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Genesco Inc.

Third Quarter Fiscal 2022 Conference Call

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CORPORATE PARTICIPANTS

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

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CONFERENCE CALL PARTICIPANTS

Steven Marotta, *C.L. King & Associates*

PRESENTATION

Operator

Good day, everyone, and welcome to the Genesco Third Quarter Fiscal 2022 Conference Call.

A question-and-answer session will follow today's formal presentation. As a reminder, today's call is being recorded.

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

Darryl MacQuarrie

Good morning, everyone, and thank you for joining us to discuss our third quarter Fiscal 2022 results.

Participants on the call expect to make forward-looking statements. These statements reflect the participants' 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 the most recent 10-K and 10-Q filings for some of the factors, including the impact of COVID-19 and supply chain issues, that could cause differences from the expectations reflected in the forward-looking statements made during the call today.

Participants also expect to refer to certain adjusted financial measures during the call. All non-GAAP financial measures referred to in the prepared remarks are reconciled to their GAAP counterparts in the attachment to this morning's press release and in schedules available on the Company's homepage under Investor Relations in the Quarterly Earnings section.

I want to remind everyone we have posted a presentation summarizing our results that is accessible on our website.

With me on the call today is Mimi Vaughn, Board Chair, President and Chief Executive Officer, who will begin our prepared remarks with highlights from the third quarter and discuss progress on our strategic initiatives, and Tom George, Chief Financial Officer, who will review Q3 results in more detail and provide guidance for Q4.

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

Mimi Vaughn

Thanks, Darryl. Good morning, everyone. and thank you for joining today.

As we announced last month, and you just heard, I'm very pleased we've removed "Interim" from Tom's title. Tom brings almost 30 years of CFO experience and deep roots in brands and retail, most recently at Deckers Brands. He has been a tremendous asset to the organization since joining us a year ago, helping guide the business through a period of significant recovery and growth. We're excited he's part of our Leadership Team and we'll continue to benefit from his knowledge and expertise as we grow Genesco going forward.

Now, on to recent performance.

Building off an extremely strong first half of the year, we delivered another record EPS, that well exceeded our expectations, fueled by a very successful back-to-school selling season. As expected, sales were up considerably from last year, but what's most exciting is the double-digit increase over pre-pandemic levels. We entered the pandemic in a position of strength, are navigating the pandemic well, and we'll enter the post-pandemic phase even stronger. While the current market conditions have presented a number of external challenges, including supply chain disruptions, labor shortages and wage increases, elevated freight expense, and other cost pressures, we are managing through them adeptly.

This quarter's performance highlights the differentiated competitive positions of our retail and branded concept, strong consumer engagement and the strategic advantages delivered through our footwear-focused strategy as we work to transform our business. In particular, our results spotlight Journeys and Schuh as the leading destinations for teen and youth fashion footwear. Customers view them as unparalleled fashion authorities, validating whatever brands they're currently selling, and are increasingly turning to our concept for their branded footwear needs.

Back-to-school is a major driver of Q3 sales in a normal year, and we prepared for and experienced very strong seasons in both the U.S. and U.K., as students largely returned to in-person classes in the U.S. for the first time. Sales at Journeys and Schuh exceeded pre-pandemic levels, and while sales volumes typically moderate after the back-to-school rush, we were very encouraged that demand accelerated throughout the quarter and remained strong into October.

A call-out for Q3, overall, was the robust consumer appetite for in-person shopping, even as the number of COVID cases spiked, which allowed us to drive a 30% increase in store sales over last year. Although traffic is still below pre-pandemic levels, it improved across the board to the best levels we've seen and, thanks to increased conversion in our full-service environment, like-for-like store sales were up in the quarter for the first time since the pandemic began.

Our ability to capitalize on increased demand would not have been possible without the commitment and drive of our store teams, who worked tirelessly to prepare and execute a successful back-to-school. Congratulations to our entire field organization on a job well done.

These results reinforce our view that kids like to shop in-person, even if they begin their shopping journey online, making our stores a strategic asset working in tandem with our digital capabilities.

I'll now provide some key highlights from this important back-to-school quarter.

Third quarter revenue of $601 million increased 25% versus last year and 12% versus two years ago, and revenue growth, better than expected gross margins and expense leverage resulted in an operating income increase of almost 70% over pre-pandemic levels and record EPS of $2.36, compared with $0.85 last year and $1.33 two years ago, all on an adjusted basis.

