin recapture, more full-price selling, higher ticket size and conversion, better store productivity and more disciplined expense management. This is the earnings leverage we set out to build this year, and we're increasingly confident that it reflects positive structural improvement for a higher quality, more profitable business.

While we did in Q2 receive a substantial portion of the tariff refunds we applied for, which Jonathan will detail later, this is not included in the adjusted numbers we are reporting.

Our sharp execution drove meaningful earnings improvement even in this lower volume sales quarter and with a lower sales base. As anticipated, the decline in sales was driven by three shorter-term headwinds tied to strategic actions we're taking to improve our business: namely, continued store closures as we optimize our fleet, the license transition ahead of the Wrangler launch, and our intentional pullback on discounting and promotional activity at Schuh. These actions are in pursuit of a healthier, more profitable business over time. As we move past these events, we expect sales trends will improve and we remain confident the customer-facing initiatives underway position us well for future growth.

Importantly, both Journeys and Johnston & Murphy posted positive comparable sales in the quarter, continuing their ongoing streaks of consecutive gains, with the overall Company comp reflecting the reduced discounting at Schuh and corresponding impact on sales.

The consumer backdrop has not changed materially from what we described last quarter. Our customer remains selective and intentional: they shop with purpose when there is a reason and don't when there's not, and they're willing to pay up when we deliver the right product. What continues to stand out is that compelling product and newness are winning. We have the right assortments, our customer is responding, and notably, buying at full price.

The back-to-school read in Q3 so far is another encouraging example. After robust spring selling, the consumer turned attention, as usual, to summer activities other than shopping. Since then, Journeys has accelerated to a mid-single-digit comp in August on top of its second most-challenging, well-into-the-double-digits, monthly two-year stack. Johnston & Murphy has also seen a notable uptick in interest in its recently dropped fall offering. This gets us off to a good start for the back half. Our goal is to extend the momentum of the last year and a half and continue to gain market share, even as footwear industry dynamics remain challenged.

With that, let me now provide more color by business on the second quarter and the actions underway to deliver the back half, starting with retail.

In Q2, Journeys delivered its eighth consecutive quarter of positive comparable sales, on top of strong growth a year ago, extending the positive transformation story for the style-led teen that is one of the most important proof points of our strategy.

Journeys' merchant team continues to do an excellent job building on its elevated assortment across athletic and casual, achieving higher transaction size, more full-price selling and better conversion again in the quarter. Product strength remained broad-based across franchises and brands, including lifestyle running, sandals and low-profile athletic fashion, with momentum in newer brands and fashion trends such as Mary Janes and sneaker-ballerinas.

Ultimately, athletic lifestyle led the growth over the summer, where Journeys demonstrated its ability to drive market leadership in several franchises important to its target teen customer.

Our 4.0 rollout remains a major driver with the new format continuing to deliver in excess of a 25% sales lift. We opened 25 locations in Q2, bringing our total for the year to almost 50. What is most noteworthy about the quarter, beyond the positive comps, is Journeys delivered a meaningful 180 points of expense leverage. The productivity of these 4.0s, continued fleet optimization, impactful cost reduction actions and a new approach for selling salary efficiencies all contributed. This leverage, combined with more modest comp growth and roughly flat sales due to closed stores, drove the nice improvement in operating income, positioning Journeys well for profit gains outside of a robust shopping peak.

While our back-to-school business got off to a later start due to the Labor Day calendar shift, sales trends accelerated, boosted by our Life on Loud campaign as we got into the season, especially during tax-free periods with customers looking for budget relief. As I mentioned, Journeys is comping nicely positive against record back-to-school results last year, especially in larger, more premium shopping centers and in major states like California and Texas.

Turning to Schuh, our reset is squarely about restoring better economics over time, and this quarter's results show that work is taking hold. To oversee this next phase of the turnaround, we named Tomas Petersson President of Schuh in late July. Tomas succeeds Colin Temple, who is retiring after a remarkable 38-year career with the business, including the last 15 years as President. I want to thank Colin for his extraordinary contributions in building Schuh from the start into one of the U.K.'s leading footwear retailers and for his partnership in getting the reset work off the ground.

Tomas joins us from Foot Locker, where he most recently served as the geographic leader and General Manager for Europe, Middle East and Africa, leading Foot Locker's largest international business. He brings extensive global leadership experience across multi-branded footwear retail and footwear brands with a focus on youth culture. Tomas is reporting to Andy Gray, Head of our Journeys Global Retail Group. We have every confidence that his U.K. and international experience and track record growing profitable retail businesses make him the right leader to quickly build on the current progress. His skill set and experience are an exceptional fit for Schuh. Welcome Tomas.

