GENESCO INC
Form 10-K
April 04, 2007

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

(Mark One)

þ **Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Fiscal Year Ended February 3, 2007

o **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

Securities Registered Pursuant to Section 12(b) of the Act

Title	Exchanges on which Registered
Common Stock, $1.00 par value	New York and Chicago
Preferred Share Purchase Rights	New York and Chicago

Securities Registered Pursuant to Section 12(g) of the Act

Subordinated Serial Preferred Stock, Series 1
Employees Subordinated Convertible Preferred Stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes o No þ

Documents Incorporated by Reference

Portion of Genesco s Annual Report to Shareholders for the fiscal year ended February 3, 2007 are incorporated into Part II by reference. Portions of the proxy statement for the June 27, 2007 annual meeting of shareholders are incorporated into Part III by reference.

Common Shares Outstanding March 23, 2007 22,748,770 The aggregate market value of common stock held by nonaffiliates of the registrant as of July 29, 2006, the last business day of the registrant s most recently completed second fiscal quarter, was approximately $600,000,000. The market value calculation was determined using a per share price of $26.25, the price at which the common stock was last sold on the New York Stock Exchange on such date. For purposes of this calculation, shares held by nonaffiliates excludes only those shares beneficially owned by officers, directors, and shareholders owning 10% or more of the outstanding common stock (and, in each case, their immediate family members and affiliates).

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PART I

ITEM 1, BUSINESS

General

Genesco is a leading retailer of branded footwear and licensed and branded headwear and a wholesaler of branded footwear, with net sales for Fiscal 2007 of $1.5 billion. During Fiscal 2007, the Company operated five reportable business segments (not including corporate): Journeys Group, comprised of the Journeys, Journeys Kidz and Shi by Journeys retail footwear chains, catalog and e-commerce operations; Underground Station Group, comprised of the Underground Station and Jarman retail footwear chains and e-commerce operations; Hat World Group, comprised of the Hat World, Lids, Hat Shack, Hat Zone, Head Quarters, Cap Connection and Lids Kids retail headwear chains and e-commerce operations; Johnston & Murphy Group, comprised of Johnston & Murphy retail operations, catalog and e-commerce operations and wholesale distribution; and Licensed Brands, comprised primarily of Dockers ® footwear, sourced and marketed under a license from Levi Strauss & Company. On April 1, 2004, the Company acquired Hat World Corporation, a leading retailer of licensed and branded headwear. On July 1, 2004, the Company acquired Cap Connection Ltd., a retailer of licensed and branded headwear in Canada. On January 11, 2007, the Company acquired Hat Shack, Inc., a retailer of licensed and branded headwear.

At February 3, 2007, the Company operated 2,009 retail footwear and headwear stores throughout the United States and Puerto Rico including 26 headwear stores in Canada. It currently plans to open a total of 251 to 261 new retail stores in Fiscal 2008. At February 3, 2007, Journeys Group operated 853 stores, including 73 Journeys Kidz and 12 Shi by Journeys; Underground Station Group operated 223 stores, including 193 Underground Station stores; Hat World Group operated 785 stores, including 26 Canadian stores, 49 Hat Shack stores and three Lids Kids stores, and Johnston & Murphy Group operated 148 retail shops and factory stores.

The following table sets forth certain additional information concerning the Company s retail footwear and headwear stores during the five most recent fiscal years:

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Retail Footwear and Headwear Stores and Leased Departments					
Beginning of year	908	991	1,046	1,618	1,773
Opened during year	97	80	120	193	224
Acquired during year	-0-	-0-	503	-0-	49
Closed during year	(14)	(25)	(51)	(38)	(37)
End of year	991	1,046	1,618	1,773	2,009

The Company also designs, sources, markets and distributes footwear under its own Johnston & Murphy brand and under the licensed Dockers® brand to over 1,000 retail accounts in the United States, including a number of leading department, discount, and specialty stores.

