



Genesco Inc.

Second Quarter Fiscal Year 2026 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*

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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

Mitch Kummetz, *Seaport Research Partners*

Joseph Civello, *Truist Securities*

Mantero Moreno-Cheek, *Jefferies*

PRESENTATION

Operator

Greetings and welcome to the Genesco Inc. Q2 Fiscal Year 2026 Conference Call. At this time all participants are in listen-only mode. A question-and-answer session will follow the formal presentation. You may be placed in the question queue at any time by pressing star, one on your telephone keypad. As a reminder, this conference is being recorded.

It's now my pleasure to turn the call over to your host, Jason Ware, Vice President FP&A and Investor Relations. Jason, please go ahead.

Jason Ware

Good morning everyone and thank you for joining us to discuss our second 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, Jason. Good morning everyone and thank you for joining us.

The strong comp momentum from the second half last year has carried into the first half this year with positive comps fueling both top and bottom line results, above expectations again in Q2. Our sales growth continues to outpace the industry, driven by a high single-digit comp increase at Journeys. Overall comps grew 4%, marking our fourth consecutive quarter of positive comps for the Company and for Journeys, reinforcing the meaningful progress we're making in our strategic plan to accelerate growth. Journeys' comps for the trailing 12 months are now up just over 10% as Journeys continues to gain market share.

While the second quarter in general is a lower volume quarter for us as consumers pursue summer activities and devote less time to shopping, we're further encouraged by the strong performance of the back-to-school and tax-free shopping period that began at the end of the quarter in July and accelerated into August. Notably, Journeys' comps are up double digits, third quarter to date, on top of double-digit comps for the same period last year, which marked the inflection of Journeys' comps as the next wave of Journeys' transformational initiatives gain considerable traction.

The consumer environment remains much the same with customers shopping when there's a reason and retreating when there's not. We saw this choppiness overall again in the quarter. However, our exceptional and experienced merchant teams were more than ready for our back-to-school team and youth customer with newness and freshness and just the right brands and styles to satisfy exactly what this choosy

customer is looking for. Importantly, when you have what our customer wants, they're willing to pay for what they want, driving increased ASPs and higher average transaction size.

While we expected the bottom line to be below last year in this low-volume quarter, we drove higher sales and better expense leverage than expected, offsetting more promotional pressure from a challenging U.K. market. Before I dive deeper into the business, I'll highlight a few more notable call-outs for the second quarter.

First, both store and digital channels posted positive growth, although stores were the real highlight, reflecting both the shift of our investment into this channel and results from our strategic initiatives, including doubling down on selecting and training our people to drive improved store conversion and sales. We know our store teams are a differentiator among competition and we're strengthening the outstanding service that is a hallmark of our concepts. Store comps accelerated as we moved through the quarter and hit back to school and are a material driver of profitability, particularly in the back half with higher back-to-school and holiday volumes.

Second, Johnston & Murphy inflected to positive comps. We've been working on delivering more fresh and distinctive products in response to headwinds J&M experienced last year. We were pleased with these positive results from injecting more newness into the assortment and have even more newness planned for both footwear and apparel later this year.

And finally, our investments in loyalty where we're at a new milestone of 12 million members and marketing and awareness campaigns along with new stores and remodels like our Journeys 4.0, supported the growth in the second quarter and will contribute for the upcoming holiday season as well.

And now for more Q2 color and initiatives for each business, starting with Journeys. Improving Journeys' performance has been our number one priority. Our strategic efforts are achieving tremendous results as the first phase of our strategic growth plan focused primarily on product and injecting the assortment with more newness, excitement and storytelling delivered its fourth consecutive quarter of high single- or double-digit comps this quarter. While we continue efforts to elevate and strengthen the product offering, we have in place a robust plan focused on brand and customer to extend these gains, reach a wider audience of teens and drive significant additional growth for Journeys. I'll discuss our progress with this plan after discussing our other businesses.

Journeys' Q2 comp strength was again broad-based as our teen customers' preferences have been shifting in favor of a more diversified product offering. Six brands across both casual and athletic posted double-digit gains, with other brands demonstrating strong growth too. Sandals trended positively along with low profile and 2000s running inspired styles and, although we're still in the middle of summer, we're seeing green shoots in certain boot brands as well. We expect growth in both the casual and athletic categories again in Q3, and our assortment remains well balanced among athletic, casual and canvas styles.

