



Genesco Inc.

First Quarter Fiscal 2026 Earnings Conference Call

June 4, 2025

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

Darryl MacQuarrie, *Senior Director, FP&A and Investor Relations*

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

Sandra Harris, *Senior Vice President, Finance and Chief Financial 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

Joseph Civello, *Truist Securities*

Mitch Kummetz, *Seaport Research Partners*

Corey Tarlowe, *Jefferies*

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

Operator

Good day, everyone, and welcome to the Genesco First Quarter Fiscal 2026 Conference Call.

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

I'll 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 2026 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 Sandra Harris, 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 us.

Following the significant momentum in last year's back half, we are pleased with our start to fiscal 26, with both sales and operating income coming in nicely above our expectations and last year. First quarter sales growth once again outpaced the industry, highlighted by an overall 5% comparable sales increase, above the high end of our full year guidance range, led again by strong Journeys results. Our overall comps were relatively consistent for February and March/April, combined, highlighting the strength of our assortments, as we transitioned out of winter and into spring. Journeys comps increased high-single-digits, as the initial phase of our strategic plan to accelerate growth extended its momentum, and Journeys continued to gain market share.

The consumer environment remains choppy and with recent first quarter events, this choppiness has become more pronounced. Consumers show a willingness to shop when there's a reason, like we saw over Valentine's Day and Easter, and retreat when there's not, and they remain quite selective. Our Merchant and Product Teams continue to innovate and add freshness to our assortments to satisfy shoppers who are looking for must-have product and a reason to buy something new, and who are passing on everything else. We know that in this environment, it is compelling footwear and freshness that motivate the customer to purchase, and we've taken major actions to respond to these consumer needs.

First quarter results are evidence of this outstanding work, with all channels posting positive growth. Comparable sales increased 5%, our third consecutive positive increase, with both stores up mid-single-digits and online up high-single-digits, and wholesale channel growth of 5%. Journeys comps were strongly positive for the third consecutive quarter, as well, up 8%, and Schuh continued its positive comp run from Q4.

Operating expense leveraged 170 basis points, benefitting from our ongoing cost reduction efforts, and operating income and EPS improved year-over-year thanks to the higher sales and better expenses. EPS would have been \$0.05 better in Q1 had we not opportunistically bought back shares, which will ultimately be beneficial to the full year.

Before I give more color on the quarter and our strategic growth initiatives, I'd like to address the uncertainty with respect to tariffs, which I know is on everyone's minds, and our active mitigation efforts.

We've built a solid track record of successfully evolving our businesses and shown our resilience when confronted with economic, consumer and fashion disruption, which we demonstrated most recently coming out of the pandemic and we are demonstrating once again with Journeys right now. The traction we are achieving and the continued strength of our footwear-focused strategy and initiatives give me confidence in our ability to navigate the current trade environment, while building on our recent success.

In summary, we are well-diversified across a number of brands we sell, we have limited and reducing exposure to China sourcing, and we are implementing many actions to mitigate the impact of reciprocal tariffs. Thus, we are well positioned to navigate this. While there is some immediate impact, and assuming tariffs remain close to levels where they are today, our teams are working hard to offset much of the impact this year.

To dimension this, we need to talk about our Retail business, where we buy and sell a mix of in-demand brands and our Branded business, where we source our own product. Retail is the largest portion, at

more than 80% of sales, namely, Journeys and Schuh. Schuh is a quarter of this 80%, and since it is U.K.-based, is largely unaffected directly by reciprocal tariffs. For Journeys, our top vendors are a mix of mostly larger, premium, global brands with diversified sourcing. While this situation is quite dynamic and evolving, to date, a limited number of our vendor partners have notified us of immediate price increases in response to reciprocal tariffs. We do expect price increases over time, but know our brands are working to mitigate tariff cost pressures and ensure key franchises remain stable. Brands with momentum, as usual, have more ability to take price, and we anticipate that our partners, like us, will remain flexible and respond accordingly to any changes in tariff rates versus current levels.

We do not expect to absorb gross margin reductions. The biggest unknown will be the consumer response to price increases and inflationary pressure in general. We will be in constant communication with our brand partners to relay and react to this dynamic. Our experience shows that customers continue to engage and shop with us when we offer the best brands and the highly-coveted footwear they desire, positioning us well to manage through this impact.