Now, back to Q2, Schuh's gross margin improved 300 basis points over last year as we prioritized full-price selling over discounting and promotions, with the full-price mix increasing by 10 full percentage points of overall sales. Greater-than-expected gross margin improvement, combined with extensive efforts to improve the cost structure, including six store closures in the quarter, selling salary efficiencies and digital marketing optimization, among others, drove nearly flat operating income year-over-year, despite lower sales. That is the trade-off we said we would make at Schuh – near-term sales pressure in exchange for a healthier business.

We're also making progress in product, with greater access to and allocation of adidas, Nike, ASICS, UGG, New Balance, Birkenstock and others, as part of our more elevated assortment strategy, and we expect continued improvement as part of the Journeys' Retail Group.

The U.K. consumer market remains challenged and price sensitive which we're observing during back-to-school right now. Against this backdrop and with our efforts to reduce discounting, we've said we expect the Schuh turnaround to take longer than Journeys, but we see the same opportunity to serve the style-led youth customer we've captured at Journeys and remain confident in our plan.

Moving now to our branded business, Johnston & Murphy built on its momentum with its third consecutive quarter of positive comp gains. Newness and improving assortments, thoughtful pricing strategies and growing awareness, driven by increased brand marketing and our Peyton Manning campaign contributed to this growth.

The strength in the quarter was store-led, with traffic considerably outperforming the industry along with improved conversion and higher transaction size. Both higher sales and better gross margins drove the profit increase in the quarter.

We are beyond thrilled to announce that we have extended our successful partnership with Peyton Manning for two additional years. Peyton is the consummate, successful, aspirational J&M brand ambassador with over 85% recognition across our target customer base.

Our post initial-campaign research showed positive trends in J&M awareness and brand appeal, with revenue from new customers growing at a double-digit rate this year and up for 10 consecutive months since the launch of the first campaign. Younger customers are driving the growth, from the under-25, 26-35 and 36-45-year-old segments, which give us a long runway for growth.

We're also benefitting from a shift in fashion trend. The shift is not to formal dressing, but to a more refined, put-together way of dressing for work, travel and social occasions, and that shift is right in J&M's wheelhouse. Apparel was the biggest growth driver in the quarter, growing double-digits, with strength from XC Flex Pinnacle blazers, pants and knits. Footwear also grew, led by casual and casual athletic styles like the Ackerson, which is a dressier, refined sneaker.

At Genesco Brands, major increases in Dockers sales and significantly improved gross margins helped offset revenue loss from license exits as our excitement builds for the Wrangler footwear launch this month.

Now turning to our outlook, we're very pleased with the bottom line outperformance we delivered in Q2 and the comp acceleration we expected as Q3 got underway and we moved into the heart of back-to-school, even as comparisons became more challenging. While we anticipate continued choppiness in consumer shopping for the balance of the year and lower comps in non-shopping peaks, we've shown that we can effectively navigate these periods.

With our outperformance to expectations, we are rolling a portion of that upside forward but are now expecting more challenging sales in the back half to take the actions needed at Schuh, given how promotional we now expect the U.K. footwear market to be. We also plan to invest in brand building and marketing to drive customer awareness and grow our business. Taken together, these factors give us confidence that we are well positioned to deliver at the high end—up from the middle of our previously increased EPS range of $2.00 to $2.40.

Let me now briefly highlight a few of the initiatives that are shaping the second half and supporting our longer-term earnings bridge.

At Journeys, over the past two years of transformation we've sharpened the customer proposition, we've meaningfully elevated and diversified the assortment, we've improved brand access, we've invested in the Journeys brand, upgraded the store and online experience, and dramatically improved the economics of the business. With a reimagined concept in place, the next chapter and larger opportunity for growth is broadening awareness and attracting more new customers to Journeys: the style-led teen girl who is underserved in the mall today, a group that is 6 to 7 times larger than our historical base.