We continue to be excited about some new brands we've been introducing or reintroducing at Journeys, however, we're not dependent on these new brands to drive results.

Our store initiatives delivered especially strong impact at Journeys where the teen purchases at the mall more frequently during back-to-school. Journeys store teams drove double-digit store comps with noteworthy increases in conversion and much higher transaction size. Consumers responded vigorously to tax-free holidays this year and our 4.0 store remodels contributed nicely to the gains as well. Our focus here is improvement in the top volume stores, and our top 250 stores outpaced the gains elsewhere in the chain. Congratulations to Andy Gray and the Journeys team on this outstanding performance.

Now turning to Schuh, it was an especially challenging quarter in what continues to be a challenging U.K. retail environment. Sales started off slowly across the industry at the beginning of summer, with fewer reasons to shop, and Schuh saw major store traffic and comp declines in May and June. The U.K. customer

remains cautious and quite selective, putting pressure on the footwear category with purchases only of must-have items.

In response to this softness, footwear retailers became more promotional to spur consumer demand. To maintain share and rightsize inventories in this sluggish and highly competitive market, Schuh was considerably more promotional, which pressured gross margins. It was a tougher sandal season on the other side of the Atlantic, and while many of the same brands and styles at Journeys are resonating, less interest in the rest of the assortment is pronounced. We took action on inventory, which was in a better position by the end of the quarter.

Traffic picked up in July and much higher store conversion and transaction size, together with improved online sales, turned Schuh comps positive with late summer purchases and the lead-up to back-to-school shopping. This improvement has extended into August and back-to-school, but we expect it will continue to be volatile.

Looking ahead, the team has implemented a number of initiatives, including several from the Journeys playbook to improve the trend in the near term. The most immediate of these are to bring in more newness and in-demand product, leveraging the enhanced brand partnerships and improved product access Schuh has gained; driving traffic to the stores through the CRM, marketing and loyalty initiatives underway; eliminating non-accretive discounting; and aggressively focusing on store customer conversion with the recently launched ATV program.

Turning now to Johnston & Murphy and our branded business, after success with J&M's strategic repositioning into a more casual, more comfortable, multi-category lifestyle brand, we've been diligently working to deliver more newness and distinctive product in response to last year's headwinds.

While we still have work to do, we were pleased to see overall comps inflect positively in Q2. Comp sales in our full-price stores and digital channels were nicely positive, fueled by gains in conversion and transaction size. Customers embraced our newest assortments with blazers, pants and a revamped dress shoe collection as standouts, offsetting softness in wholesale and factory stores which cater to more price-aware shoppers.

Another highlight was a nice tick-up in gross margin as a result of J&M's costing and sourcing efforts and more full-price selling despite some tariff pressure.

We continue to ramp up innovation with even more footwear newness for the back half, along with new fabrics and design details for our apparel programs. Going forward, we're committed to increased freshness across our categories with a redesigned product development process aimed at more frequent in-season introductions and speeding up of our innovation pipeline.

Accelerating its brand repositioning to build awareness and acquire new customers is J&M's other area of focus. This includes the continuation of its 175 Years Young media campaign, highlighting the brand's 175th anniversary and status as the longest continually-operated footwear brand in the United States, further shifting marketing funding to support brand building, completing new store remodels where we've seen a double-digit sales lift, and opening new stores to build awareness and counteract the deleverage the brand has been experienced from closed stores.

And finally, stay tuned – we'll be turning up the excitement even further in Q3 with the debut of a new brand ambassador and campaign.

Rounding out the branded business, as we've discussed, we're resetting the Genesco Brands Group portfolio this year, sunsetting some licenses and activating a major new one. Pull-forward of product we're liquidating helped sales in the quarter but substantially affected gross margins in addition to the impact from tariffs, which affects this business the most.

We're truly thrilled about the growth potential of our recently announced footwear partnership for Wrangler, an iconic and legendary brand that embodies American authenticity, hard work and adventure. We're building the footwear category from the ground up with the official product launch next fall in 2026.

And now coming back to Journeys, I want to update you on the exciting progress we're making in our 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 canvas footwear for the style-led teen. This is how we are differentiated and the white space we identified to build on the traditional strength of Journeys to serve a wider teen audience interested in style and trend that is 6 to 7 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 consumer shops for the latest footwear for all versions of their style.