Now, to our Branded side, Johnston & Murphy and Genesco Brands Group, where we source product directly. Overall for Genesco, and including our Retail business, we estimated at the start of the year that a little over 10% of our products are subject to China tariffs, with Branded representing about half of this at 5%, weighted toward Genesco Brands. Over the last several years, we've been working diligently to reduce risk across our supply chain with a concerted effort to diversify our countries of production. These efforts have meaningfully paid off with dramatically lower dependence on, and a path to be almost completely out of, China in short order, as needed. Over the last two months, our teams have swiftly and continuously evaluated our product lines and sourcing plans and taken aggressive action to minimize the reciprocal tariff impact.

At the current rates, we estimate the reciprocal tariffs in our Branded business would result in unmitigated cost increases of roughly \$15 million this fiscal year. We are taking the following actions, among others, to mitigate this cost pressure:

- accelerating, increasing or cancelling inventory to take advantage of tariff windows;
- further diversifying suppliers and re-sourcing to countries with lower tariffs;
- working with longstanding factory partners to reduce costs; and
- planning for strategic price increases targeted more toward the back half of the year, coupled with demand generation investments.

While reciprocal tariffs have delivered considerable new challenges, as I said, we see a path to offset much of the impact this year. We are playing offense and will capitalize on opportunities we see emerging.

I want to sincerely thank our people across our Company, especially in our product and supply chain areas, for working around the clock and for the tremendous efforts you have put forth. I've seen you take some remarkable actions to put the Company in a much better place. It's the ingenuity and determination of our highly experienced teams working with our valued brand and factory partners and a high level of execution that allowed us to succeed in times like this before, and I am confident will again.

Now, for Q1 color and growth initiatives for each business, starting with Journeys.

Our number one priority this past year has been to improve performance of the Journeys' business. After bringing in a new President, Chief Merchant and Chief Marketing Officer, the first phase of our strategic

growth plan focused on injecting the product assortment with more newness, excitement and storytelling and drove a noteworthy double-digit comp increase in the back half. Excited about these results, along with Journeys' distinctive teen proposition and enhanced focus on the teen girl, our key brand partners are further stepping up in support of our strategic direction to better serve this customer through elevated product and depth.

The growing strength of our assortment drove robust comps again in Q1. This comp strength was broad-based, with seven brands across both athletic and casual posting double-digit gains. The strongest gains were with athletic brands, although athletic and casual are well balanced in Journeys' assortment. Vulcanized or canvas footwear is still pressured, but with diversification and growth of these other brands and positive consumer reaction to trends like low-profile and 2000's running-inspired styles, these increases are driving healthy growth overall.

Journeys drove strong gains in Q1 store conversion and transaction size, more than offsetting softer traffic when consumers pulled back from shopping outside of peak periods. We were pleased to see Journeys' comps strengthen through the months of the quarter. We expect the same brands and trends to drive Q2 growth, and while not dependent on this to drive results, we are also excited about some new brands we have been introducing or reintroducing at Journeys, as well. We have built inventory as planned in support of this growth. This inventory is high quality, and we have a strong track record of working with our brand partners to manage inventory to protect margin in times of volatility.

After reviewing our other businesses, I will briefly highlight the exciting initiatives that drive Journeys' strategic growth and transformation.

Staying with Retail and moving to Schuh, comps increased low-single-digits for the second consecutive quarter, benefiting from Schuh's work on brand and product elevation and improved access to top brands and styles. In a very challenging retail environment, by sharpening its customer focus and intensifying the messaging around the brand, Schuh is becoming more important as a key destination for its youth shopper for casual and athletic footwear.

Like the U.S., the U.K. consumer remains very selective, putting pressure on the footwear category and purchases in the quarter overall. Key brands and must-have styles drove conversion, with the same brands as Journeys driving the business. At over 40% of sales, Schuh's advanced digital capabilities and highly-penetrated e-commerce business remains a key channel for consumer engagement, with digital sales growth outpacing stores in Q1. Additionally, the Kids business continued to perform well in Q1.

We are excited to build on the enhanced brand partnerships and improved product access Schuh has gained so far. Through our partnership strength, we have already secured significant further improved product access with Nike and New Balance, with exciting new styles and iconic franchises arriving this quarter.

Turning now to Johnston & Murphy, after two consecutive years of record sales resulting from J&M's strategic repositioning to a more casual, more comfortable, lifestyle brand, we've been working on delivering fresh and distinctive product in response to headwinds J&M experienced last year. While comps were down 2% in Q1, we were encouraged to see growth in store conversion and transaction size, demonstrating positive consumer response to the assortment and purchase intent, especially for new product. Both full-line retail stores and online comps were slightly positive, offset by factory stores where a more price-sensitive customer retreated and caused larger store traffic declines.

