

GENESCO INC  
Form 10-Q  
September 10, 2009

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**Securities and Exchange Commission  
Washington, D.C. 20549  
Form 10-Q**

(Mark One)

**Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934  
For Quarter Ended August 1, 2009**

**Transition Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934  
Commission File No. 1-3083**

**Genesco Inc.**

A Tennessee Corporation  
I.R.S. No. 62-0211340  
Genesco Park  
1415 Murfreesboro Road  
Nashville, Tennessee 37217-2895  
Telephone 615/367-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No   
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes  No   
Common Shares Outstanding September 4, 2009 22,672,720

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## Condensed Consolidated Balance Sheets

(In Thousands, except share amounts)

<b>Assets</b>	<b>August 1, 2009</b>	January 31, 2009	August 2, 2008
<b><i>Current Assets</i></b>			
Cash and cash equivalents	\$ 21,457	\$ 17,672	\$ 24,283
Accounts receivable, net of allowances of \$3,008 at August 1, 2009, \$3,052 at January 31, 2009 and \$2,489 at August 2, 2008	28,251	23,744	23,015
Inventories	332,917	306,078	327,986
Deferred income taxes	15,789	15,083	17,692
Prepays and other current assets	44,197	35,542	23,507
<b>Total current assets</b>	<b>442,611</b>	398,119	416,483
Property and equipment:			
Land	4,863	4,863	4,746
Buildings and building equipment	17,957	17,990	17,669
Computer hardware, software and equipment	80,194	79,255	78,234
Furniture and fixtures	100,225	99,954	96,248
Construction in progress	8,244	7,044	10,720
Improvements to leased property	273,859	274,613	272,924
Property and equipment, at cost	485,342	483,719	480,541
Accumulated depreciation	(256,630)	(244,038)	(231,474)
Property and equipment, net	228,712	239,681	249,067
Deferred income taxes	9,866	5,302	422
Goodwill	111,666	111,680	107,618
Trademarks	51,782	51,749	51,395
Other intangibles, net of accumulated amortization of \$8,703 at August 1, 2009, \$8,250 at January 31, 2009 and \$7,836 at August 2, 2008	1,638	2,082	1,071
Other noncurrent assets	7,726	7,450	9,550
<b>Total Assets</b>	<b>\$ 854,001</b>	\$ 816,063	\$ 835,606

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**Genesco Inc.  
and Subsidiaries**  
Condensed Consolidated Balance Sheets  
(In Thousands, except share amounts)

<b>Liabilities and Shareholders Equity</b>	<b>August 1, 2009</b>	January 31, 2009	August 2, 2008
<b>Current Liabilities</b>			
Accounts payable	\$ 119,891	\$ 73,143	\$ 133,806
Accrued employee compensation	12,389	15,780	14,647
Accrued other taxes	10,607	11,254	11,593
Accrued income taxes	-0-	634	17,413
Other accrued liabilities	27,666	28,727	28,071
Provision for discontinued operations	9,494	9,444	14,271
<b>Total current liabilities</b>	<b>180,047</b>	138,982	219,801
Long-term debt	53,042	113,735	99,820
Pension liability	22,231	25,968	3,324
Deferred rent and other long-term liabilities	83,626	81,499	82,047
Provision for discontinued operations	6,124	6,124	1,606
<b>Total liabilities</b>	<b>345,070</b>	366,308	406,598
Commitments and contingent liabilities			
<b>Shareholders Equity</b>			
Non-redeemable preferred stock	5,244	5,203	5,223
Common shareholders equity:			
Common stock, \$1 par value:			
Authorized: 80,000,000 shares			
Issued/Outstanding:			
August 1, 2009 23,160,810/22,672,346			
January 31, 2009 19,731,979/19,243,515			
August 2, 2008 19,715,650/19,227,186	23,161	19,732	19,716
Additional paid-in capital	113,376	49,780	46,380
Retained earnings	415,012	423,595	391,601
Accumulated other comprehensive loss	(30,005)	(30,698)	(16,055)
Treasury shares, at cost	(17,857)	(17,857)	(17,857)
<b>Total shareholders equity</b>	<b>508,931</b>	449,755	429,008
<b>Total Liabilities and Shareholders Equity</b>	<b>\$ 854,001</b>	\$ 816,063	\$ 835,606