Shorthand references to fiscal years (e.g., Fiscal 2007) refer to the fiscal year ended on the Saturday nearest January 31st in the named year (e.g., February 3, 2007). All information

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contained in Management s Discussion and Analysis of Financial Condition and Results of Operations which is referred to in Item 1 of this report is incorporated by such reference in Item 1. This report contains forward-looking statements. Actual results may vary materially and adversely from the expectations reflected in these statements. For a discussion of some of the factors that may lead to different results, see Item 1A, Risk Factors and Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

Available Information

The Company files reports with the Securities and Exchange Commission (SEC), including annual reports on Form 10-K, quarterly reports on Form 10-Q and other reports from time to time. The public may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F. Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Company is an electronic filer and the SEC maintains an Internet site at http://www.sec.gov that contains the reports, proxy and information statements, and other information filed electronically. Our website address is http://www.genesco.com. Please note that our website address is provided as an inactive textual reference only. We make available free of charge through our website annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The information provided on our website is not part of this report, and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

Segments

Journeys Group

The Journeys Group segment, including Journeys, Journeys Kidz and Shi by Journeys retail stores, catalog and e-commerce operations, accounted for approximately 48% of the Company s net sales in Fiscal 2007. Operating income attributable to Journeys was $83.8 million in Fiscal 2007, with an operating margin of 12.0%. The Company believes that its innovative store formats, mix of well-known brands, new product introductions, and experienced management team provide significant competitive advantages for Journeys Group.

At February 3, 2007, Journeys Group operated 853 stores, including 73 Journeys Kidz stores and 12 Shi by Journeys stores, averaging approximately 1,775 square feet, throughout the United States and Puerto Rico, selling footwear for young men and women and children.

Journeys Group added 92 net new stores in Fiscal 2007 including 23 net new Journeys Kidz stores and 11 new Shi by Journeys stores and comparable store sales were up 6% from the prior fiscal year. Journeys stores target customers in the 13-22 year age group through the use of youth-oriented decor and popular music videos. Journeys stores carry predominately branded merchandise across a wide range of prices, including leading brand names such as Vans, Converse, Puma, Etnies and adidas. The Journeys Kidz retail footwear stores sell footwear primarily for younger children ages five to 12. Shi by Journeys retail footwear stores sell footwear and accessories targeting fashionable women in their early 20 s to mid 30 s. From a base of 665 Journeys Group stores at the end of Fiscal 2004, the Company opened 30 net new Journeys Group stores in Fiscal 2005, 66 net new stores in Fiscal 2006 and 92 net new stores in Fiscal 2007 and plans to open 125 to 135 net new Journeys Group stores in Fiscal 2008.

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Underground Station Group

The Underground Station Group segment, including Underground Station and Jarman retail stores, accounted for approximately 11% of the Company s net sales in Fiscal 2007. Operating income attributable to Underground Station Group was $3.8 million in Fiscal 2007, with an operating margin of 2.5%.

At February 3, 2007, Underground Station Group operated 223 stores, including 193 Underground Station stores, averaging approximately 1,725 square feet, throughout the United States, selling footwear and accessories primarily for men and women.

Underground Station stores are located primarily in urban markets. Jarman stores are located primarily in urban and suburban areas in the Southeast and Midwest. For Fiscal 2007, most of the footwear sold in Underground Station stores was branded merchandise, including leading brand names such as Timberland, Puma, Phat Farm, Diesel and adidas, with the remainder made up of private label brands. The product mix at each Underground Station/Jarman store is tailored to match local customer preferences and competitive dynamics. The Company opened 13 net new Underground Station stores in Fiscal 2007 and closed 19 Jarman stores, leaving the total number of Underground Station/Jarman stores at 223. The 13 net new Underground Station stores included three conversions of Jarman stores to Underground Station stores. The Company plans to open up to eight net new Underground Station stores in Fiscal 2008 and close approximately seven Jarman stores. The Company has previously announced its intentions eventually to close the remaining Jarman stores or to convert them into Underground Station stores. For additional information, including with respect to the planned closing or conversion of the Company s Jarman stores, see Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 3 to the Consolidated Financial Statements, included in Item 8.

Hat World Group

The Hat World Group segment, including Hat World, Lids, Hat Shack, Hat Zone, Head Quarters, Cap Connection and Lids Kids retail stores and internet sales, accounted for approximately 23% of the Company s net sales in Fiscal 2007. Operating income attributable to Hat World was $41.4 million in Fiscal 2007, with an operating margin of 12.1%.

At February 3, 2007, Hat World Group operated 785 stores, averaging approximately 750 square feet, throughout the United States, Puerto Rico and Canada. Hat World Group added 144 net new stores in Fiscal 2007, which includes 49 Hat Shack stores acquired in January 2007, and plans to open approximately 99 net new stores in Fiscal 2008.