One exciting product callout that speaks to the ongoing repositioning is the success of the Anders sneaker, which is the spring season's best-selling style. This updated and refined approach to a classic sneaker highlights J&M's ability to deliver casual lifestyle products, while staying true to its DNA. We've

also enjoyed a resurgence in dress shoes with our reimagined Upton dress program. Blazers and outerwear were standouts, as well. The brand continues to ramp up innovation efforts, delivering a 15% increase in new footwear constructions in the first half of this year, and even more freshness, with a 60% increase in the back half, in addition to new fabrics and design details in its apparel programs.

Accelerating its brand repositioning to build awareness and acquire new customers is J&M's other area of focus. This includes introducing an updated brand book this year, launching a limited edition collection of shoes and apparel in celebration of its 175th anniversary, rolling out its "175-Years Young" media campaign, and shifting marketing spend to further support brand building. New stores planned for the back half will also build brand awareness and counteract the deleverage the brand experienced from closed stores in Q1.

Rounding out the Branded discussion, our strategy to simplify our license portfolio to emphasize key brands and channels continues to benefit Genesco Brands Group. Our efforts to improve the portfolio will be ongoing. New product is resonating with our retail partners and consumers, and pull-forward sales from some sunseting licenses helped drive Q1 sales growth, as well.

It's worthwhile to now take the time to briefly highlight some of the progress we're making in our exciting Journeys' transformation plan. While the teen, especially the teen girl, is well served with fashion apparel in the mall, no concept, other than Journeys', goes across athletic, casual and fashion footwear for the style-led teen. This is the opportunity and white space we identified to build on the traditional strengths of Journeys to serve a wider teen audience interested in style and trend, that is six to seven times larger than the market we've historically served. We're focused on four key areas to achieve this and to be the destination for where this customer shops for the latest fashion footwear.

First, we're focused on diversification and strengthening our product leadership with best-in-class premium footwear brands. We've traditionally been stronger in the casual and canvas categories. A major growth driver is expansion of our premium athletic assortment. In Q1, athletic grew well into the double-digits over last year and now represents more than a third of Journeys footwear sales. At the same time, we continue to strengthen and expect growth from casual. It's the powerful combination of all three that defines our footwear leadership. I've said "premium" a number of times. This strategy is about more customers and more choice product. Product elevation is generating stronger average selling prices, highlighted by an increase of 12% in Journeys' Q1 average footwear selling prices.

Second, we're investing in our Journeys brand, bringing our updated brand positioning to build awareness with this expanded group of teen customers. You've already seen a change in our brand platform and imagery, with continuity across online and stores and style vignettes online in the Journeys Blog, showcasing our fashion authority. We're investing further in influencers, content and social, including TikTok and long-form content. One callout, resonating with our core youth audience, our Jazmine Bigfoot series has racked up 44 million views so far. We'll be launching a fun new brand platform and campaign at Back to School and investing more dollars behind it, and we're thrilled with the almost 7 million loyalty members we've added in about two years.

In our third area, elevating our customer experience, there's one outstanding initiative I'd like to spotlight, our new 4.0 store design success. We needed an elevated setting to attract new customers and call attention to our more premium product, while at the same time retaining Journeys' energy and brand DNA. Our new store concept has delivered strong results and a sales lift of more than 25%. Our focus is on making the most productive stores even more productive. These stores have meaningfully better traffic, higher conversion and higher average selling prices and have been attracting a larger share of new customers. We now have 39 stores in the 4.0 format. The results have been so compelling, we've pulled forward more stores to remodel this year. By year end, we expect to have 75-plus stores in this new format, underscoring our belief in this initiative as a cornerstone of Journeys' transformation.

Fourth, we're unlocking the power of our people. Our store teams are a key differentiator, delivering exceptional service and representing the heart of the brand. Our efforts to double-down on selecting and training our people have contributed to the improved store conversion we've been achieving.

You can see why we're so delighted with Journeys' evolution and the tremendous opportunity that lies ahead. We're in early innings in this strategic transformation, with several waves of planned growth to broaden and deepen Journeys' consumer appeal.

All that said, turning now to guidance, we remain confident in our plans for Journeys and our other businesses, but recognize there's now more uncertainty in the external consumer environment. In Q2 so far, Journeys and J&M comps have been tracking at a similar pace to Q1, while Schuh has an offset in timing of a sale period versus last year. While we face some disruption in the second quarter, in particular, because of the shorter timeframes to react to tariffs, given our limited China exposure and tariff mitigation efforts, we are reiterating our full year EPS guidance range of \$1.30 to \$1.70. Sandra will take you through the details, but we're optimistic about our ability to drive our business forward, especially in the second half during Back to School and holiday, when there are more reasons to shop. We have consistently capitalized on key periods, driving outsized volumes during these times, and plan to do so again. As the results pay off, we also plan to continue the cycle of store improvement and investment for higher growth. We still have a lot of work to recapture our peak operating profit levels, but we expect fiscal '26 to be another step in the right direction.