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

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**Genesco Inc.  
and Subsidiaries**  
Condensed Consolidated Statements of Operations  
(In Thousands, except per share amounts)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>August 1, 2009</b>	August 2, 2008	<b>August 1, 2009</b>	August 2, 2008
Net sales	<b>\$ 334,658</b>	\$ 353,138	<b>\$ 705,024</b>	\$ 710,073
Cost of sales	<b>164,713</b>	171,814	<b>345,857</b>	347,354
Selling and administrative expenses	<b>168,598</b>	173,420	<b>349,967</b>	353,466
Gain from settlement of merger-related litigation	<b>-0-</b>	-0-	<b>-0-</b>	(204,075)
Restructuring and other, net	<b>3,320</b>	3,261	<b>8,293</b>	5,498
 (Loss) earnings from operations	 <b>(1,973)</b>	 4,643	 <b>907</b>	 207,830
Loss on early retirement of debt	<b>-0-</b>	-0-	<b>5,119</b>	-0-
Interest expense, net				
Interest expense	<b>1,866</b>	2,897	<b>4,957</b>	6,097
Interest income	<b>(4)</b>	(24)	<b>(12)</b>	(279)
Total interest expense, net	<b>1,862</b>	2,873	<b>4,945</b>	5,818
 (Loss) earnings before income taxes from continuing operations	 <b>(3,835)</b>	 1,770	 <b>(9,157)</b>	 202,012
Income tax (benefit) expense	<b>(1,172)</b>	7,161	<b>(891)</b>	77,963
 (Loss) earnings from continuing operations	 <b>(2,663)</b>	 (5,391)	 <b>(8,266)</b>	 124,049
Provision for discontinued operations, net	<b>(59)</b>	(5,361)	<b>(218)</b>	(5,454)
 <b>Net (Loss) Earnings</b>	 <b>\$ (2,722)</b>	 \$ (10,752)	 <b>\$ (8,484)</b>	 \$ 118,595
 Basic (loss) earnings per common share:				
Continuing operations	<b>\$ (.12)</b>	\$ (.29)	<b>\$ (.41)</b>	\$ 6.27
Discontinued operations	<b>\$ (.01)</b>	\$ (.29)	<b>\$ (.01)</b>	\$ (.28)
 Net (loss) earnings	 <b>\$ (.13)</b>	 \$ (.58)	 <b>\$ (.42)</b>	 \$ 5.99
 Diluted (loss) earnings per common share:				
Continuing operations	<b>\$ (.12)</b>	\$ (.29)	<b>\$ (.41)</b>	\$ 5.15
Discontinued operations	<b>\$ (.01)</b>	\$ (.29)	<b>\$ (.01)</b>	\$ (.22)
 Net (loss) earnings	 <b>\$ (.13)</b>	 \$ (.58)	 <b>\$ (.42)</b>	 \$ 4.93

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.



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**Genesco Inc.  
and Subsidiaries**  
Condensed Consolidated Statements of Cash Flows  
(In Thousands)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>August</b>		<b>August 1,</b>	<b>August 2,</b>
	<b>1,</b>	<b>August 2,</b>	<b>2009</b>	<b>2008</b>
	<b>2009</b>	<b>2008</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net (loss) earnings	\$ (2,722)	\$ (10,752)	\$ (8,484)	\$ 118,595
Tax benefit of stock options exercised	-0-	(29)	-0-	(29)
Adjustments to reconcile net (loss) earnings to net cash provided by (used in) operating activities:				
Depreciation	11,723	11,619	23,851	23,279
Amortization of deferred note expense and debt discount	426	968	1,444	1,920
Loss on early retirement of debt	-0-	-0-	5,119	-0-
Receipt of Finish Line stock	-0-	-0-	-0-	(29,075)
Deferred income taxes	(129)	606	1,546	149
Provision for losses on accounts receivable	(40)	794	60	833
Impairment of long-lived assets	3,372	2,390	7,839	3,617
Share-based compensation and restricted stock	1,661	2,219	3,260	4,220
Provision for discontinued operations	97	8,813	359	8,965
Other	571	401	1,083	890
Effect on cash of changes in working capital and other assets and liabilities:				
Accounts receivable	206	2,723	(4,567)	427
Inventories	(34,184)	(43,113)	(26,839)	(27,438)
Prepays and other current assets	(4,608)	997	(8,655)	(1,068)
Accounts payable	36,022	53,069	47,139	59,596
Other accrued liabilities	(3,121)	(44,089)	(7,713)	6,953
Other assets and liabilities	1,153	7,216	(1,901)	5,339
Net cash provided by (used in) operating activities	10,427	(6,168)	33,541	177,173
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Capital expenditures	(10,052)	(12,654)	(21,060)	(29,621)
Acquisitions, net of cash acquired	-0-	-0-	(5)	-0-
Proceeds from assets sales	11	-0-	13	4
Net cash used in investing activities	(10,041)	(12,654)	(21,052)	(29,617)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Payments of capital leases	(51)	(41)	(96)	(88)
Tax benefit of stock options exercised	-0-	29	-0-	29
Shares repurchased	-0-	(2,517)	-0-	(90,903)
Change in overdraft balances	3,265	9,053	(391)	(1,092)
Borrowings under revolving credit facility	75,000	54,000	116,100	93,000



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Payments on revolving credit facility	<b>(73,900)</b>	(34,000)	<b>(124,100)</b>	(142,000)
Dividends paid on non-redeemable preferred stock	<b>(49)</b>	(50)	<b>(99)</b>	(99)
Exercise of stock options	<b>117</b>	151	<b>172</b>	177
Other	<b>(1)</b>	-0-	<b>(290)</b>	-0-
Net cash provided by (used in) financing activities	<b>4,381</b>	26,625	<b>(8,704)</b>	(140,976)
<b>Net increase in cash and cash equivalents</b>	<b>4,767</b>	7,803	<b>3,785</b>	6,580
Cash and cash equivalents at beginning of period	<b>16,690</b>	16,480	<b>17,672</b>	17,703
<b>Cash and cash equivalents at end of period</b>	<b>\$ 21,457</b>	\$ 24,283	<b>\$ 21,457</b>	\$ 24,283