The core adult stores, located in malls, airports, street level stores and factory outlet stores nationwide and in Canada, target customers in the early-teens to mid-20 s age group. The new Lids Kids stores, three of which were open at the end of Fiscal 2007, are located in malls and target toddlers to ten year olds. In general, the stores offer headwear from an assortment of college, MLB, NBA, NFL and NHL teams, as well as other specialty fashion categories.

Johnston & Murphy Group

The Johnston & Murphy Group segment, including retail stores, catalog and internet sales and wholesale distribution, accounted for approximately 13% of the Company s net sales in Fiscal 2007. Operating income attributable to Johnston & Murphy was $15.3 million in Fiscal 2007, with an operating margin of 8.2%. All of the Johnston & Murphy wholesale sales are of the Genesco-owned Johnston & Murphy brand and approximately 96% of the group s retail sales are of Johnston & Murphy branded products.

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Johnston & Murphy Retail Operations. At February 3, 2007, Johnston & Murphy operated 148 retail shops and factory stores throughout the United States averaging approximately 1,625 square feet and selling footwear and accessories for men. Johnston & Murphy retail shops are located primarily in better malls nationwide and sell a broad range of men s dress and casual footwear and accessories. The Company also sells Johnston & Murphy products directly to consumers through a direct mail catalog and an e-commerce website. Johnston & Murphy stores target male business and professional consumers. Retail prices for Johnston & Murphy footwear generally range from $100 to $300. Casual and dress casual footwear accounted for 38% of total Johnston & Murphy retail sales in Fiscal 2007, with the balance consisting of dress shoes and accessories.

Johnston & Murphy Wholesale Operations. In addition to sales through Company-owned Johnston & Murphy retail shops and factory stores, Johnston & Murphy footwear is sold at wholesale, primarily to better department and independent specialty stores. Johnston & Murphy s wholesale customers offer the brand s footwear for dress, dress casual, and casual occasions, with the majority of styles offered in these channels selling from $100-$200.

Licensed Brands

The Licensed Brands segment accounted for approximately 5% of the Company s net sales in Fiscal 2007. Operating income attributable to Licensed Brands was $6.8 million in Fiscal 2007, with an operating margin of 8.6%. Substantially all of the Licensed Brands sales are of footwear marketed under the Dockers brand, for which Genesco has had the exclusive men s footwear license in the United States since 1991. See Trademarks and Licenses. Dockers footwear is marketed through many of the same national retail chains that carry Dockers slacks and sportswear. Suggested retail prices for Dockers footwear generally range from $50 to $80.

For further information on the Company s business segments, see Note 14 to the Consolidated Financial Statements included in Item 8 and Management s Discussion and Analysis of Financial Condition and Results of Operations.

Manufacturing and Sourcing

The Company relies on independent third-party manufacturers for production of its footwear products sold at wholesale. The Company sources footwear and accessory products from foreign manufacturers located in China, Italy, Mexico, Brazil, Indonesia, Taiwan, India and Portugal. The Company s retail operations source primarily branded products from third parties, who source primarily overseas.

Competition

Competition is intense in the footwear and headwear industry. The Company s retail footwear and headwear competitors range from small, locally owned stores to regional and national department stores, discount stores, and specialty chains. The Company also competes with hundreds of footwear wholesale operations in the United States and throughout the world, most of which are relatively small, specialized operations, but some of which are large, more diversified companies. Some of the Company s competitors have resources that are not available to the Company. The Company s success depends upon its ability to remain competitive with respect to the key factors of style, price, quality, comfort, brand loyalty, customer service, store location and atmosphere and the ability to offer distinctive products.

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Trademarks and Licenses

The Company owns its Johnston & Murphy brand through a wholly-owned subsidiary. The Dockers brand footwear line, introduced in Fiscal 1993, is sold under a license agreement granting the exclusive right to sell men s footwear under the trademark in the United States, Canada and Mexico. The Dockers license agreement, as amended, expires on December 31, 2009, with an option to renew through December 31, 2012. Net sales of Dockers products were $77 million in Fiscal 2007 and $58 million in Fiscal 2006. The Company licenses certain of its footwear brands, mostly in foreign markets. License royalty income was not material in Fiscal 2007.