A key initiative to accomplish this is significantly greater investment in building the Journeys brand. To this end, we expanded the reach of our Life on Loud platform with our new back-to-school campaign, including more and bigger activations with our key brand partners and greater consumer engagement across social, digital and in-store experiences. We've increased our media spend over 30%, and the campaign has already delivered over 260 million media impressions in the first four weeks of an eight-week flight. TikTok and Instagram engagement has increased 30%, including TikTok Top View, and it's all led, as we intended, to traffic increases in stores and to Journeys.com which we have seen since its launch on July 14. The campaign features Outer Banks' Madison Bailey and XO, Kitty's Anna Cathcart, two celebrities that resonate with our teen customer, and other influencers who are all magnifying the campaign's impact through their own social networks.

Our 4.0 store rollout is another key vehicle for attracting new customers and bringing the reimagined Journeys experience to life. Through the second quarter, we've opened 130 stores in the new 4.0 format and increased our full-year target to 95 stores, bringing the total to about 180, or 20% of the total fleet by year-end. Roughly two-thirds are remodels, with the balance primarily relocations to larger footprints, plus a handful of new stores which will drive even more growth.

Our larger stores in better malls are outperforming, and we're capitalizing on that opportunity. In San Antonio, for example, we consolidated separate Journeys and Journeys Kidz stores into a larger-format location that is delivering promising early results, with sales up more than 70% month-to-date and well ahead of target. We also opened our first 4.0 Journeys Kidz store in Mesquite, Texas, with plans for seven more this year to determine if this too can be an additional growth vehicle.

Moving to Schuh, our priority is to build on the reset work underway while simultaneously honing the customer proposition and solidifying the path to strengthen the brand's positioning in the U.K. market. With Tomas now on board, we look forward to sharing that strategic growth plan in more detail in the coming months with inspiration from the Journeys' playbook successes. In the meanwhile, we will be continuing to reduce reliance on discounting; there will be a little less opportunity for gross margin improvement in Q3 but more in Q4; completing the closure of 20 stores in total over the last two years, or over 15% of the store base, as we optimize the footprint; furthering the cost reduction results we have been achieving; and building on the product access gains, while rationalizing tertiary brands.

At Johnston & Murphy, we see a unique moment at this time to greatly expand on our momentum as consumers gravitate toward a more refined and put-together look. We're excited for the new Johnston & Murphy & Peyton campaign which launched on September 1, one month earlier than last year. We shifted additional marketing dollars into Q3 for more impact. This campaign has a fashion theme with continued focus on reaching our target customer through live sports, and sports and business programming and content.

Our assortment will be supported by strong fall newness in quarter zips, layering pieces, outerwear and boots as we head into this important selling season. And we will have additional new customer acquisition catalysts with the opening of 10 new J&M stores in the back half.

In summary, our Footwear First strategy continues to gain traction and the strategic initiatives we've put in place are translating into tangible results across our company. This progress is a direct result of the stellar dedication and execution of our people, and I want to thank you for your incredible work which is so exciting to see pay off.

With that, I'll turn it over to Jonathan to review our financial results and outlook in more detail.

Jonathan Collins

Thanks, Mimi, and good morning everyone.

Before I get into the quarter, I want to say how excited I am to be joining Genesco. As I shared when I was announced, I am honored and humbled to join the Company at such an exciting time in its growth journey.

Over the past few weeks, I've had the opportunity to spend time with Mimi, the Board and the leadership team, and what stands out is the progress being made under the Footwear First strategy and the significant opportunity ahead. We have strong brands and leading positions in attractive categories, and multiple opportunities to drive profitable growth and shareholder value. I look forward to partnering with the team as we execute on these opportunities.

With that, let me turn to the quarter.

The headline for the quarter is that earnings improved meaningfully despite lower sales, driven by gross margin expansion and disciplined expense management. This performance demonstrates the operating leverage we are building and reinforces our confidence in the earnings potential of the business.

Revenue for the quarter decreased 3% to $530 million, and overall comparable sales declined 1%. As Mimi outlined, the decline in sales was anticipated and driven primarily by the impact of store closures, our deliberate reduction in promotional activity at Schuh amid a highly promotional U.K. market, and the loss of sales from the license transition ahead of the Wrangler launch.

We ended the quarter with 67 net fewer stores than a year ago, representing approximately 5% of both our fleet and square footage, and approximately 2% of sales. Importantly, these closures continue to be accretive to operating income with many generating positive sales transfers in excess of 15% while improving fixed-cost leverage across the fleet.

By channel, store comps increased 1%, while ecommerce comps declined 6% due to the outsized impact of reduced promotions at Schuh online. By division, Journeys comps increased 2% and Johnston & Murphy comps increased 4% while more than offset by a 9% decline at Schuh.