Now, Sandra will take you through the specifics of our financial results and outlook.

Sandra Harris

Thanks, Mimi.

Overall, we were pleased with our first quarter performance, delivering improved results, compared to last year, even though the consumer environment became increasingly uncertain in April. Total revenue and comps increased in the mid-single-digits, we effectively leveraged SG&A, and our adjusted earnings per share loss improved by \$0.05 year-over-year. Excluding the impact of opportunistic share repurchases, which were dilutive to EPS for the quarter but are expected to be accretive over the full year, adjusted earnings per share would have been \$0.05 better.

Revenue for the quarter of \$474 million increased approximately 4%, driven by overall comp growth up 5%, our third consecutive quarter of positive comps, with store comps improving 5% and direct comps increasing 7%. Journeys led the businesses with comps up 8%, followed by Schuh up 1%, while Johnson & Murphy comps declined 2%. Traffic continues to be challenging, but we are seeing improvements in conversion and average transaction size to help offset the traffic declines. The positive contribution from comps were partially offset by lower revenue due to closed stores.

Adjusted gross margin for the quarter of 46.7% declined 90 basis points, compared to last year. The change in rate was primarily related to an anticipated shift to higher price-point, but lower margin, product in both Journeys and Schuh due to the increased penetration of athletic styles, combined with higher promotional activity at Schuh and the pull-forward of liquidation product in Genesco Brands Group.

Moving down the P&L, SG&A expense was 52.5% of sales, 170 basis points better than the prior year and, with the higher sales, better than we expected. The improvement was driven by reduced occupancy and bonus expense, along with cost savings initiatives across multiple areas, reflective of the continued benefits from our prior year cost savings program and new reduction initiatives to continue to improve

costs across our business. This favorability was partially offset by sales and marketing investments to drive growth.

We continued our store optimization efforts, ending the quarter with 65 net fewer stores versus a year ago. The net closures represented 5% of the fleet and 3% of total square footage, but only 1% of total revenue. In general, closing these stores was accretive to operating income. For many of these stores, we have also seen positive sales transfer rates that have helped offset any operating loss impact.

At Journey's, we remodeled 29 stores into the new 4.0 format in the quarter, bringing the total remodels to 39 since we started the program in October. As Mimi discussed, in these remodels, we've seen well above average performance in comp with gains in traffic, conversion, and transaction size. We will continue to optimize the fleet to better support the consumer's preference to shop both in-store and online, and to enhance and improve the in-store experience across our fleet.

The performance throughout the first quarter generated an adjusted operating loss of \$28 million, compared to a \$30 million loss for Q1 last year, resulting in an adjusted diluted loss per share of \$2.05 for the quarter, versus a loss of \$2.10 last year. As I mentioned earlier, earnings per share would have been \$0.05 better if we had not opportunistically repurchased shares, and the lower share count is dilutive in a loss quarter, but will be accretive for the full year.

Our adjusted effective tax rate for the quarter was 26.7%, compared to 26% in the prior year.

Turning now to capital allocation and the balance sheet, free cash flow for the quarter was negative \$120 million, compared to negative \$40 million in the same quarter last year. We have been working to improve our inventory position with hot product and new brands at Journeys to meet the growth trends of the business. This year, we ended the quarter with inventories up 15% to meet consumer demand at Journeys, impacting our year-over-year cash flow comparison. We expect our inventory growth to be more in line with our sales growth in the back half of the year. Our free cash flow in the quarter is also lower due to higher capital spending this year as we continue the strategic investment in store remodels that we began in Q4 last year. As we navigate the next few quarters, we expect positive free cash flow for the full year exceeding fiscal year 2025.

Our strong balance sheet and liquidity under our revolving lines of credit provides the financial capacity to support our strategic investments. Capital investments in the first quarter were \$19 million, primarily directed to retail stores and other initiatives. We opened four stores and closed 26, ending the quarter with 1,256 total stores.

Lastly, and as I mentioned earlier, we did opportunistically repurchase about 605,000 shares of our common stock, or about 5% of shares outstanding, during the quarter at an average price of \$20.79. We have \$29.8 million remaining under our current authorization.