Wholesale Backlog

Most of the Company s orders in the Company s wholesale divisions are for delivery within 150 days. Because most of the Company s business is at-once, the backlog at any one time is not necessarily indicative of future sales. As of March 3, 2007, the Company s wholesale operations had a backlog of orders, including unconfirmed customer purchase orders, amounting to approximately $31.4 million, compared to approximately $20.3 million on February 25, 2006. The backlog is somewhat seasonal, reaching a peak in spring. The Company maintains in-stock programs for selected product lines with anticipated high volume sales.

Employees

Genesco had approximately 12,750 employees at February 3, 2007, approximately 120 of whom were employed in corporate staff departments and the balance in operations. Retail footwear and headwear stores employ a substantial number of part-time employees and approximately 7,150 of the Company s employees were part-time.

Properties

At February 3, 2007, the Company operated 2,009 retail footwear and headwear stores throughout the United States, Puerto Rico and Canada. New shopping center store leases typically are for a term of approximately 10 years and new factory outlet leases typically are for a term of approximately five years. Both typically provide for rent based on a percentage of sales against a fixed minimum rent based on the square footage leased.

The Company operates four distribution centers (three of which are owned and one of which is leased) aggregating approximately 800,000 square feet. Three of the facilities are located in Tennessee and one in Indiana. The Company s executive offices and the offices of its footwear operations, which are leased, are in Nashville, Tennessee where Genesco occupies approximately 77% of a 295,000 square foot building. The offices of the Company s headwear operations, which are leased, are in a 43,000 square foot building in Indianapolis, Indiana.

The lease on the Company s Nashville office expires in April 2017, with an option to renew for an additional five years. The lease on the Indianapolis office expires in May 2015 and the lease on the Edmonton office expires in June 2007. The Company believes that all leases of properties that are material to its operations may be renewed on terms not materially less favorable to the Company than existing leases.

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Environmental Matters

The Company s former manufacturing operations and the sites of those operations are subject to numerous federal, state, and local laws and regulations relating to human health and safety and the environment. These laws and regulations address and regulate, among other matters, wastewater discharge, air quality and the generation, handling, storage, treatment, disposal, and transportation of solid and hazardous wastes and releases of hazardous substances into the environment. In addition, third parties and governmental agencies in some cases have the power under such laws and regulations to require remediation of environmental conditions and, in the case of governmental agencies, to impose fines and penalties. Several of the facilities owned by the Company (currently or in the past) are located in industrial areas and have historically been used for extensive periods for industrial operations such as tanning, dyeing, and manufacturing. Some of these operations used materials and generated wastes that would be considered regulated substances under current environmental laws and regulations. The Company currently is involved in certain administrative and judicial environmental proceedings relating to the Company s former facilities. See Item 3, Legal Proceedings.

ITEM 1A, RISK FACTORS

Our business is subject to significant risks. You should carefully consider the risks and uncertainties described below and the other information in this Form 10-K, including our consolidated financial statements and the notes to those statements. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we do not presently know about or that we currently consider immaterial may also affect our business operations and financial performance. If any of the events described below actually occur, our business, financial condition or results of operations could be adversely affected in a material way. This could cause the trading price of our stock to decline, perhaps significantly, and you may lose part or all of your investment.

Poor economic conditions affect consumer spending and may significantly harm our business.

The success of our business depends to a significant extent upon the level of consumer spending. A number of factors may affect the level of consumer spending on merchandise that we offer, including, among other things:

- general economic, industry and weather conditions;
- energy costs, which affect gasoline and home heating prices;
- the level of consumer debt;
- interest rates;
- tax rates and policies;
- war, terrorism and other hostilities; and
- consumer confidence in future economic conditions.

Adverse economic conditions and any related decrease in consumer demand for discretionary items could have a material adverse effect on our business, results of operations and financial condition. The merchandise we sell generally consists of discretionary items. Reduced consumer confidence and spending may result in reduced demand for discretionary items and may force us to take inventory markdowns. Reduced demand may also require increased selling and promotional expenses.

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Our business involves a degree of fashion risk.

Certain of our businesses serve a fashion-conscious customer base and depend upon the ability of our buyers and merchandisers to react to fashion trends, to purchase inventory that reflects such trends, and to manage our inventories appropriately in view of the potential for sudden changes in fashion or in consumer taste. Our ability to achieve our performance goals for fiscal 2008 in particular depends in part on the success of our efforts to remerchandise and reposition our Underground Station business, which serves a particularly fashion-sensitive market segment. Failure to continue to execute any of these activities successfully could result in adverse consequences, including lower sales, product margins, operating income and cash flows.

