

GENESCO



Genesco Reports First Quarter Fiscal 2007 Results

May 25, 2006

--Company Reports First Quarter Diluted EPS Before Discontinued Operations of \$0.41--

NASHVILLE, Tenn., May 25 /PRNewswire-FirstCall/ -- Genesco Inc. (NYSE: GCO) today reported earnings before discontinued operations of \$10.7 million, or \$0.41 per diluted share, for the first quarter ended April 29, 2006. Earnings before discontinued operations were \$8.4 million, or \$0.33 per diluted share, for the first quarter ended April 30, 2005. Earnings before discontinued operations for the first quarter of this year included SFAS 123(R) share-based compensation and restricted stock expense of \$1.6 million before taxes, or \$0.04 per diluted share, while earnings before discontinued operations in the first quarter of last year included a charge of \$2.6 million before taxes, or \$0.06 per diluted share, related to the settlement of class action litigation. Net sales for the first quarter of fiscal 2007 increased 10% to \$315 million compared to \$286 million for the first quarter of fiscal 2006.

Genesco Chairman, President and Chief Executive Officer Hal N. Pennington, said, "Driven by strong performances in our branded businesses and effective expense management across the board, we slightly exceeded our earnings per share expectations for the quarter despite lower than expected sales in our retail divisions. We are confident about our merchandising position as we head into summer and we are encouraged about our prospects for the back-to- school season. Additionally, we believe that most of the issues that affected sales in the first quarter will be less significant in the current quarter. We are consequently comfortable with our outlook for the second quarter.

"We also continued to successfully execute our store growth plans during the first quarter, opening a total of 62 stores, compared with 28 during the first quarter last year, and increasing square footage by 16% versus 5% over the same period last year. We remain focused on expanding our retail presence across the country and building on our leadership position in the marketplace.

"Net sales in the Journeys Group increased 10% to more than \$141 million, same store sales increased 1% and footwear unit comps rose 4% in the first quarter. Board sport and women's casual shoes continued to perform well; however, overall sales were affected by a shift in demand from men's boots and utility footwear to lower-priced canvas shoes, sandals and clogs. We believe that the impact of this category shift will moderate in the second quarter, as boots and utility styles are historically less relevant in the summer months. We expect to open a total of 60 Journeys stores in fiscal 2007.

"Journeys Kidz registered another excellent quarter with total sales up 30% to more than \$8 million and same store sales up 10%, against a 22% comparison last year. We remain on track to open a total of 25 Kidz stores in fiscal 2007. Our newest concept, Shi by Journeys, performed well during the quarter. We had three Shi by Journeys stores in operation at the end of the quarter and expect to have a total of 12 stores by the end of the year.

"Net sales at Hat World increased 14% to approximately \$71 million and same store sales declined less than 1%. Hat World had a 7% comparable store sales increase in the same period a year ago. The Major League Baseball and branded core headwear categories continued strong, but this was somewhat offset by softness in demand for NCAA product. Hat World continued to expand its private label initiatives and roll out its embroidery machines, both of which represent attractive opportunities for incremental sales. We remain excited about the growth potential of Hat World and expect to open a total of 85 to 90 new stores in fiscal 2007.

"Net sales for the Underground Station Group, which includes Jarman, were flat at \$40 million and same store sales fell 3% in the first quarter. Comparable store sales at Underground Station declined 2%, primarily due to weak demand in men's boots and utility footwear. Underground Station continued to generate gains in women's footwear as well as apparel, accessories and children's shoes, and we see opportunities to expand these categories further.

"Johnston & Murphy posted another strong quarter, reflecting the continued success of the brand's strategic repositioning. Johnston & Murphy net sales increased 6% to more than \$44 million, same store sales for the shops rose 3% and wholesale sales increased 14% in the first quarter. The positive results were driven by ongoing strength in casual and dress casual footwear, which made up 68% of first quarter unit sales in the Johnston & Murphy retail shops, and substantial increases in apparel and accessories. We also opened five shops and factory stores in the first quarter and plan to open a total of 12 in fiscal 2007. These more aggressive retail growth plans highlight Johnston & Murphy's positive momentum.