Now, turning to guidance, we remain appropriately cautious considering the ongoing macroeconomic uncertainties and recent developments in global trade policy that have added complexity to our planning environment. Despite these challenges, we have carefully evaluated a range of scenarios, and based on the outcome of those scenarios, we are reaffirming our full year earnings per share guidance of \$1.30 to \$1.70. Our guidance reflects the current level of tariffs, along with the impact of our mitigation strategies that Mimi discussed, and some degree of consumer pull-back. Our guidance assumes that tariff conditions do not materially worsen, our mitigation efforts are effective, and there are no significant shifts in consumer sentiment.

We now expect comp sales for the year to be up 2% to 3%, down somewhat from our beginning of the year guidance of up 2% to 4%. However, we now expect a total sales increase of 1% to 2%, versus our

previous guidance of flat to up 1%, due to a more favorable pound sterling rate. Comps continue to be driven by Journeys, with total comps higher in the front half of the year, as Journeys anniversaries negative comps last year, and moderating comp growth in the back half, as we go against Journeys' strong comps last year. For our other businesses, we are now more conservative around comps based on the consumer pressure on the footwear category in the U.K. market for Schuh, and for J&M, especially for the factory channel. This comp growth is offset by roughly \$30 million from the impact of net store closures and now helped by a pickup of approximately \$15 million from a stronger pound sterling.

By division, we still expect Journeys total fiscal year sales to be up low-single-digits, as mid-single-digit comps are partially offset by closed store volume. For Schuh, we now expect total sales to be up low-single-digits, as favorability in foreign exchange overcomes flattish comps. For J&M, we still expect sales to be up low-single-digits, and for Genesco Brands, we now expect sales to be down high-single-digits, as we manage through the expiration of certain licenses and navigate the wholesale landscape around the tariff situation.

For gross margin, we continue to expect the year to be down 20 to 30 basis points, in line with our previous guidance, as the impact of tariffs are offset by our mitigation efforts and better margins in our Retail businesses.

We continue to expect adjusted SG&A as a percentage of sales to leverage 50 to 70 basis points, as the decrease in comps and related deleverage, versus our beginning of year guidance, is offset largely by further cost saving initiatives this year.

In summary, we expect adjusted earnings per share to be in line with our previous expectations due to our tariff mitigation actions, including selected price increases, the better than expected performance in Q1, FX, and the lower share count from the share repurchase. Our guidance assumes no additional share repurchases, which results in approximately 10.6 million average shares outstanding for fiscal '26. We do expect higher interest, as we built inventory in the first half, and we expect the tax rate to be approximately 29%.

Although we are reiterating the EPS guidance for the full year, the results by quarter will be different, as the tariff impact outpaces our ability to implement mitigation efforts in the near term, and we expect a disproportionate effect on our Branded businesses, especially Genesco Brands. We expect overall sales for the second quarter to be slightly better than last year, reflecting the improvement in foreign exchange and as positive comps at Journeys are partially offset by store closures. We also expect softer comps for J&M and Schuh, and lost sales related to tariffs.

For the second quarter, we expect overall gross margins to be relatively flat to down a little year-over-year, with the impact of tariffs being partially offset by mix shift in our business.

For SG&A in Q2, we are pulling forward marketing investments to drive sales in the back half of the year, specifically for Johnson & Murphy and Schuh. Since the second quarter is a lower volume quarter, this, combined with the lost sales from tariffs, will result in roughly 100 to 140 basis points deleverage of SG&A in the quarter. This results in operating income that is approximately \$6 million below last year, or approximately \$0.40 to \$0.50 below last year in EPS.

We also expect our interest cost to be higher in the second quarter than last year and generally similar to the first quarter this year, and I'd like to call out that ongoing uncertainty related to tax reform could introduce greater variability to our tax rate for the second quarter.

We expect to end Q2 with approximately 10.3 million average shares outstanding for earnings per share calculations, lower than the 10.5 million at the end of the first quarter.

Looking ahead to the back half, we believe that we will have a greater ability to mitigate the impact of tariffs, drive consumer demand as we get into the important Back to School and holiday shopping periods, and that our renewed cost reduction efforts in response to tariffs will help drive nice operating leverage to offset the second quarter results.

As we move through fiscal 26, I am confident in our ability to continue growing despite the headwinds, leveraging our deep understanding of what our customers want and our unmatched execution capabilities. We remain focused on unlocking the considerable earnings potential that exists within our business, and I'm excited about the opportunities ahead as we build on the strong foundation we've established.

Operator, we are now ready to open the call to questions.