Our business and results of operations are subject to a broad range of uncertainties arising out of world and domestic events.

Our business and results of operations are subject to uncertainties arising out of world and domestic events, which may impact not only consumer demand, but also our ability to obtain the products we sell, most of which are produced outside the United States. These uncertainties may include a global economy slowdown, changes in consumer spending or travel, the increase in gasoline and natural gas prices, and the economic consequences of military action or terrorist activities. Any future events arising as a result of terrorist activity or other world events may have a material impact on our business, including the demand for and our ability to source products, and consequently on our results of operations and financial condition. Demand can also be influenced by other factors beyond our control. For example, Hat World s sales have historically been affected by developments in team sports, and could be adversely impacted by player strikes or other season interruptions, as well as by the performance and reputation of certain key teams.

Our business is intensely competitive and increased or new competition could have a material adverse effect on us.

The retail footwear, headwear and accessories markets are intensely competitive. We currently compete against a diverse group of retailers, including other regional and national specialty stores, department and discount stores, small independents and e-commerce retailers, which sell products similar to and often identical to those we sell. Our branded businesses, selling footwear at wholesale, also face intense competition, both from other branded wholesale vendors and from private label initiatives of their retailer customers. A number of different competitive factors could have a material adverse effect on our business, results of operations and financial condition, including:

- increased operational efficiencies of competitors;
- competitive pricing strategies;
- expansion by existing competitors;
- entry by new competitors into markets in which we currently operate; and
- adoption by existing retail competitors of innovative store formats or sales methods.

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We are dependent on third-party vendors for the merchandise we sell.

We do not manufacture any of the merchandise we sell. This means that our product supply is subject to the ability and willingness of third-party suppliers to deliver merchandise we order on time and in the quantities and of the quality we need. In addition, a material portion of our retail footwear sales consist of products marketed under brands, belonging to unaffiliated vendors, which have fashion significance to our customers. Our core retail hat business is dependent upon products bearing sports and other logos, each generally controlled by a single licensee/vendor. If those vendors were to decide not to sell to us or to limit the availability of their products to us, we could be unable to offer our customers the products they wish to buy and could lose their business to competitors.

An increase in the cost or a disruption in the flow of our imported products may significantly decrease our sales and profits.

Merchandise originally manufactured and imported from overseas makes up a large proportion of our total inventory. A disruption in the shipping of our imported merchandise or an increase in the cost of those products may significantly decrease our sales and profits. In addition, if imported merchandise becomes more expensive or unavailable, the transition to alternative sources may not occur in time to meet demand. Products from alternative sources may also be of lesser quality or more expensive than those we currently import. Risks associated with our reliance on imported products include:

- disruptions in the shipping and importation of imported products because of factors such as:
  - raw material shortages, work stoppages, strikes and political unrest;
  - problems with oceanic shipping, including shipping container shortages;
  - increased customs inspections of import shipments or other factors causing delays in shipments;
  - economic crises, international disputes and wars; and
- increases in the cost of purchasing or shipping foreign merchandise resulting from:
  - denial by the United States of most favored nation trading status to or the imposition of quotas or other restrictions on import from a foreign country from which we purchase goods;
  - import duties, import quotas and other trade sanctions; and
  - increases in shipping rates.

A significant amount of the inventory we sell is imported from the People s Republic of China, which has in recent years been subject to efforts to increase duty rates or to impose restrictions on imports of certain products.

Some of the products we buy abroad are priced in foreign currencies and, therefore, we are affected by fluctuating exchange rates. In the past, we have entered into foreign currency exchange contracts with major financial institutions to hedge these fluctuations. We might not be able to effectively protect ourselves in the future against currency rate fluctuations, and our financial performance could suffer as a result. Even dollar-denominated foreign purchases may be affected by currency fluctuations, as suppliers seek to reflect appreciation in the local currency against the dollar in the price of the products that they provide. You should read

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Management s Discussion and Analysis of Financial Condition and Results of Operations for more information about our foreign currency exchange rate exposure and hedging activities.

The operation of the Company s business is heavily dependent on its information systems.