First, we continue to drive product elevation and diversify footwear leadership with best-in-class premium footwear brands. Premium is a key aspect of our strategy – more choice product to serve this wider group of customers. Product elevation is generating higher average selling prices, highlighted by an increase in second quarter average transaction value into the double digits.

We're reinforcing our core strengths in casual and canvas while thoughtfully complementing with premium athletic. This powerful balance of casual, canvas and athletic broadens our reach across segments and defines our footwear leadership. Increased allocations and access through brand partnership are key goals here.

Second, we're investing in the Journeys brand, building momentum with refreshed positioning that is style-led and aimed at building awareness with the expanded group of teen customers. We've elevated and integrated our storytelling across journeys.com, our in-store digital network and social channels to build credibility with our core style-focused consumer.

We're continuing to invest in content, influencers and social, including long-form content with our Jazmine Bigfoot series, which has garnered almost 90 million views so far across social platforms. We're increasing our brand partner activations this fall to drive more buzz and community engagement and, in September, we're unveiling a new brand platform and campaign, Life on Loud, which has great energy, uses music to connect with our customer, and is at a scale and with media spend we've never done at Journeys before.

Third, we're elevating the customer experience, especially in stores, through the ongoing rollout of our new impactful 4.0 store format. We needed an elevated setting to attract new customers and call attention to our more premium product. These stores feature a more modern aesthetic, better product presentation and a fresh take on Journeys' energetic brand DNA. The results have exceeded expectations with remodeled locations seeing stronger traffic, better conversion, higher transaction values and more new customer acquisition, all leading to a sales lift of more than 25% for stores remodeled to date in this format. With over 55 stores converted so far and more than 80 expected by year-end, this initiative is fast becoming a cornerstone and meaningful contributor to our transformation.

Finally, we continue to harness the strength of our people. Our store teams are passionate brand ambassadors who represent the heart of the Journeys brand. And I've already spoken about the impressive results our field team is achieving with a stronger team at retail engaged in better selling behaviors and stepped-up customer engagement. With compelling product, clearer brand identity and a more elevated shopping experience, we are confident in the road ahead and the tremendous opportunity and value Journeys can unlock.

Now turning to our outlook, we are encouraged with our results through the first half of the year, excited by the strong momentum during back-to-school, especially Journeys positively comping last year's positive results, and focused on driving improved sales and profits, capitalizing on the larger volumes during the holidays. Although we have performed at levels ahead of our expectations since the last time we gave guidance, we know we will have to absorb a second round of tariff increases and navigate through the uncertainty in the external consumer environment in the U.S. and especially in the U.K. Our overall comps

have accelerated into the third quarter, but we are also mindful of the slower period between back-to-school and holiday.

While we are really pleased with the momentum and the opportunity in our business for the back half, with all these puts and takes we are reiterating our full year adjusted EPS guidance range of \$1.30 to \$1.70. Sandra will take you through the details.

We still have a lot of work to recapture our peak operating profit levels, but we expect fiscal '26 will be another step in the right direction.

Before turning the call over, I'd like to thank our teams for their tremendous dedication and incredible execution, which is evident in all the efforts to mitigate tariffs and in the performance during back-to-school. This good work gives me confidence we will achieve continued success over the balance of the year and beyond.

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

Sandra Harris

Thanks, Mimi.

In the second quarter, we were pleased to deliver our fourth consecutive quarter of positive comparable sales growth with top and bottom line results exceeding our expectations. Both total revenue and comparable sales grew in the mid-single digits, resulting in operating leverage in SG&A, and we delivered better-than-expected operating results, even with more margin pressure from the promotional U.K. market.

Turning now to revenue, total revenue for the quarter was \$546 million, up 4% compared to last year, driven by overall comparable sales growth of 4%, reflecting 9% comps at Journeys, 1% comp growth at J&M, partially offset by 4% lower comps at Schuh. Store comps increased 5%, while direct comps improved 1% on top of high single-digit comps last year. A favorable exchange rate in the U.K. helped offset an overall smaller store base.

Gross margin for the quarter was 45.8%, down 100 basis points compared to last year. A more promotional environment at Schuh and the impact of higher tariffs and product liquidations at Genesco Brands Group in connection with the exit of the licenses were partially offset by margin expansion at J&M and Journeys.