Operator

Thank you. We'll now be conducting a question-and-answer session. If you'd like to ask a question at this time, you may press star, one from your telephone keypad, and a confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to withdraw your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions.

Thank you, and our first question is from the line of Joseph Civello with Truist. Please proceed with your questions.

Joseph Civello

Hey, guys, good morning, and congrats on a great quarter. I just wanted to ask a few questions about the Journeys' strength. In addition to some wider assortments with existing partners, we also saw you establish some new relationships last year with some hot athletic brands. Can you talk about the impacts of those on the 1Q comp and give us a little more color on how scaled those assortments are through your footprint?

Mimi Vaughn

Good morning, Joe. Thanks for joining us this morning. We are really excited about the momentum that we have been seeing in our Journeys business as a result of not just great product, but the number of other efforts that I did talk about. Part of our overall strategy, as we think about our product initiatives, is to show our leadership, and it's to show our leadership across athletic, across casual and across canvas to meet the needs of our teen consumer. Part of what "leadership" means is having the most relevant styles in the most relevant brands, and as we think about our assortment, that's the objective as we add new product to the brands that we already carry.

The comp in the quarter was actually driven by our existing brands, but the impactful newer brands, we got HOKA this quarter, we introduced HOKA—we usually don't talk about brands, but since you asked the question. Saucony was another one that we have reintroduced. They're really impactful in terms of our customers' reaction to the new offerings. They help validate Journeys in these categories that we haven't had historical strength in. Lifestyle running is a really good example of a category that's important to our teen consumer, and our portfolio of brands shows our commitment to the category, and so—and the trend development.

As I said, in terms of cost, we typically start with a handful of stores, and by “handful,” I mean like 50-plus stores that we begin a new brand, and then we ramp that up over time. In development of brands, it really is a start/test/react—we were very pleased with the reaction that we saw—and then we scale up from there. We can scale quickly and we can put a lot of effort behind moving significant volume when we know it’s the right time.

Joseph Civello

Got it, that’s very helpful. Then, secondly, can you just talk a little bit more about the trends for the vulcanized product, of course under pressure, but how did it compare to your expectations and what do you see for that category moving forward?

Mimi Vaughn

Yes. Again, I was talking about the overall strategy that we have in the assortment is to demonstrate great leadership across not only canvas, which we’ve traditionally been known for—canvas and vulcanized, we talk about interchangeably—but also in athletic and in casual, which we are known for, as well. We have seen fashion broadening and teens embracing a lot more wearing occasions, and Journeys is well positioned to take advantage of this. The results, as I said, were really good for us. We had seven brands that were up double-digits on both the casual and the athletic side, and especially strong growth on the athletic side. Our new leadership in Journeys have a lot of great relationships on the athletic side. We see it as an opportunity to be able to continue to build. On the vulcanized side, we have seen pressure on vulcanized. We continued to see pressure on canvas products through the quarter, but the strength of our other brands, the strength of the assortment is more than offsetting, and has been more than offsetting, that pressure over the last several quarters.

Joseph Civello

Awesome. Thanks so much.

Mimi Vaughn

Thank you.

Operator

Our next questions are from the line of Mitch Kummetz with Seaport Research Partners. Please proceed with your questions.

Mitch Kummetz

Yes, thanks for taking my questions, I’ve got a few, but let me start with the second quarter and the guide there. Sandra, I think you said that you expect a positive comp from Journeys. I don’t know if you could be more specific there. Mimi, I think in your prepared remarks, you said that Journeys is tracking—early Q2 is tracking similar to the first quarter. Is your guidance, your sales guidance on 2Q assuming Journeys is at a high-single-digit comp, or is there a different underlying assumption embedded in the outlook?

Mimi Vaughn

Thanks for your question, Mitch. We were pleased with Journeys’ results, Journeys had a plus-8% comp in the first quarter, and, as I said, we are tracking at about the same level where we were. We have seen quite a lot of choppiness out there, where the consumer retreats during periods of non-shopping, you

know, they don't shop during times when there isn't a reason to shop, and then they come and they shop in huge force, and Journeys' capitalized on that, and so we have taken that. We start to anniversary stronger comps as we go through the back of the year. We're very optimistic about where Journeys' business is going. Sandra talked about an overall comp for the year. We've taken our trends and built that into the second quarter. We do still expect a very nicely positive Journeys comp.

Sandra Harris

Yes, Mitch, just to add in the second quarter sales, as we spoke about, we do have the favorable FX on overall sales coming into the quarter, so that is definitely one of the impacts as to why we're saying we're slightly better than last year, but I also want to remind you that positive comps at Journeys is similar to what we saw in the first quarter. We have considered consumer softness continuing in our J&M business, specifically, in our factory stores, and then, also, our Schuh U.K. consumer continues to have pressure on them, so those comps for Journeys will be slightly mitigated by our other two businesses.