We depend on a variety of information technology systems for the efficient functioning of our business. We rely on certain software vendors to maintain and periodically upgrade many of these systems so that they can continue to support our business. The software programs supporting many of our systems were licensed to the Company by independent software developers. The inability of these developers or the Company to continue to maintain and upgrade these information systems and software programs could disrupt or reduce the efficiency of our operations. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations. We also rely heavily on our information technology staff. If we cannot meet our staffing needs in this area, we may not be able to fulfill our technology initiatives or to provide maintenance on existing systems.

The loss of, or disruption in, one of our distribution centers and other factors affecting the distribution of merchandise, could have a material adverse effect on our business and operations.

Each of our operations depends on a single distribution facility. Most of the operation s inventory is shipped directly from suppliers to its distribution center, where the inventory is then processed, sorted and shipped to our stores or to our wholesale customers. We depend on the orderly operation of this receiving and distribution process, which depends, in turn, on adherence to shipping schedules and effective management of the distribution centers. Although we believe that our receiving and distribution process is efficient and well positioned to support our expansion plans, we cannot assure you that we have anticipated all of the changing demands which our expanding operations will impose on our receiving and distribution system, or that events beyond our control, such as disruptions in operations due to fire or other catastrophic events, labor disagreements or shipping problems (whether in our own or in our third party vendors or carriers businesses), will not result in delays in the delivery of merchandise to our stores or to our wholesale customers. We also make changes in our distribution processes from time to time in an effort to improve efficiency, maximize capacity, etc. We cannot assure that these changes will not result in unanticipated delays or interruptions in distribution. We depend upon UPS for shipment of a significant amount of merchandise. An interruption in service by UPS for any reason could cause temporary disruptions in our business, a loss of sales and profits, and other material adverse effects.

Our freight cost is impacted by changes in fuel prices through surcharges. Fuel prices and surcharges affect freight cost both on inbound freight from vendors to our distribution centers and outbound freight from our distribution centers to our stores and wholesale customers. Increases in fuel prices and surcharges and other factors may increase freight costs and thereby increase our cost of goods sold.

We face a number of risks in opening new stores.

As part of our growth strategy, we intend to continue to open new stores, both in regional malls, where most of our operational experience lies, and in other venues with which we are less familiar, including lifestyle centers, major city street locations, and tourist destinations. We

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increased our net store base by 572 in Fiscal 2005, 155 in Fiscal 2006 and 236 in Fiscal 2007, and currently plan to increase our net store base by approximately 233 to 243 stores in Fiscal 2008. We cannot assure you that we will be able to achieve our expansion goals or that we will be able to continue our history of operating new stores profitably. Further, we cannot assure you that any new store will achieve similar operating results to those of our existing stores or that new stores opened in markets in which we operate will not have a material adverse effect on the revenues and profitability of our existing stores. The success of our planned expansion will be dependent upon numerous factors, many of which are beyond our control, including the following:

- our ability to identify suitable markets and individual store sites within those markets;
- the competition for suitable store sites;
- our ability to negotiate favorable lease terms for new stores and renewals (including rent and other costs) with landlords;
- our ability to obtain governmental and other third-party consents, permits and licenses needed to construct and operate our stores;
- the ability to build and remodel stores on schedule and at acceptable cost;
- the availability of employees to staff new stores and our ability to hire, train, motivate and retain store personnel;
- the availability of adequate management and financial resources to manage an increased number of stores;
- our ability to adapt our distribution and other operational and management systems to an expanded network of stores; and
- our ability to attract customers and generate sales sufficient to operate new stores profitably.

Additionally, the results we expect to achieve during each fiscal quarter are dependent upon opening new stores on schedule. If we fall behind, we will lose expected sales and earnings between the planned opening date and the actual opening and may further complicate the logistics of opening stores, possibly resulting in additional delays.

Our results of operations are subject to seasonal and quarterly fluctuations, which could have a material adverse effect on the market price of our stock.

Our business is highly seasonal, with a significant portion of our net sales and operating income generated during the fourth quarter, which includes the holiday shopping season. Because a significant percentage of our net sales and operating income are generated in the fourth quarter, we have limited ability to compensate for shortfalls in fourth quarter sales or earnings by changes in our operations or strategies in other quarters. A significant shortfall in results for the fourth quarter of any year could have a material adverse effect on our annual results of operations and on the market price of our stock. Our quarterly results of operations also may fluctuate significantly based on such factors as:

- the timing of new store openings and renewals;
- the amount of net sales contributed by new and existing stores;
- the timing of certain holidays and sales events;

- changes in our merchandise mix;
- general economic, industry and weather conditions that affect consumer spending; and
- actions of competitors, including promotional activity.