Additional highlights include:

- The robust store sales I've already talked about, plus another quarter of strong digital growth. Digital sales, which come with double-digit operating margins, increased 11% year-over-year and 79% compared to Fiscal '20. With this, our e-commerce business now represents 18% of total retail sales and is approaching $0.5 billion.

- Next, increasing gross margins by 210 basis points versus last year, driven primarily by higher full-price selling and price increases, while being flat with Fiscal '20, in spite of the changing mix of our business and some freight expense pressure.

- Leveraging adjusted SG&A by 260 basis points, compared to pre-pandemic levels, as we made progress on efforts to reshape our cost structure.

- Finally, restarting our share repurchase activity by buying back $31 million of Genesco stock, demonstrating our strong financial position, confidence in our future and commitment to a strong track record of returning capital to shareholders.

As excited as we are about this quarter, we are even more excited about driving our strategy forward to deliver additional growth, profits and shareholder value.

Turning now to discuss each business in more detail:

Strong consumer demand for a variety of brands and styles drove continued momentum, as Journeys achieved record third quarter revenue and operating profit, marking the fourth consecutive quarter of record profitability, even while operating with inventory almost 30% below pre-pandemic levels. Leveraging its industry-leading vendor partnership and deep talent and experience, Journeys' merchants selected and secured a compelling assortment of footwear most desired by its teen customer.

The current fashion cycle, which I've been describing as shifting more into casual, plays into Journeys' strength, with a nicely diversified assortment. However, for this back-to-school, performance was strong in several categories across both casual and fashion athletic. Nine of the top 10 brands experienced year-over-year growth in the quarter. In addition, the in-person back-to-school also drove a big pickup in non-footwear sales, like backpacks, with non-footwear up over 50%.

With consumers willing to spend more for full priced items, coupled with higher footwear ASPs, Journeys also experienced a nice lift in gross margins. Direct sales held on to most of last year's very strong gains, as Journeys increased social media and digital advertising, driving an almost 30% increase in online conversions, versus two-year-ago results.

Recent market research validated that our strategies are further building the strength of the Journeys brand, as Journeys' share of teen footwear purchases and likelihood to be considered as a go-to place for shoes, have both increased nicely since the last time the research was conducted.

Shifting now to the U.K., we were also very pleased with Schuh's back-to-school performance, as Q3 constant currency sales increased almost 20% above pre-pandemic sales. Although students attended school in-person last year, this year shoppers increasingly returned to physical retail and our store teams drove higher conversion and more multi-sales on the best traffic of the year. The return to stores did not impede the growth of online, with direct sales notching large gains on top of last year's meaningful growth, as the e-commerce channel more than doubled on a two-year basis. Fueling this growth were several back-to-school key marketing campaigns and increased spending.

The fashion trends driving Schuh's business are largely the same ones driving Journeys, and several of Schuh's top 10 brands experienced growth in the quarter, as well. Additionally, Schuh's success managing through COVID strengthened its key vender partnerships, boding well for the future, with even better access to product.

Turning now to our branded side, our plan to reimagine Johnston & Murphy for a more casual, more comfortable, post-pandemic environment is delivering tangible results. Hardest hit by COVID, J&M is tracking well ahead of its turnaround goals. Sales improved further in Q3, both online and in stores, but are still below two-year-ago levels due to the extended delays of return to the office and lower inventories from supply chain disruption. Delayed deliveries and much stronger than expected demand put J&M's inventory almost 50% below two-year-ago levels.

We are especially pleased with the performance of J&M's new athletically-inspired casual product. Casual footwear now makes up more than 70% of DTC footwear product sales, with casual athletic increasing 120% versus last year. J&M's marketing strategy, in which we highlight innovation and technology, features new products, such as the Banks, which was presented in the September advertising campaign and resulted in an 80% sell-through by the end of the month. In addition, J&M's apparel business, highlighted by printed woven shirts and knits, increased by over 30% versus two years ago, endorsing efforts to position J&M as a modern lifestyle brand with broader consumer reach.

Rounding out the discussion, Licensed Brands, unfortunately, saw the biggest challenges from supply chain disruption, which led, among other things, to much higher than expected freight costs. On a positive note, there was strong demand for both Levi's and Dockers footwear in value and full-price channels, which positions the business for improved profitability as supply challenges subside.