Adjusted gross margin was 47.2%, up 140 basis points from last year, driven by reduced promotional activity and higher full-price selling at Schuh, a favorable sales mix, license exit benefit, and pricing and tariff mitigation actions in our branded businesses.

Adjusted operating expenses decreased approximately $6 million versus last year, driven by selling salary efficiencies and effective cost control.

Adjusted SG&A expense was 48.8% of sales and deleveraged 40 basis points due primarily to lower sales volume. Excluding performance-based incentive compensation, SG&A expense was almost flat as a percentage of sales.

As a result of our quarter's performance, adjusted operating loss improved by $6 million to a loss of $8 million compared to a loss of $14 million last year.

Adjusted diluted loss per share was $0.83 compared to a loss of $1.14 last year. This quarter's EPS was negatively impacted by a significantly lower tax rate versus last year driven by the valuation allowance discussed on our Q4 call and doesn't fully reflect the improvement in operating income.

As we continue to execute the enterprise-wide structural cost savings initiative announced earlier in the year, I want to provide additional color on the $40 million to $50 million opportunity.

The program focuses on selling salary productivity, operational efficiencies, procurement initiatives, and AI and automation opportunities. Importantly, these are structural savings designed to permanently improve the economics of the business rather than one-time cost reductions.

The early results we are seeing from our IT transformation and broader efficiency initiatives increase our confidence in the program. For fiscal 2027, we expect to realize up to $20 million of savings with the remaining $20 million to $30 million expected over the following two years. These savings are enabling us to invest in areas that drive growth and brand awareness, while also helping to offset inflationary pressures.

Regarding tariffs, we received approximately $22 million of refunds during the quarter, which we've excluded from our adjusted results. As a reminder, these relate only to our branded businesses where we import product which represents roughly 20% of our company. As previously discussed, we view these proceeds as non-operating in nature and intend to deploy them consistently with our capital allocation priorities, including growth investments and returns to shareholders. We will continue mitigating tariff impacts through pricing, sourcing and mix actions as we assess any additional exposure from the new Section 301 tariffs.

Turning now to capital allocation and the balance sheet, inventory at quarter-end was up 8% versus last year, driven primarily by investments in Journeys growth initiatives, support for 4.0 store expansion and key product categories headed into back-to-school. Overall, inventory remains clean and appropriately positioned for the fall and holiday selling seasons.

Capital expenditures totaled $17 million during the quarter and were focused primarily on Journeys 4.0 remodels and growth initiatives.

We ended the quarter with 1,186 stores following 3 openings and 25 closures.

We did not repurchase shares during the second quarter. In the third quarter through August 31, we repurchased approximately 318,000 shares, or about 3% of outstanding shares, for $11 million, leaving $19 million remaining under our authorization. We continue to view share repurchases as an important component of our capital allocation framework while maintaining balance sheet flexibility.

Our balance sheet remains healthy, liquidity remains strong, and we expect solid cash flow generation as we move through the second half of the year.

Before discussing the specifics of our updated outlook, I want to reiterate our approach to guidance. The majority of our annual earnings are generated during the third and fourth quarters, particularly the fourth quarter, and we continue to operate in a dynamic consumer environment. While recent performance has been encouraging and supports an increase to our full-year outlook, we believe it is prudent to maintain an appropriate level of conservatism until we are further through the holiday selling season. Our goal is to establish a range we believe is achievable while preserving opportunities to outperform.

Turning now to our outlook, based on our second quarter outperformance, we now expect fiscal 2027 adjusted diluted earnings per share to be at the high end—up from the middle—of our previously increased range of $2.00 to $2.40.

For the back half of the year, we still expect continued momentum at Journeys and Johnston & Murphy, gross margin progress at Schuh, and disciplined expense management. We are flowing a portion of the Q2 outperformance through to the balance of the year, while also incorporating quite a bit more than initially expected sales pressure in the back half from Schuh as we continue to prioritize gross margin improvement through more full-priced selling in an increasingly competitive U.K. footwear market, along with incremental investments in marketing and brand building initiatives.

Importantly, our adjusted outlook excludes the tariff refunds received during the second quarter and assumes no benefit from any future tariff refunds.