Overall SG&A expense was 48.4% of sales, leveraging 20 basis points year-over-year. Journeys delivered significant SG&A leverage of about 200 basis points on the strong comp results and our store fleet optimization efforts, showing the powerful leverage that is created in our operating model. The favorable leverage at Journeys was partially offset by Schuh's deleverage on their store comp decrease, as well as an increase in brand awareness marketing across all of our banners.

Adjusted operating loss for the quarter was \$14.3 million. As we highlighted in our first quarter call, we expected our operating loss for the second quarter to be more than last year's loss of \$9.3 million, primarily due to the early impact of tariffs ahead of mitigation efforts, and the pull forward of strategic marketing investments to support the critical back half selling period.

Adjusted diluted loss per share was \$1.14, versus a per share loss of \$0.83 a year ago.

Turning to the balance sheet and capital allocation, free cash flow for the quarter was \$72 million compared to \$20 million in the same period last year. The increase is primarily attributable to the receipt of a U.S. federal tax refund that was disclosed in our June 10-Q filing. The increase from the refund was partially offset by the ongoing ramp-up in capital spending to support remodels and other growth initiatives.

Inventory for the quarter was up 11% to support higher back-to-school demand and reflects a better assortment of new and key products. We continue to expect positive free cash flow for the full year with improvement in the back half as profits improve and inventory growth moderates.

Capital expenditures for the quarter totaled \$15 million, focused on store remodels, new stores, digital investments and other customer experience enhancements. We ended the quarter with 1,253 stores, opening 9 and closing 12. We now have 57 Journeys 4.0 stores. These stores continue to outperform across all key metrics: comps, traffic, conversion and average transaction size.

We did not repurchase any shares in the quarter, but we did repurchase approximately 600,000 shares in the first quarter, approximately 5% of shares outstanding, leaving \$29.8 million remaining under our current share repurchase authorization.

Now turning to guidance, we remain confident in our ability to deliver on our full year operating income and EPS outlook despite the near-term headwinds, particularly from tariffs and consumer sentiment. We continue to execute against our key initiatives and are encouraged by the momentum we are seeing heading into the important back half of the year.

For the full fiscal year, we are reiterating our adjusted EPS guidance of \$1.30 to \$1.70 as higher sales projections and better expense leverage are offset by increased gross margin pressure. Our assumptions now include: total revenue growth of 3% to 4%, compared to our prior guidance of up 1% to 2%; and comp sales growth of 4% to 5%, higher than the 2% to 3% growth we communicated last quarter as we now anticipate Journeys sales to be up mid-single digits as the first half momentum continues through the back half and holiday season. Gross margin is now expected to decline 50 to 60 basis points year-over-year, compared to our previous estimate of down 20 to 30 basis points, reflecting the first half deleverage, some additional margin pressure at Schuh in the third quarter, and the impact of the new round of higher tariffs. SG&A is now expected to leverage 80 to 100 basis points as a percent of sales versus our prior expectation of 50 to 70 basis points, reflecting leverage on the positive comp growth and benefits from our ongoing cost initiatives and store optimization efforts. We continue to invest in the Journeys 4.0 remodel program, new stores, store refreshes at Schuh and J&M and digital investments, and expect our capital expenditures to be \$55 million to \$65 million. Average shares outstanding of approximately 10.6 million and an adjusted tax rate of 29% that excludes the impact of the One Big Beautiful Bill.

We expect the third quarter assumptions to be mostly aligned to our full year guidance assumptions. The strong back-to-school shopping period that accelerated into August is expected to drive a total sales increase of 3% to 4%. We expect approximately 50 to 70 basis points of gross margin deleverage on improvement from the 100 basis points of deleverage in the first half. This reflects the continued pressure at Schuh and lower margins in our Genesco Brands Group, driven by higher tariffs and clearance of product as we work to complete the exit of certain licenses.

Finally, we expect SG&A to leverage a little over 100 basis points even with the higher brand awareness marketing in the quarter, resulting in adjusted earnings per share that is \$0.15 to \$0.30 higher than last year.

As always, we remain focused on execution and flexibility in the face of macroeconomic uncertainty and are confident in our long-term opportunity to deliver value for shareholders.

Now, I'll turn the call back to the operator.