A failure to increase sales at our existing stores may adversely affect our stock price and impact our results of operations.

A number of factors have historically affected, and will continue to affect, our comparable store sales results, including:

- competition;
- timing of holidays including sales tax holidays;
- general regional and national economic conditions;
- inclement weather;
- consumer trends, such as less disposable income due the impact of higher gasoline prices;
- changes in our merchandise mix;
- our ability to distribute merchandise efficiently to our stores;
- timing and type of sales events, promotional activities or other advertising;
- new merchandise introductions; and
- our ability to execute our business strategy effectively.

Our comparable store sales results have fluctuated in the past, and we believe such fluctuations may continue. The unpredictability of our comparable store sales may cause our revenue and results of operations to vary from quarter to quarter, and an unanticipated decline in revenues or operating income may cause our stock price to fluctuate significantly.

We are subject to regulatory proceedings and litigation that could have a material adverse effect on our financial condition and results of operations.

We are parties to certain lawsuits and regulatory proceedings, including those disclosed in Note 13 to the Consolidated Financial Statements. If these or similar matters are resolved against us, our results of operations or our financial condition could be adversely affected. Moreover, with retail operations in 50 states, Puerto Rico, the U.S. Virgin Islands and Canada, we are subject to federal, state, provincial, territorial and local regulations which impose costs and risks on our business. Changes in regulations could make compliance more difficult and costly and inadvertent violations could result in liability for damages or penalties.

If we lose key members of management or are unable to attract and retain the talent required for our business, our operating results could suffer.

Our performance depends largely on the efforts and abilities of members of our management team. Our executives have substantial experience and expertise in our business and have made significant contributions to our growth and success. The unexpected future loss of services of one or more key members of our management team could have an adverse effect on our business. In addition, future performance will depend upon our ability to attract, retain and motivate qualified employees, including store personnel and field management, to keep pace with our expansion schedule. If we are unable to do so, our ability to meet our growth goals or to sustain expected levels of profitability may be compromised. Finally, our stores are decentralized, are managed through a network of geographically dispersed management personnel and historically experience a high degree of turnover. If we are for any reason unable to maintain appropriate controls on store operations, including the ability to control losses resulting from inventory and cash shrinkage, our sales and operating margins may be adversely affected. We cannot assure you that we will be able to attract and retain the personnel we need in the future.

Any acquisitions we make or new businesses we launch involve a degree of risk.

We have in the past, and may in the future, engage in acquisitions or launch new businesses to grow our revenues and meet our other strategic objectives. If any future acquisitions are not successfully integrated with our business, our ongoing operations could be adversely affected. Additionally, acquisitions or new businesses may not achieve desired profitability objectives or result in any anticipated successful expansion of the businesses or concepts. Although we review and analyze assets or companies we acquire, such reviews are subject to uncertainties and may not reveal all potential risks. Additionally, although we attempt to obtain protective contractual provisions, such as representations, warranties and indemnities, in connection with acquisitions, we cannot assure you that we can obtain such provisions in our acquisitions or that they will fully protect us from unforeseen costs of the acquisitions. We may also incur significant costs in connection with pursuing possible acquisitions even if the acquisition is not ultimately consummated.

ITEM 1B, UNRESOLVED STAFF COMMENTS

None.

ITEM 2, PROPERTIES

See Item 1, Business Properties.

ITEM 3, LEGAL PROCEEDINGS

Environmental Matters

New York State Environmental Matters

In August 1997, the New York State Department of Environmental Conservation (NYSDEC) and the Company entered into a consent order whereby the Company assumed responsibility for conducting a remedial investigation and feasibility study (RIFS) and implementing an interim remediation measure (IRM) with regard to the site of a knitting mill operated by a former subsidiary of the Company from 1965 to 1969. The Company undertook the IRM and RIFS voluntarily, without admitting liability or accepting responsibility for any future remediation of the site. The Company has concluded the IRM and the RIFS. In the course of preparing the RIFS, the Company identified remedial alternatives with estimated undiscounted costs ranging from $-0- to $24.0 million, excluding amounts previously expended or provided for by the Company, as described in this Item. The United States Environmental Protection Agency, which has assumed primary regulatory responsibility for the site from NYSDEC, adopted a Proposed Remedial Action Plan (PRAP) in February 2007. The PRAP, which is subject to modification, recommends a combination of groundwater extraction and treatment and in-site chemical oxidation at an estimated present worth cost of approximately $10.7 million.