Turning now to the current quarter, we have trend-right assortments and are well prepared for the holiday season, which many will celebrate together for the first time in two years. We were very pleased with our results in November, as sales tracked nicely ahead of pre-pandemic levels, and the boot season is off to a good start, with boots as a key part of our fourth quarter mix. For the Black Friday weekend itself, we were also pleased with the results, but, unlike pre-pandemic times, most retail venues and almost all our stores were closed on Thanksgiving Day. While supply chain issues will continue to require close management, we have taken many actions to best prepare our businesses to meet our holiday sales expectations.

Given the recovery and confidence we have, we are returning to giving guidance. We expect adjusted earnings for Fiscal '22 to be between $6.40 and $6.90 per share. We regard this guidance as a range, but somewhere close to the middle reflects are best current belief of where we would come out, representing an increase of about 45% over Fiscal '20. Tom will give more guidance details later in the call.

Our footwear-focused strategy is delivering results. COVID has provided the real opportunity to transform our business at a more rapid rate, and we are on a very good pace delivering growth and improved operating margins and EPS. This new direction leverages our strong direct-to-consumer capabilities across footwear, retail and brands, and the synergies between platforms. Driving this strategy are six strategic pillars that emphasize continued investment in digital and omnichannel, deepening consumer insights, driving product innovation, reshaping our cost base and pursuing synergistic acquisitions, all to transform our businesses and exceed the expectations of today's consumer, whose needs have advanced.

I'd like to give a brief update about some of the work underway.

We have rolled out a Johnston & Murphy in the U.S., new point-of-sale hardware and software, along with new tablets, advancing efforts to further digitize our stores and enhance the omnichannel shopping experience. For consumers, tablets allow easier access to the full merchandise assortment anywhere in our network, mobile checkout allows consumers to skip the checkout line, the new software enables new payment methods, like Venmo, and we are able to upgrade our clienteling efforts. For employees, the new technology creates efficiencies across in-store tasks, such as visual merchandising and new hire onboarding.

After the holidays, we will roll out this technology at Journeys and will benefit from these capabilities in our next fiscal year. Journeys' research shows that while our digitally native Gen Z customer interacts with us across several digital touchpoints, up to 75% intend to make their purchases in-store, requiring investment to provide a compelling store experience.

Journeys also brought online a bespoke e-commerce packing module, with carton-on-demand capabilities, which is helping speed fulfillment of online orders during this peak holiday period and keep up with the much higher digital demand. Not only is the speed of fulfillment faster, but this new technology enhances efficiency, as we can now fulfill a greater portion of our web orders from our distribution center, instead of from our stores, evidenced over Thanksgiving week when over 80% of web orders were fulfilled from the DC. An added benefit is we are able to keep our stores well stocked for in-person shopping.

Finally, Journeys piloted on its website and, pleased with the conversion results, plans to roll out augmented reality software which enables customers to virtually try on and visualize what a pair of shoes would look like on their feet.

Building deeper consumer insights is another pillar where Journeys is dedicating substantial efforts, starting with first-party data. Our methods for capturing first-party data and being able to identify Journeys customers continue to improve. Because of the trusted relationships we have with our teen consumer and their parents, the efforts of our people to collect customer information in stores, combined with our notable online growth, has improved visibility and we're currently able to identify 80% of Journeys customers. Identified customers enter the Journeys marketing ecosystem and, depending on their preferred method of communication, receive a combination of digital, email, SMS, social and direct mail marketing.

In parallel, we're in the process of moving our customer database in-house, cleansing our existing data and populating a data lake. Along with the customer segmentation from our primary research, this will enable us to invest in differentiated marketing content that drives consumer engagement, whether we're speaking with a consumer who loves shoes and wants to stand out or the consumer who cares a lot about fitting in and wearing shoes their friends wear. In a fragmented industry, and knowing our teens enjoy wearing a variety of footwear brands, our aim is to drive loyalty, further consolidate their purchases and take a larger share of our customers' closets.

Touching now on ongoing initiatives of giving back to our communities, in the fall, Journeys ramped up efforts across North America, in partnership with non-profit Can'd Aid, Journeys employees in 73 cities came together to build and donate 1,500 skateboards to underserved youths. It was the largest employee-driven give-back campaign in our history, with more high impact events to come. We're advancing our ESG program on this and on other fronts, with a key milestone being the start of an enterprise-wide carbon footprint assessment, as we work toward publishing a comprehensive ESG report next year.