"First quarter sales of Licensed Brands increased 37% to \$19 million and operating profit more than doubled. Dockers is benefiting from its positioning in both the traditional and contemporary categories within the growing casual footwear industry, and the innovative and proprietary features of its proStyle(R) and Stain Defender(R) product lines."

Genesco also stated that it is slightly increasing its fiscal 2007 guidance. The Company now expects sales to increase 14% to approximately \$1.46 billion for the year and diluted earnings per share to approximate \$2.63. The earnings per share estimate includes the expected expense of SFAS 123(R) share-based compensation expense and the amortization of recently granted restricted stock totaling approximately \$0.17 per share. In the previous year, this amount was \$0.01 per share.

This release contains forward-looking statements, including those regarding the Company's sales and earnings outlook and all other statements not addressing solely historical facts or present conditions. Actual results could vary materially from the expectations reflected in these statements. A number of factors could cause differences. These include weakness in consumer demand for products sold by the Company, fashion trends that affect the sales or product margins of the Company's retail product offerings, changes in the timing of holidays or in the onset of seasonal weather affecting period to period sales comparisons, changes in buying patterns by significant wholesale customers, disruptions in product supply or distribution, further unfavorable trends in foreign exchange rates and other factors affecting the cost of products, changes in business strategies by the Company's

competitors (including pricing and promotional discounts), the ability to open, staff and support additional retail stores on schedule and at acceptable expense levels and to renew leases in existing stores on schedule and at acceptable expense levels, variations from expected pension-related charges caused by conditions in the financial markets, and the outcome of litigation and environmental matters involving the Company. Forward-looking statements reflect the expectations of the Company at the time they are made. The Company disclaims any obligation to update such statements.

The Company's live conference call on May 25, 2006, at 7:30 a.m. (Central time) may be accessed through the Company's internet website, www.genesco.com. To listen live, please go to the website at least 15 minutes early to register, download and install any necessary software.

Genesco Inc., a Nashville-based specialty retailer, sells footwear, headwear and accessories in more than 1,800 retail stores in the United States and Canada, principally under the names Journeys, Journeys Kidz, Johnston & Murphy, Underground Station, Hatworld, Lids, Hat Zone, Cap Factory, Head Quarters and Cap Connection, and on internet websites www.journeys.com, www.journeyskidz.com, www.undergroundstation.com, www.johnstonmurphy.com, www.lids.com, www.hatworld.com, and www.lidscyo.com. The Company also sells footwear at wholesale under its Johnston & Murphy brand and under the licensed Dockers and Perry Ellis brands. Additional information on Genesco and its operating divisions may be accessed at its website www.genesco.com.

GENESCO INC.

Consolidated Earnings Summary

In Thousands	Three Months Ended	
	April 29, 2006	April 30, 2005
Net sales	\$315,018	\$286,085
Cost of sales	153,649	139,532
Selling and administrative expenses	141,866	127,256
Restructuring and other, net	109	2,867
Earnings from operations	19,394	16,430
Interest expense, net	1,914	2,704
Earnings before income taxes from continuing operations	17,480	13,726
Income tax expense	6,814	5,300
Earnings from continuing operations	10,666	8,426
Discontinued operations, net	(189)	65
Net Earnings	\$10,477	\$8,491

Earnings Per Share Information

In Thousands (except per share amounts)	Three Months Ended	
	April 29, 2006	April 30, 2005
Preferred dividend requirements	\$64	\$73
Average common shares - Basic EPS	23,042	22,525
Basic earnings per share:		
Before discontinued operations	\$0.46	\$0.37
Net earnings	\$0.45	\$0.37
Average common and common equivalent shares - Diluted EPS	27,436	26,898
Diluted earnings per share:		
Before discontinued operations	\$0.41	\$0.33
Net earnings	\$0.40	\$0.34

GENESCO INC.