Operator

Thank you. We'll now be conducting a question-and-answer session. If you would like to be placed into the question queue, 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. For participants using speaker equipment, it may be necessary to pick up your handset before pressing star, one. One moment, please, while we poll for questions.

Our first question today is coming from Mitch Kummetz from Seaport Global Securities. Your line is now live.

Mitch Kummetz

Thanks for taking my questions. I've got maybe a handful.

Mimi, I want to start by asking you about the product pivot at Journeys. That's something that really kind of got going in earnest a year ago for back-to-school and it sounds like you guys are performing very well for back-to-school this year. I'm just kind of curious. How would you assess the assortment today versus kind of where it stood for back-to-school last year? Just in terms of maybe kind of your access and allocations and sort of any kind of color there would be helpful. Thank you.

Mimi Vaughn

Mitch, thanks for your question, and thanks for joining us this morning. You're right that we have been spending a lot of time on product for Journeys. What we've seen is that our teen is embracing just more diversified fashion and more styles and so we have been leaning into that. There's more in their closets these days and Journeys is well positioned to take advantage of this. So, we have been working on the assortment. The way I've described it is that we've got three legs of the stool; we've got casual, we've got canvas and we also have athletic. Last year, when there was a shift in fashion into this more diversified assortment, our merchants did a truly incredible job of chasing product quickly for back-to-school and holiday. Lead times, as you know, are six-plus months. This year, we've had more time to build on the strength that we saw last year. The results for us have been good – six brands are up double digits. We are broader and deeper in the assortment that's really selling. We've been elevating price points. We've got a lot to pick from. It's not just one or two brands. This year, the opportunity was to just lean into the things that were working and to build on the strength.

Mitch Kummetz

You also mentioned in your prepared remarks that you're now targeting a wider audience at Journeys. I think you said that maybe the TAM there is sort of like 6 to 7x where Journeys kind of was historically. You ran through some of the initiatives there, but I'm curious where are you in the process of kind of rolling those things out and how do you see that kind of impacting the business over the balance of the year, particularly for holiday?

Mimi Vaughn

When we were looking at Journeys and the repositioning of Journeys overall, we conducted quite a battery of market research. This is where we found that we could serve not only the customer that Journeys traditionally has been good at serving, but also that wider audience that is interested in style; some who are faster style adopters and some who really want to be on trend but wait a while to lean into the trend. So, the excitement we have about this broader market has informed the strategy and how we're going at putting Journeys initiatives together.

While we did have product to serve this customer, I think this customer didn't really understand that we had that product. So, we are in very early days. The first push around Journeys was to go after better product and a better assortment. Beyond that, we have developed much broader marketing strategies that speak to this wider group of audience. I spoke about our Life On Loud campaign that's going to launch in a couple of weeks, and that's to let the customer know what's new in Journeys and to reach this broader audience. We've got store remodels, which are the most visible sign of what's happening within Journeys and speaks to this customer as well.

So in terms of where are we, we're in very early days of broadening the customer opportunity. We have been attracting a broader set of customers into our 4.0 remodels, but we've started this initiative less than a year ago. So, early days and much more to come.

Mitch Kummetz

Great. Then, if I heard you correctly, I believe you said that Journeys is running double-digit comp through early 3Q. Did I hear you correctly, first of all? And then, can you kind of remind us what that business was doing around the same period last year? I guess what I'm really ultimately trying to understand is if maybe like the two-year stack on Journeys in early 3Q has got sort of a 2-handle on it.

Mimi Vaughn

I'm excited to say you did hear me correctly, Mitch. Journeys is running double-digit comps through early Q3, which is really the heart of back-to-school, big volume times for us. And if you remember last year, we started working on the assortment at the beginning of the year. It takes about six months. We started to see comps turn in July, but when we hit the third quarter we were running double-digit comps through back-to-school, so it's a double-digit comp on top of the double-digit comp. Really just tremendous work on the part of our merchant team and the execution in the stores on back-to-school has really led to this great result.

Mitch Kummetz

Then maybe lastly for me, on Schuh. Again, I just wanted to get a confirmation. It sounds like, even though Schuh was negative comp in the quarter, it sounds like July was positive and that's continued into August? I know you're expecting continued gross margin pressure on Schuh in the third quarter, but have you seen any uptick in, like, the merch margin at Schuh on better comps as well?