So, to close, I'd like to acknowledge and thank our employees for their outstanding work and diligent efforts which have delivered such positive results this year and positioned us so well for the holidays. I'm continually inspired by the drive and the dedication of our people, and saw so many examples over Black Friday weekend of you all going the extra mile to serve our customers so well.

Now, I'll turn the call over to Tom.

Thomas George

Thanks, Mimi.

We continue to execute well on our strategy. Third quarter results exceeded our expectations and pre-pandemic Fiscal Year '20 levels. We achieved better than expected sales, margins and SG&A leverage, all on significantly lower inventory levels.

Before I get into the details of the quarter, I want to remind you we believe that comparing to our pre-pandemic Fiscal '20, two years ago, provides the more difficult and often most meaningful assessment of our business. However, when comparing the Fiscal Year '20, keep in mind how our strategy has changed our business. E-commerce has become a larger percentage of sales, along with wholesale sales for Licensed Brands. These changes come with an overall lower gross margin rate due to the impact of direct shipping expenses and the expansion of our wholesale volume; however, this should be more than offset with lower SG&A from these businesses. While these changes are reshaping the P&L, they have a net positive impact on operating margins and an added benefit of a less capital-intensive business model.

In terms of the specifics for the quarter, consolidated revenue was $601 million, up 12%, compared to Fiscal '20. Journeys grew 7%, while Schuh grew 17%, on a constant currency basis, and we doubled our Licensed Brands business. Regarding J&M, we are pleased with the continued momentum we are seeing. We were 8% below Fiscal Year '20 levels, and we continue to narrow the gap.

From a channel perspective, we experienced increases in all channels. E-commerce was up 79% to Fiscal Year '20 and accounted for 18% of total retail sales, up from 11% in Fiscal Year '20.

With stores open 99% of the possible days during the quarter, we are going back to providing comparable sales information versus last year for the stores open in both periods.

On a year-over-year basis, Journeys and Schuh drove positive overall comps of 15% and 23%, respectively, while J&M comps were positive 77%.

We were very pleased with gross margins, which were up 210 basis points to last year and flat at 49.2% versus two years ago. Strong full-price selling and price increases offset the channel mix impact of increased e-commerce and wholesale and increased logistics costs. Increased logistics costs put approximately 70 basis points of pressure on Q3 gross margin and were the greatest drag in our branded businesses.

Journeys' gross margin was up 140 basis points to Fiscal Year '20, driven by more full-price selling and higher footwear ASPs, while Schuh's gross margin was down 180 basis points to Fiscal Year '20, due to a higher e-com mix and higher shipping expenses. J&M's gross margin was up 230 basis points to Fiscal Year '20, benefiting from strong full-price selling, which also drove the release of slow-moving inventory reserves. For J&M, additional logistics costs put 240 basis points of pressure on J&M's Q3 margins. Finally, Licensed Brands' gross margin was down 150 basis points to Fiscal Year '20, as we experienced 740 basis points of pressure on Q3 margins from additional logistics costs, which more than offset margin improvements in the business.

Adjusted SG&A expense was 41.6%, a 260-basis-point improvement, compared to Fiscal '20, as we leveraged from higher revenue and ongoing actions to manage expenses. We experienced significant leverage in occupancy costs, driven by both permanent reductions and some temporary rent waivers in government relief in Canada and the U.K. In addition, we experienced leverage in selling salaries and depreciation, partially offset by deleverage in marketing expenses.

As part of the SG&A discussion, I would like to provide a brief update on our $25 million to $30 million cost savings initiative. I am pleased to report we have identified the full amount of the target for this fiscal year. A significant portion of the savings is from rent reductions, with the remainder in several areas, including travel, conventions, inter-store freight, compensation, and other overheads. The full effect of these savings will be realized by the end of Fiscal Year '23. These savings are part of the ongoing multi-year effort of reshaping our cost structure by improving store channel profitability.

Regarding rent reductions, year-to-date through Q3, we have negotiated 129 renewals and achieved a 19% reduction in rent expense in North America on a straight-line basis. This was on top of a 22% reduction, or 123 renewals last year. These renewals are for an even shorter term, averaging approximately two years, compared to the three-year average we have seen in recent years. With 40% of our fleet coming up for renewal in the next couple of years, this remains a key priority.