**Supplemental Cash Flow Information:**

Net cash paid for:

Interest	<b>\$ 1,907</b>	\$ 2,763	<b>\$ 3,019</b>	\$ 4,403
Income taxes	<b>3,772</b>	45,558	<b>4,636</b>	54,496

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

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**Genesco Inc.  
and Subsidiaries**  
Condensed Consolidated Statements of Shareholders' Equity  
(In Thousands)

	<b>Total Non-Redeemable Preferred Stock</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Treasu- ry Stock</b>	<b>Comprehensive Income</b>	<b>Total Share- holders Equity</b>
Balance February 2, 2008 (as adjusted, see Note 2)	\$ 5,338	\$23,285	\$129,179	\$302,181	\$(16,010)	\$(17,857)		\$426,116
Net earnings	-0-	-0-	-0-	150,756	-0-	-0-	\$150,756	150,756
Dividends paid on non-redeemable preferred stock	-0-	-0-	-0-	(198)	-0-	-0-	-0-	(198)
Dividend declared Finish Line stock	-0-	-0-	-0-	(29,075)	-0-	-0-	-0-	(29,075)
Exercise of stock options	-0-	83	1,355	-0-	-0-	-0-	-0-	1,438
Issue shares								
Employee Stock Purchase Plan	-0-	2	53	-0-	-0-	-0-	-0-	55
Shares repurchased	-0-	(4,000)	(86,903)	-0-	-0-	-0-	-0-	(90,903)
Restricted stock issuance	-0-	416	(416)	-0-	-0-	-0-	-0-	-0-
Employee and non-employee restricted stock	-0-	-0-	6,341	-0-	-0-	-0-	-0-	6,341
Share-based compensation	-0-	-0-	1,690	-0-	-0-	-0-	-0-	1,690
Restricted shares withheld for taxes	-0-	(53)	(1,092)	-0-	-0-	-0-	-0-	(1,145)
Tax benefit of stock options exercised	-0-	-0-	(563)	-0-	-0-	-0-	-0-	(563)
Adjustment of measurement date provision of SFAS 158 (net of tax of \$0.0 million)	-0-	-0-	-0-	(69)	-0-	-0-	-0-	(69)
Loss on foreign currency forward contracts (net of tax of \$0.2 million)	-0-	-0-	-0-	-0-	(275)	-0-	(275)	(275)
	-0-	-0-	-0-	-0-	(13,355)	-0-	(13,355)	(13,355)

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Pension liability adjustment (net of tax benefit of \$8.5 million)								
Postretirement liability adjustment (net of tax of \$0.1 million)	-0-	-0-	-0-	-0-	119	-0-	119	119
Foreign currency translation adjustment	-0-	-0-	-0-	-0-	(1,177)	-0-	(1,177)	(1,177)
Other	(135)	(1)	136	-0-	-0-	-0-	-0-	-0-
Comprehensive income							\$ 136,068	
Balance January 31, 2009	5,203	19,732	49,780	423,595	(30,698)	(17,857)		449,755
Net loss	-0-	-0-	-0-	(8,484)	-0-	-0-	\$ (8,484)	(8,484)
Dividends paid on non-redeemable preferred stock	-0-	-0-	-0-	(99)	-0-	-0-	-0-	(99)
Exercise of stock options	-0-	12	160	-0-	-0-	-0-	-0-	172
Employee and non-employee restricted stock	-0-	-0-	3,018	-0-	-0-	-0-	-0-	3,018
Share-based compensation	-0-	-0-	242	-0-	-0-	-0-	-0-	242
Restricted stock issuance	-0-	405	(405)	-0-	-0-	-0-	-0-	-0-
Restricted shares withheld for taxes	-0-	(44)	(590)	-0-	-0-	-0-	-0-	(634)
Conversion of 4 1/8% debentures	-0-	3,067	61,202	-0-	-0-	-0-	-0-	64,269
Loss on foreign currency forward contracts (net of tax of \$0.1 million)	-0-	-0-	-0-	-0-	(125)	-0-	(125)	(125)
Foreign currency translation adjustment	-0-	-0-	-0-	-0-	818	-0-	818	818
Other	41	(11)	(31)	-0-	-0-	-0-	-0-	(1)
Comprehensive loss*							\$ (7,791)	
<b>Balance August 1, 2009</b>	<b>\$ 5,244</b>	<b>\$ 23,161</b>	<b>\$ 113,376</b>	<b>\$ 415,012</b>	<b>\$ (30,005)</b>	<b>\$ (17,857)</b>		<b>\$ 508,931</b>

\* Comprehensive loss was \$(2.3) million and \$(10.7) million for the second quarter ended August 1, 2009 and August 2, 2008, respectively.

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

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**Genesco Inc.  
and Subsidiaries**

Notes to Condensed Consolidated Financial Statements