Mimi Vaughn

Yes. So we were coming off of a couple of positive quarters of Schuh comps, really as the result of our strategic efforts to target a customer, very similar to the Journeys customer, with a range of initiatives that we've been implementing. We were surprised at how much traffic fell off; the U.K. customer just really stopped shopping in May and June for footwear and so that was demonstrated by much lower traffic into our stores. And so our team at Schuh responded quickly, and we are in a moment in time when the customer—when there's a need to come out and shop or a reason, that they come out and shop, and so we took advantage of that in July and then into August. So comps have improved. But some of that has been through attracting the customer through more promotional activity, certainly, in the second quarter. In the third quarter we have lifted off on that, but the market itself is quite promotional. When the market was flat in May and June, competition responded pretty quickly, and that created the dynamic in the market.

We did a lot to clean up inventory, but we are just still looking to see whether or not—what competition does for the back part of the year. We do expect, Mitch, that it's just going to continue to be volatile in the U.K. market through the back part of the year.

Operator

Thank you. Our next question today is coming from Joseph Civello from Truist Securities. Your line is now live.

Joseph Civello

Hey guys, congrats on a great quarter.

Mimi Vaughn

Hi Joe, thank you. Good morning.

Joseph Civello

Good morning. Now you guys mentioned some new brand introductions and reintroductions that we talked about last time. Just wanted to see if we could get some more color on how those are scaling and performing.

Mimi Vaughn

Sure. I was speaking a bit about our product strategy and the newness is definitely a part of this overall strategy. The new brands have been really impactful in terms of our customers' reaction and validating Journeys in categories that we have not had historical strength. So, it's really an important part of this. Lifestyle running is a great example of a category that's important to our teen customer and our portfolio of brands really just shows our commitment to this category and trend development. That's part of what we are doing with this new brand introduction, is that we've got to have the complement of brands that our teen is looking for.

In terms of comps, they don't start out as major revenue plays. We introduce these brands and they start by just really checking the relevancy box for us. They do become revenue over time. We're pleased with our assortment from our new partners. I'm just going to take one brand. You know we don't usually talk about brands, but I did talk about us introducing Hoka, and we introduced them into a handful of our Journeys stores and then are building upon that for the back part of the year and into next year. It's just an important part of the product development process. We have an incredible testing ground for product. Our brands want to sit on the shelf next to their competition and really see how they will perform with our really attractive teen customer and that teen girl, especially. So new products, the opportunity to be able to bring them right to the consumer is what our brands and we are interested in doing.

Joseph Civello

Got it. Yes, makes sense. Then just one more for me. The better product access seems to be driving a meaningful lift for ASPs, but also does open up the opportunity for you guys to serve a much larger customer base. Just thinking about that, how should we be looking at longer-term ticket and transaction dynamics?

Mimi Vaughn

That's a great question, Joe. Product elevation has been important for us and the elevated environment that we are creating is helping to reinforce that. I think traditionally, Journeys has been really strong on the casual side, and we continue to drive strength on casual across sandals, across boots, across just footwear in general, and are elevating price points there for sure.

What we always thought is, could we be as successful with elevated price points on the athletic side? And so our Journeys team in particular has strength on the athletic side and so we've been doing a lot to enhance and increase the assortment and to bring into the assortment athletic product at the same level where our casual assortment has been. We saw some of the increases last year. We're actually comping on top of the ASP increases and we'll keep going until we get to the right level.

Interestingly, the consumer in this environment is stretching to reach price points for must-have product and in prior times when consumers have been stretched, they've gravitated to lower price point products and that's just not the case this time.

Joseph Civello

Got it. Great. Thanks so much.

Mimi Vaughn

Thank you, Joe.

Operator

Thank you. The next question today is coming from Mantero Moreno-Cheek from Jefferies. Your line is now live.

Mantero Moreno-Cheek

Thank you for taking my question. I'm happy to hear that the 4.0 stores are performing well. I'd just like to know, was there anything else we should know about the remodeled stores and the 4.0 performance?

Mimi Vaughn

Mantero, thanks for joining us.

We started with the 4.0s in October of last year, and so it has been a relatively short timeframe in terms of the time that we've been implementing this initiative. However, we've been very pleased with the success of the 4.0s. We are up to 55 stores. Our team has done a phenomenal job of rolling out the 4.0s. We've been opening a handful of new stores as well. These 4.0s are a really nice design aesthetic. If you haven't seen one, you should definitely go and check it out, but it is an environment that advances where Journeys has been, but it retains the Journeys DNA and so it's a good combination. We've been able to hang on to customers that we have traditionally served, but we are attracting more new customers into the 4.0 design.