In summary, third quarter adjusted operating income was $45.2 million, a 7.5% operating margin, compared to $26.7 million, or 5%, for Fiscal Year '20. This quarter's profitability provides strong evidence of the operating margin expansion opportunity achievable with our footwear-focused strategy.

Our adjusted non-GAAP tax rate for the third quarter was 23%.

Turning now to the balance sheet, Q3 total inventory was down 28%, compared to Fiscal '20, on sales that were up 12%, as we remain vigilant in keeping pace with the consumer demand in the face of delivery delays.

Our strong net cash position was $267 million and our confidence in the business enabled us to repurchase 522,000 shares of stock for $30.6 million, at an average price of $58.71 per share. We currently have $59 million remaining on our share repurchase authorization.

Regarding capital allocation, our first priority is to invest in the business, then continue to return cash to our shareholders through opportunistic share repurchases. Capital expenditures were $15 million and depreciation and amortization was $10 million.

We closed five stores during the third quarter, to end the quarter with 1,434 total stores.

Now, turning to our outlook, given the recovering confidence we have, we are returning to providing annual guidance. Based on the strength of our performance this year to date, current Q4 visibility and expectations for a more normal holiday selling season, we expect Fiscal Year '22 sales to grow 9% to

11%, compared to the pre-pandemic Fiscal Year ’20. For adjusted earnings, we expect a range of $6.40 to $6.90 per share. Our best current expectation is that earnings will be near the midpoint of this range, an increase of 45% over Fiscal Year ’20 pre-pandemic levels. Note that our full year guidance does not anticipate any further significant supply chain disruptions, nor increased negative consumer or economic impact from COVID, including new COVID variants.

Although our plan going forward is not to provide quarterly guidance, given the current timing of restarting formal guidance, we would like to provide insights into Q4. Please refer to our summary results presentation on our website for the complete fourth quarter and full year guidance input. Note that all the comparisons we make are to pre-pandemic Fiscal ’20 Q4. Implicit in the annual guidance is an expectation for Q4 sales growth, versus Fiscal ’20, at the midpoint, to be in the mid-single-digits.

Q4 adjusted EPS would range from $2.22 to $2.72 per share, and, again, our best current expectation is for earnings to be near the midpoint of this range.

We expect gross margin rates for Q4 to be relatively flat versus Fiscal Year ’20 levels, with a possible 30-basis-point swing in either direction. We believe the promotional environment will remain favorable and this range represents the degree of full-price selling we could achieve.

Similar to Q3, we expect channel mix, as well as increased logistics costs, to pressure gross margins. Increased logistics costs are expected to pressure gross margins by 130 basis points and will offset, to some extent, these improvements in full-price selling.

We expect Q4 adjusted SG&A as a percentage of sales to deleverage in the range of 180 to 200 basis points, compared to Fiscal Year ’20. This is driven primarily by increased advertising and marketing costs, particularly in brand advertising and digital marketing related to cost-per-click and higher performance-based compensation associated with the expected improvement in annual results, partially offset by leverage in occupancy costs. As a reminder, Fiscal Year ’20 Q4 performance-based compensation was relatively low and this year’s level reflects the improved performance that we have experienced on a year-over-year basis. One more factor worth mentioning on the Q4 SG&A rate is we are not expecting the same amount of one-time government relief or rent abatements we experienced in Q3 this year, or last year in Q4.

Our guidance assumes no additional share repurchases for the remainder of the fiscal year, which results in Q4 weighted average shares outstanding of approximately 14.3 million. Furthermore, for Q4, we expect the tax rate to be approximately 28%.

In summary, this all results in an expected Q4 operating margin below FY’20 levels, in large part driven by cost pressures unique to the fourth quarter this year.

In conclusion, I would like to thank all our employees for all their great efforts driving our business. We have the right team and the right strategy to continue to drive shareholder value.

This concludes our prepared remarks and I would now like to turn the call back over to the Operator for questions.

Operator

Thank you. We will now be conducting a question-and-answer session. One moment, please, while we poll for your questions.

Our first questions come from the line of Steve Marotta with C.L. King. Please proceed with your questions.

Steven Marotta

Good morning, Mimi and Tom. Congratulations on a terrific quarter and post-pandemic performance.

Mimi Vaughn

Thank you, Steve.

Thomas George

Thanks, Steve.

Steven Marotta

I know that you are not providing guidance for next year, of course, but I just have a couple of very, very high level questions, and I'm sure that this probably won't even be the last time you'll hear it on this call, but from a margin retention standpoint in the coming fiscal year, can you talk a little bit about strategies and tactics associated with maintaining that margin and not reverting to mean?