Our full-year guidance now assumes: flat comparable sales versus our prior expectation of up 1% to 2%, reflecting the greater sales pressure at Schuh, resulting in total sales down approximately 2% versus our prior expectation of down 1% to flat; gross margin expansion of 60 basis points to 80 basis points versus our prior expectation of 50 basis points to 60 basis points, reflecting second quarter outperformance; SG&A as a percent of sales to deleverage approximately 30 basis points versus our prior expectation of flat to 20 basis points of deleverage, reflecting the lower sales; and adjusted operating income within our prior range of $34 million to $40 million, with the higher end of the range, up from the middle, now the most likely outcome.

We also continue to assume a full-year adjusted effective tax rate of approximately 30%. Due to the valuation allowance and seasonal earnings pattern of the business, we again expect the tax rate to remain unusually low for the third quarter with a fourth-quarter true-up to reach the full-year rate.

Our updated outlook assumes a weighted-average diluted share count of approximately 10.8 million, reflecting repurchases completed through August 31.

For the third quarter specifically, we expect: roughly flat comparable sales with positive comps at Journeys and J&M offset by negative comps at Schuh; total sales down a little over 4% to 4.5% reflecting the sales pressures at Schuh, $14 million of loss from license exits, and the impact of store closures. We expected the most pressure from the license lost in the second and third quarters, but were able to make up about half of it in the second quarter, which we are not assuming for the third; gross margin expansion of 90 to 100 basis points, driven by Genesco Brands lapping significant clearance activity last year and our expectation for more full-price selling at Schuh; SG&A deleverage that will more than offset the gross margin expansion, reflecting the sales decline, as well as 100 basis points of pressure from increased marketing investment behind back-to-school and the expanded J&M Peyton campaign; and a tax rate of approximately 7% to 8%.

Taken together, we expect third quarter operating income to be moderately below last year, reflecting the timing of these pressures and investments, while EPS is expected to be $0.05 to $0.15 higher. We view this as a temporary break in our operating income progression, with growth expected to resume in the fourth quarter.

As we move through the second half, we expect earnings to remain heavily weighted towards the fourth quarter, consistent with our historical seasonal pattern. While we remain appropriately cautious heading into Holiday, continued momentum at Journeys and Johnston & Murphy, margin progress at Schuh, and disciplined execution across the Company reinforce our confidence in the full-year outlook. Together with efficiency initiatives, we believe this progress demonstrates the earnings potential of our operating model and positions us to deliver sustained income growth over time.

Operator, we are now ready for questions.

Operator

Thank you. If you would 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 would like to remove your question from the queue, and for participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question is from Joseph Civello with Truist Securities. Please proceed.

Joseph Civello

Hi, guys. Thanks so much for taking my questions. Congratulations on a good quarter.

I wanted to follow up on the categories at Journeys. I know you said strong comps were broad-based. I'm wondering if we could get into the details of the different components of that, whether it be athletic or canvas, boots, anything would be helpful. Thanks.

Mimi Vaughn

Good morning, Joe, and thank you. We're excited about the performance in the quarter.

Just to give you a bit more brand color about where Journeys is, we are really experiencing multi-branded momentum. We benefit from the fact that we have a diversified set of brands across, as you said, athletic and canvas and casual. That gives our consumer a lot to choose from and also allows us to be very diversified in our overall—not dependent on any one brand. I'd say we have about eight plus brands providing growth in the quarter. We're seeing that low profile is definitely a look that is gaining quite a bit of traction. There's some nice trends in ballerinas and in Mary Janes and certain brands (inaudible). Lifestyle running continues to perform very nicely. We've got some benefits from some new brands that we introduced last year. As typical, we introduced it on a lower base and then it ramps over time. Our sandal business was quite good for the summer, and there were one to two other brands that really did help add to the overall mix.

It's been much more on the lifestyle athletic side. There have been some bright spots in casual, but if I had to weigh the scales, I would say certainly would be more lifestyle athletic than casual growth that we experienced in the quarter.

Joseph Civello

Got it. Thanks so much.

Operator

Our next question is from Mitch Kummetz with Seaport Research Partners. Please proceed.

Mitch Kummetz

Yes, thanks. I've got a couple of questions, I guess.

Mimi, just kind of along the lines of product at Journeys, can you address your exposure to and performance of legacy athletic silhouettes? Some of your competitors came out last week and talked about challenges there. Just wondering what you're seeing there, and do you see any risk in the back half to maybe some increased promotional promotions around some of those products from some of your competitors? And then I've got a follow-up.

Mimi Vaughn

Sure. Good morning, Mitch. Thanks for the question.