Consolidated Earnings Summary

In Thousands	Three Months Ended	
	April 29, 2006	April 30, 2005
Sales:		
Journeys	\$141,500	\$128,844
Underground Station Group	39,956	39,836

Hat World	70,688	62,147
Johnston & Murphy	44,031	41,508
Licensed Brands	18,799	13,692
Corporate and Other	44	58
Net Sales	\$315,018	\$286,085
Pretax Earnings (Loss):		
Journeys	\$13,151	\$13,768
Underground Station Group	2,405	2,616
Hat World	6,007	5,482
Johnston & Murphy	2,823	2,530
Licensed Brands	1,729	746
Corporate and Other*	(6,721)	(8,712)
Operating income	19,394	16,430
Interest, net	1,914	2,704
 Total Pretax Earnings	 17,480	 13,726
 Income tax expense	 6,814	 5,300
Earnings from continuing operations	10,666	8,426
Discontinued operations, net	(189)	65
Net Earnings	\$10,477	\$8,491

* Includes \$0.1 million of other charges in the first quarter of Fiscal 2007 for asset impairments.
Includes \$2.9 million of other charges in the first quarter of Fiscal 2006, including \$2.6 million for a litigation settlement and the remaining \$0.3 million for asset impairment and lease terminations.

GENESCO INC.

Consolidated Balance Sheet

In Thousands	April 29, 2006	April 30, 2005
Assets		
Cash and cash equivalents	\$34,719	\$62,377
Accounts receivable	22,742	17,514
Inventories	247,773	217,086
Other current assets	30,192	20,885
Total current assets	335,426	317,862
Property and equipment	197,546	171,243
Other non-current assets	157,094	160,924
Total Assets	\$690,066	\$650,029
Liabilities and Shareholders' Equity		
Accounts payable	\$90,541	\$81,828
Current portion - long-term debt	0	0
Other current liabilities	56,568	52,994
Total current liabilities	147,109	134,822
Long-term debt	106,250	161,250
Other long-term liabilities	74,498	68,790
Shareholders' equity	362,209	285,167
Total Liabilities and Shareholders' Equity	\$690,066	\$650,029

GENESCO INC.

Retail Units Operated - Three Months Ended April 29, 2006

	Balance				Balance				Balance
	01/29/05	Open	Conv	Close	01/28/06	Open	Conv	Close	04/29/06
Journeys Group	695	71	0	5	761	30	0	1	790
Journeys	654	61	0	4	711	23	0	1	733

Journeys									
Kidz	41	10	0	1	50	7	0	0	57
Underground									
Station Group	229	21	0	21	229	5	0	2	232
Underground									
Station	165	21	2	8	180	5	1	0	186
Jarman Retail	64	0	(2)	13	49	0	(1)	2	46
Hat World	552	96	0	7	641	22	0	3	660
Johnston & Murphy	142	5	0	5	142	5	0	0	147
Shops	107	4	0	4	107	2	0	0	109
Factory Outlets	35	1	0	1	35	3	0	0	38
Total Retail									
Units	1,618	193	0	38	1,773	62	0	6	1,829

Constant Store Sales

	Three Months Ended	
	April 29, 2006	April 30, 2005
Journeys	1%	7%
Underground Station Group	-3%	9%
Underground Station	-2%	11%
Jarman Retail	-9%	4%
Hat World	-1%	-
Johnston & Murphy	2%	3%
Shops	3%	3%
Factory Outlets	0%	3%
Total Constant Store Sales	0%	7%
Hat World		7%

SOURCE Genesco Inc.

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/Company News On-Call: <http://www.prnewswire.com/comp/352750.html/>

/Web site: <http://www.genesco.com>

<http://www.journeys.com>

<http://www.journeyskidz.com>

<http://www.undergroundstation.com>

<http://www.johnstonmurphy.com>

<http://www.lids.com>

<http://www.hatworld.com>

[http://www.lidscyo.com /](http://www.lidscyo.com/)

(GCO)

CO: Genesco Inc.

ST: Tennessee

IN: TEX REA

SU: ERN ERP

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