Mimi Vaughn

Sure, it's a great question, and I think that we are really pleased with the progress that we have made on margins this year. We had come out with a 6% target initially with our five-year plan and we had a chance over the summer to take that up to 6-plus percent.

If you look at our current strategy, we are driving the business by, first of all, increasing the growth of e-commerce, which has double-digit operating margins, and so that adds nicely to the bottom line. The second thing that we've done is significantly improved our store economics by getting rent reductions and other cost reductions, and so those certainly will continue to bear fruit for us. The last thing is that we have been growing the branded side of our business, and that is both in Licensed Brands, with some very nice growth this year, and we know that Johnston & Murphy's turnaround will be successful and add, as well.

So, when we look at all of that, we are optimistic about the market share that we've picked up and the underlying growth drivers. I think, as you look to next year—the pandemic accelerated the improvement opportunity that we had, and that we knew that we had, and as we get into next year, we're optimistic about being able to hang onto some of that, certainly, to much of the market share growth, and a couple of things will help us next year.

Certainly, we've had a lot of freight pressure, Tom talked about that freight pressure, and we also this year have had a performance-compensation bonus. If we don't improve over this year's earnings, then the way our bonus plan works is that that bonus falls back out of the P&L. So, we have those opportunities to really pick up some profitability in our numbers next year.

Tom, would you add anything to that?

Thomas George

No, I think I'd just reinforce we're really pleased with the results. I think, if you look at this year's guidance, implicit in that guidance is roughly a 5.5% operating margin, and that absorbs about 50 basis points of freight for the year. You can see, adjusting for the freight, we're about a 6% operating margin now, which was our target for Fiscal Year '25, so we're obviously pleased with those results. We like a lot of momentum in the business. We're really excited about the branded business, really excited about the traction we continue to get in our digital business. As we gain volume, we'll get better pricing over time in our branded business and that's going to help the branded business gross margins. I'm excited about the turnaround with Johnston & Murphy and everything we're doing there. So, we're in a good situation here going forward.

Steven Marotta

That's great. Tom, you sort of, actually, answered my follow-up question, but I'm going to ask it anyway. As far as the aggregate logistics costs associated with the current fiscal year, I think you said it was 50 basis points. Is that really all-encompassing of all incremental costs associated this year with supply chain, and then the follow-up to that is what would you expect, say, for the first half of next year? Really, what I'm driving at is the expectation, again, from what is known now, and I know that it's variant, the delta in those two numbers, between what was experienced this year and what will be experienced next from incremental freight.

Thomas George

Yes, the 50 basis points was the entire incremental freight and logistics costs for this year. Regarding the crystal ball into the supply chain for next year, we've done a lot of research on that, everybody's done some research on that, and tried to make a call on that, but we can see that's probably going to continue for most of next year, not necessarily just the first half of next year. There's the exposure, so to speak. But, we have done a lot of work in terms of mitigating our risks there, not to say there's still some risk there and there's still going to be some pressures, so it's a little bit too early to make a call on how much of the freight pressures will continue for next year. In the scheme of things, I think I could say it's mainly a branded business concept for us, and in the scheme of things freight and logistics costs aren't the biggest costs in the cost of goods sold line. I think that can help put it in perspective. We have a lot of other levers to work with and structural momentum in the business that we feel, probably, in the end is going to be able to mitigate a lot of that freight and logistics cost pressure.

Mimi Vaughn

I think that's right. I think I would just underscore what Tom said, is that in the vast majority of our businesses here, we have been shielded from some of that freight and logistics costs, because we are well diversified across our vendor base and agreed to pricing several months ago, and I think that, to the extent that the cost pressure continues, we have been successful in taking price increases to absorb some of that cost pressure and anticipate that we will continue to be able to do so, and so we've been managing through that quite well. It will be an issue for the first half of the year, but with a little bit more time, there's more opportunity to manage it.

Steven Marotta

Super-helpful, thank you. I'll take the balance offline.

Operator

Thank you. There are no further questions at this time. I would like to turn the call back over to Mimi Vaughn for any closing comments.

Mimi Vaughn

Great. Thank you for joining us today. We wish everybody a Happy Holiday season.

Operator

Thank you. This does conclude today's teleconference. We appreciate your participation. You may disconnect your lines at this time. Have a great weekend.