There has been a lot of talk in the industry about legacy athletic styles. As I said, our lifestyle athletic was the star of the quarter for us, and it's due to the fact that we are diversified across a number of different brands and I think some of the pressure in the industry is concentrated within some individual brands.

Do we expect more promotional activity in the back part of the year? We do, but it really has been quite promotional for some time now within the athletic space; some in apparel, some in particular styles. Our great benefit is that we are serving that style-based customer, particularly with a tilt toward the teen girl. What we're seeing in ballerinas and Mary Janes and some of the other styles that are quite female-tilted more than anything else is helping to drive our business. So we're quite focused on what we're doing, on how well Journeys is performing against fantastic performance the last couple of years.

In the back part of the year, we expect promotional activity will happen around us as it has been happening for some time, but our full-price selling was quite good, was quite good through back-to-school, and we intend to keep the focus on full-price selling for the back half.

Mitch Kummetz

Just as a follow-up on the Mary Janes and ballet flats, I get the impression that you're referring to products like Samba Jane or maybe the Speedcat ballet shoes. Is there also an opportunity for you around some of those silhouettes on the non-athletic side where maybe there's even less competition in the mall for those kinds of products, and you guys obviously address the non-athletic side well in the mall.

Mimi Vaughn

For sure. That's a great question, Mitch.

And for sure, I think anytime trends take off, they start in one place, and then brands really try to put their own interpretation of what those trends will be. Certainly we do have on the Mary Jane side some nice opportunities on the casual side. You know that our mix shifts a lot into more casual in the back part of the year and so there's certainly an opportunity.

The beauty of the Journeys model is that we can sell athletic, we can sell casual, we can sell whatever's relevant. We can rotate our brands in and out so that we are spotlighting and showcasing and growing the brands that are really relevant for our teen consumer.

Mitch Kummetz

Then, my last question: just on the product outlook for the back half, can you talk a little bit about how you're thinking about the boot segment? There's been obviously some talk about potentially a Super El Niño this year. I know that your boot business is more fashion than function, but weather does play somewhat of a factor. Could you maybe walk through your thoughts around how you're thinking about boots and the potential impact of maybe some warmer weather this winter?

Mimi Vaughn

Sure. The key thing that you said, Mitch, is that our boots are definitely about fashion. It does need to be cool to get the consumer to register that it's time to buy boots and it's time to shift what they're wearing into the fall season. I'd say that how cold the winter is doesn't necessarily impact our outlook on what the boot segment would be.

I will say it's been extraordinarily hot. If we're in Nashville and it's going to be 90 degrees, it feels like 100 really late into where we are in September. So, it's too early to get a read on the boot segment. I think we'll know a little bit more when cooler fall weather comes into play.

But we've got a great assortment across all the categories that I just talked about. That's what we're really banking on for what's carrying us well through back-to-school. We've seen a nice pickup in our comp through back-to-school. The diversification is going to carry us into the holiday season as well.

Mitch Kummetz

Great. Thank you.

Mimi Vaughn

Thank you.

Operator

Our next question is from Sam Poser with Williams Trading. Please proceed.

Sam Poser

Good morning. Thanks for taking my questions.

I'd just like to know, you mentioned in your prepareds that Journeys comp stores and ecomm. Can you tell us sort of the variance for the two other divisions? Like, for Schuh and for the same information for Schuh and for J&M, please.

Mimi Vaughn

Sure. We were delighted that Journeys had positive comps in both the store channel as well as online. We particularly saw a lot of growth in traffic for online with our Life on Loud campaign. If you haven't checked it out—Sam, I know that you that you frequent social media—but it's a spectacular campaign and that allowed us to drive a lot of traffic both to stores, but to ecomm in particular.

If we shift over to Schuh, we are pulling back on promotions and online is a customer who either is jumping on the latest fashion trend or is looking for a deal, and so the pullback on the promotional activity has disproportionately affected our online channel. Our comps were more negative in online than they were in stores, and we can manage that better. I think we talked about the fact that Schuh was able to almost offset all of the sales decline in the quarter, and it's because we can pull down on our expenses in the online channel. So we're actually pleased with how our stores are holding up in light of the pullback.

Then finally, on Johnston & Murphy, we had some unique factors in the quarter where we had—we've been pulling back on our catalog drops and we had a pullback on catalog in the quarter that, again, disproportionately impacts the online channel.