Our plans are to have more than 80 stores open by the end of the year and that's a substantial part of our fleet. We've been concentrating on the top 250 locations which have the highest volume. And so it's a real needle-mover, if you think about it, that it's going to be at 10% of our Journeys base. I said they were comping at 25%-plus levels. We don't yet know how we'll anniversary beyond that, but we see some additional growth with the additional customer base. Then from there, we could certainly do 100 stores a year over the next couple of years and effect a large portion of the overall fleet. So we're excited to see where we are and see that there's good opportunity over the next few years to continue to drive comps as a result of these remodels.

The last thing I would say is that 4.0s also opened up an opportunity for us to think about much larger store locations. Because of the strength of these stores, we're thinking about do we take a store that's a \$1.5 million store and move it to a \$3 million store? Or do we take a \$2 million store and move it to a \$4 million store? So it's just opened up a lot of avenues. We can showcase our brands within these locations. We can tell better product stories. There's just a lot of good that's coming out of these 4.0s and a lot to build on.

Mantero Moreno-Cheek

Thank you. Then I guess, I know you noted that Schuh will be volatile in the second half. Was there anything else to add on the outlook for the U.K. market for this holiday season?

Mimi Vaughn

Yes. I did talk about that and I did talk about how we were surprised at the traffic over the early part of the summer. That does seem to have stabilized over the course of back-to-school. But what we anticipate will happen is that between back-to-school and holiday, there's usually a trough where the consumer is more quiet. So we absolutely have moved into action to address the back part of the year for Schuh. We are working on bringing in even a stronger assortment for the back part of the year. We've placed a lot of our

buys, but the Schuh market works—the U.K. market works a little bit differently where we can pick up product, and so we'll be working with our vendor partners to ensure that we can pick up product.

We are a full-price retailer. We really don't want to discount product. We want to have must-have product that we can sell and so we do our all to make sure that we don't have to get dragged into the promotional activity that our competitors trigger off. So we will be focused on finishing the execution through back-to-school. We'll be focused on the product assortment, which is going to be the best antidote to what's happening in the market for the back part of the year. We're focused on store execution. We are really eliminating any discounting that is not accretive. I think that's really the outlook for the market; we expect it to continue to be choppy.

Mantero Moreno-Cheek

Thank you. I guess one more for me. I'm happy to hear about the growth potential for the Wrangler partnership. Are you looking to add more partnerships and do more licensing? Is there anything else I need to know about the opportunity there?

Mimi Vaughn

Sure. The Genesco Brands Group business, this year we've been talking about that we decided to focus on fewer licenses and drive the profitability of the remaining ones. Adding Wrangler, we are just thrilled with this overall partnership with Kontoor Brands. It's a legendary denim and lifestyle brand. I can't think of a more exciting brand opportunity.

We've got men's, women's and children's. Wrangler's signature rugged look will be part of our assortment. There's so much breadth in terms of what we can do with this brand with footwear where our initial collection is going to be a blend of the classic Wrangler inspired designs and also some more trend-driven styles. We can deliver Western-inspired silhouettes, workwear, casual lifestyle footwear. There's just so many different vectors of growth for Wrangler and this product.

We've got a strong team at Genesco Brands Group. We've been looking for more things for them to do. We think we will have our hands full in the near term just getting Wrangler off the ground. There's not much footwear presence at all for Wrangler today. As large as the Wrangler apparel brand is, we think that there will be a great complement for footwear. So, stay tuned.

Certainly, we've got a portfolio. We've got great capabilities. We're looking to put in place larger opportunities rather than the smaller ones that we've had before.

Mantero Moreno-Cheek

Thank you.

Mimi Vaughn

Thank you.

Operator

Thank you. We've reached the end of our question-and-answer session. I'd like to turn the floor back over for any further or closing comments.

Mimi Vaughn

Great. Thanks for joining today. I hope everybody has a great holiday, and look forward to speaking to you on our next quarterly call.

Operator

Thank you. That does conclude today's teleconference. You may disconnect your line at this time, and have a wonderful day. We thank you for your participation today.