Mimi Vaughn

Yes, and, overall, the second quarter is just a low quarter for us and there's not a lot of reasons to shop. At least, during the first quarter, you have Back to School, and we're really gearing up for Back to School and for holiday.

Mitch Kummetz

Two more questions. One, on the back half for Journeys, obviously, the back half is much more important for you guys, particularly at Journeys, and you guys are going to start lapping much more difficult comparisons starting in the third quarter. Talk to us about what are going to be—first of all, what kind of a comp are you assuming for Journeys in the back half, I assume something positive, and talk about the drivers, how much impact do you expect to see from the 4.0 stores on the back half, how does your product access compare, you think it'll compare versus maybe a year ago, that could help drive the comp. Then, Mimi, you also talked about a trend towards low-profile, and assuming that that continues to develop, how positive might that be for you guys at Journeys in the back half? So, just maybe kind of walk through some of the drivers for Journeys in the back half as you start to lap much more difficult comparisons, and then I have one last question.

Mimi Vaughn

Mitch, that's a lot of questions. Let's get started here. We know we are lapping more difficult comparisons for Journeys, but you'll have to go back to the past several years, and we have a lot of opportunity. The most important thing I'll say is that our strategy is geared at serving a much broader market, it's six to seven times bigger. We see an opportunity to serve this teen girl really well in a way that nobody else is doing, and so that is just the cornerstone of the strategy. Not only are we serving a broader market, but we're also serving the customer with more premium product. So, if you think about that, you think about more customers, you think about more premium product, that drives lots of opportunity for growth.

The first phase of our overall Journeys' program was to inject the assortment with a lot better product. We knew that the customer preferences were changing, and so that's what our Merchant Team and Chris Santaella led to let that happen in the back part of the year, and of course we're benefiting in the front part of the year, but we're not finished, we're going to continue to build on our overall product assortment.

I talked a little bit about the new brands that we have introduced. We're not counting on those. What we're counting on is more allocation, better allocation of product that we are currently selling. So, strengthening further our product leadership, again, we've just begun, strengthening our inventory

position, differentiating, and our scale across the number of in-demand brands, and building our longer term strategic partnerships. This isn't necessarily we've got one year worth of growth, it is we've started in one place and we'll continue to build on that. So, product, product, product in this first phase.

In addition to that, the plans, the strategic plans to grow Journeys are centered right back around what I started with, which is to serve that customer and to let that customer know that we welcome them into Journeys, and so we've invested in the Journeys brand, I talked about the marketing initiatives, and I think the best representation of where we are headed is our 4.0 stores, and that speaks to the consumer. It's a visible representation of the fact that we have changed the assortment, elevated the opportunity for that consumer, and we are—that store refresh is paying great dividends. We've moved quickly. We've remodeled 39 stores, and expect to do 75-plus this year, which is more than 10% of our portfolio. We think we can get about close to 50% of our portfolio done over the next three or so years. The results there have been fantastic, we're up 25%-plus in those stores, and that's just another wave of growth.

When you think about the plan that we've put together, the first phase is about product. Then, all of these other initiatives kick in to drive the awareness of what the Journeys brand is all about and to bring new customers into the brand, and then just continue to serve them with great product.

Mitch Kummetz

That's helpful, thank you, Mimi, and then lastly, you mentioned that the consumer continues to be very focused on kind of must-have key items, and you also made a comment somewhat to the effect that the brands with the most momentum are the ones that are probably best positioned to take price. When you think about your business and maybe some price increases coming your way, what percent of your business is kind of must-have key items and how confident are you that if prices increase on some of those products that the consumer will be pretty willing to spend more to get what they want? And that's it for me, thanks.

Mimi Vaughn

Typically, when we talk about key items, we're talking about just a specific model. I think when I'm talking about key items now, I'm just really talking about brands, key brands and key franchises, so we have a lot to pick from, Mitch, in terms of where our consumer is going. Again, the momentum across a range of brands has been good. Really, being able to satisfy what needs the customer has, what brands they're looking for, which styles they are looking for, and it's not just one style, but it's multiple styles, is really what we are focused on. We have seen in prior times, when the customer gets squeezed, that the customer gravitates toward lower price point product, and they're not doing it this time around, and they are stretching up to buy what they want.