What we're excited about right now is how much online has has taken off for Johnston & Murphy with the fall assortment and with the fall drop and the shift I talked about into a more dressed-up, cleaned-up look is really benefiting us across really every channel at this time.

Sam Poser

Just so I can clarify, you also mentioned that the comps in August at Journeys has accelerated because of the later back-to-school. But I guess with less promotions going on in at Schuh, Schuh would disproportionately fall off when the promotional activity is higher there, correct? Because you're trying to keep it cleaner and it's a different market. Then J&M comps theoretically accelerated based on the drop of the new product. Is that a fair, just general way to think about it?

Mimi Vaughn

We're off to a really good start in the quarter, and we've seen an acceleration of Journeys comp I said into the mid-single digits. I think that part of the second quarter comp was for Journeys was affected by a later back-to-school. So, for sure, back-to-school has a couple, at least a week, maybe a couple of more weeks for Journeys. We expect that robust comp to continue. Then we do expect in October—the end of September, October into November until Holiday starts that comps will pull back. We do believe that Journeys comps will stay positive.

For Schuh, we've seen a little bit of a tick up from a negative level over back-to-school, but we do expect the same fall off. And for J&M, comps certainly have accelerated based on the impact of the new product drops, yes, for sure. So I think, first, for sure, Journeys up where it is, Schuh (inaudible) later on. And then J&M comps have picked up.

Sam Poser

Where are you in Schuh with getting the what you believe is that product mix where it needs to be? Getting it really in its full of full effect of having the product to more focus on the teen girl, I guess teenagers in general than it has been.

Mimi Vaughn

Right. We have been working on that and a key part of the Schuh strategy is elevation of the assortment, similarly to what we did in Journeys a couple of years ago and we are making good progress. As you know, it takes some time to be able to change the assortment given the lead times in our product cycle. But we are quite pleased on the progress that we're making. I don't think you see the full impact just yet. I do think some of the progress we're making is being overshadowed by the fact that we are seeing—that we are pulling back on promotions.

So I think that that's the puts and the takes that certainly are making progress, more progress to come, but overshadowed by lower sales from the pullback on promotions.

Operator

Our next question is from Kylie Cohu with Jefferies. Please proceed.

Kylie Cohu

Hey, good morning and thanks for taking my questions.

Journeys has now delivered eight consecutive quarters of positive comps. You've highlighted a much larger opportunity with the underserved teen girl customer. As you're thinking about increasing marketing spend and expanding the 4.0 format, how should investors think about the relative contribution of traffic growth conversion and AUR to sustain this positive comp momentum over the next few years? Thank you.

Mimi Vaughn

Kylie, thanks for your question and for noting that Journeys is on its eighth consecutive quarter of positive comp. We're really into our ninth consecutive quarter if you count our quarter to date. What has been driving that is a reimagined concept that's really thinking about sharpness around the consumer base that we are serving. It is an underserved young female within the mall who's well served by apparel but there's an opportunity, we think, for 6 to 7 times larger consumer base than the market we have traditionally served.

If you've been in our 4.0s, you will see that. You will see just an incredible environment that really speaks to her and has the exact right brand assortment that she's looking for across multiple different brands with the exact right styles out of an assortment. That's what we can do in Journeys, is we can edit the assortment and provide it exactly what that young girl is looking for. We have an assortment that is really unparalleled across the mall.

So what has been happening within footwear in general is that customers have been buying fewer pairs to compensate for some of the offset in ASP increases. We have been seeing great conversion in Journeys. We've been seeing better traffic in the 4.0s. We expect the 4.0 traffic to grow over time as more consumers get to know the concept. The buying cycle for footwear is long and therefore it takes a bit to be able to really compound that traffic growth. But we're really leaning into conversion and because of the elevation of the product, the average AUR has helped us the most. So conversion and AUR for now and increasingly traffic growth as we build a base of new customers. As you said, our Life on Loud campaign is just a great example and all the work we're doing on social is work to be able to continue to contribute to our traffic growth.

Kylie Cohu

Great. Thank you so much.

Mimi Vaughn

Thank you.

Operator

We have reached the end of our question-and-answer session. I would like to turn the conference back over to Ms Vaughn for closing remarks.

Mimi Vaughn

Thanks for joining us this morning. We wish everybody a great holiday weekend and look forward to talking to you on our next quarterly call, if not before.

Operator

Thank you. This will conclude today’s conference. You may disconnect at this time, and thank you for your participation.