You asked about price increases. We haven't heard a lot yet from our brand partners about price increases, we expect we will hear some about that, but I think that it is the in-demand brands that have more opportunity to take price, and the less demand brands don't. Our brands are working carefully through where opportunities are, and where they aren't, I think there is really high awareness that there's a lot of price sensitivity in the market and everyone is treading cautiously here.

Mitch Kummetz

Great. Thanks again.

Operator

Thank you. The next question is from the line of Corey Tarlowe with Jefferies. Please proceed with your questions.

Corey Tarlowe

Thanks, and good morning. Mimi, I just was curious to get your perspective on the recent M&A in the footwear and footwear retail landscape. Does that cause you to think differently at all about the space, your competition, and maybe some of your key brand partners?

Mimi Vaughn

Corey, thanks for joining us this morning, and thanks for the question. There has been some M&A activity, certainly, in the footwear landscape, and it's largely been focused on more of the performance athletic side and more of the performance side, and there's been consolidation, in general, there. I think, when you think about what we do, we talked about strengthening our positioning with the teen, with the style-led teen who is interested in a diversified assortment across athletic, and they use athletic for lifestyle purposes—we're really lifestyle-driven. So, it's about lifestyle for us, it's about style, it's about being able to offer the assortment across a number of different categories. We're positioned quite differently from a place where much of that activity has been taking place, and we feel great about the opportunity in Journeys, the opportunity to serve more customers with the strategies that I have been talking about.

Corey Tarlowe

That's great. Then, just on the gross margin, I was curious if you could maybe talk a little bit more about the impacts in the quarter, and maybe perhaps what sticks, and then how you think about between balancing price increases versus, I guess, cost absorption as it relates to tariffs for the full year.

Mimi Vaughn

We had called out that we had expected that—if you remember, we had been shifting out of canvas product to more of an athletic assortment, and the margin profile is different between canvas. Canvas has the best margin profile, but the athletic part of the assortment has the highest price point, and so we are getting more gross margin dollars, so it's not necessarily a bad trade-off here. We had called that out in terms of we expected the pressure until we anniversary that in the first half of the year. That really was the largest driver around gross margin, and we expect that that will let off a bit through the back part of the year. We do, and Sandra did call it out, that we have some one-time unusual hits in the second quarter, in particular, but we're working hard to—because of tariffs and we're working hard to offset that. So, we think that, structurally, there isn't anything that over the longer term will be affecting gross margins, beyond what I just mentioned.

In terms of balancing price increases versus cost absorption, I did say that we are not expecting to take any gross margin—have any gross margin impact as a result of tariffs. We are working with our brand partners there. We are in a place where we are rebuilding Journeys' overall margins. You know our story and we're in the process of rebuilding, and in rebuilding, we've got an eye on overall profitability, and so, again, we're working with our brands to make the best decisions in this area.

Sandra Harris

Corey, a little more color around the quarter on the margin. I also just want to call out, like I did in the script, that we did have a really strong quarter for our Genesco Brands Group, but it was a pull on our margins as we pulled forward that liquidation product, and then our second quarter margins, I just want to

remind everybody that we did already have in our guidance the first round of tariffs, and so adding the additional round of tariffs, combined with the mitigation efforts that Mimi talked about, and a shift as we have less sales in Q2 related to the Genesco Brands business, both for lost sales and tariffs, as well as the pull-forward in Q1, is the impact on the Q2 margins.

Corey Tarlowe

Got it, and then just lastly, on inventory, is there a way to break down what's price versus units in the first quarter, and then how does that shape throughout the remainder of the year? Thank you so much.

Mimi Vaughn

Price was not yet a factor in Q1. I think tariffs went in place. We were already selling inventory in Q1 that we had on hand before tariffs really came into be, so you can know that our ASPs are up pretty significantly, and so there's a trade-off between ASPs and units, and we're trying to hit a sales plan. We think that our inventory is in really good shape. It is up because we were at pretty low levels of inventory last year. We had sold through, rationalized a lot of the Journeys inventory to keep it clean, and so we were down 20% when we started the year last year, and so there is a buildup to be able to support the sales momentum. We feel like we've got the inventory that we need. Our partners work with us, no matter sort of what happens through the course of the year, to help us manage inventory in a really positive way.

Corey Tarlowe

Great, thank you so much.

Mimi Vaughn

Thank you.

Operator

Thank you. I'll now hand the call back to Management for closing remarks.

Mimi Vaughn

Thank you for joining us. We look forward to speaking with you again on our next quarter's earnings.

Operator

Thank you. This will conclude today's conference, you may disconnect your lines at this time, and thank you for your participation. Have a wonderful day.