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The Company has not ascertained what responsibility, if any, it has for any contamination in connection with the facility or what other parties may be liable in that connection and is unable to predict the extent of its liability, if any, beyond that voluntarily assumed by the consent order. The Company s voluntary assumption of certain responsibility to date was based upon its judgment that such action was preferable to litigation to determine its liability, if any, for contamination related to the site. The Company intends to continue to evaluate the costs of further voluntary remediation versus the costs and uncertainty of litigation.

As part of its analysis of whether to undertake further voluntary action, the Company has assessed various methods of preventing potential future impact of contamination from the site on two public wells that are in the expected future path of the groundwater plume from the site. The Village of Garden City has proposed the installation at the supply wells of enhanced treatment measures at an estimated cost of approximately $2.6 million, with estimated future costs of up to $2.0 million. In the third quarter of Fiscal 2005, the Company provided for the estimated cost of a remedial alternative it considers adequate to prevent such impact and which it would be willing to implement voluntarily. The Village of Garden City has also asserted that the Company is liable for historical costs of treatment at the wells totaling approximately $3.4 million. Because of evidence with regard to when contaminants from the site of the Company s former operations first reached the wells, the Company believes it should have no liability with respect to such historical costs.

In December 2005, the U.S. Environmental Protection Agency (EPA) notified the Company that it considers the Company a potentially responsible party (PRP) with respect to contamination at two Superfund sites in New York State. The sites were used as landfills for process wastes generated by a glue manufacturer, which acquired tannery wastes from several tanners, allegedly including the Company s Whitehall tannery, for use as raw materials in the gluemaking process. The Company has no records indicating that it ever provided raw materials to the gluemaking operation and has not been able to establish whether EPA s substantive allegations are accurate. The Company has joined a joint defense group with other tannery PRP s with respect to one of the two sites. The joint defense group has developed an estimated cost of remediation for the site and proposed an allocation of liabilities among the PRP s that, if accepted, is estimated to result in liability to the Company of approximately $100,000 with respect to the site. There is no assurance that the proposed allocation will be accepted or that the actual cost of remediation will not exceed the estimate. While the Company presently cannot predict with assurance its liability, if any, with respect to the second site associated with the glue manufacturer s waste disposal, it does not presently expect that its aggregate exposure with respect to the two landfill sites will have a material adverse effect on its financial condition or results of operations.

Whitehall Environmental Matters

The Company has performed sampling and analysis of soil, sediments, surface water, groundwater and waste management areas at the Company s former Volunteer Leather Company facility in Whitehall, Michigan.

The Company has submitted to the Michigan Department of Environmental Quality (MDEQ) and provided for certain costs associated with a remedial action plan (the Plan) designed to bring the property into compliance with regulatory standards for non-industrial uses. The Company estimates that the costs of resolving environmental contingencies related to the Whitehall property range from $1.4 million to $5.9 million, and considers the cost of implementing the Plan to be the most likely cost within that range. While management believes that the Plan should be sufficient to satisfy applicable regulatory standards with respect to the site, until the Plan is finally approved by MDEQ, management cannot provide assurances that no further remediation will be required or that its estimate of the range of possible costs or of the most likely cost of remediation will prove accurate.

Accrual for Environmental Contingences

Related to all outstanding environmental contingencies, the Company had accrued $5.8 million as of February 3, 2007 and $5.4 million as of January 28, 2006. All such provisions reflect the Company s estimates of the most likely cost (undiscounted, including both current and noncurrent portions) of resolving the contingencies, based on facts and circumstances as of the time they were made. There is no assurance that relevant facts and circumstances will not change, necessitating future changes to the provisions. Such contingent liabilities are included in the liability arising from provision for discontinued operations on the accompanying Consolidated Balance Sheets.

Other Matters

Patent Action

In January 2003, the Company was named a defendant in an action filed in the United States District Court for the Eastern District of Pennsylvania, *Schoenhaus, et al. vs. Genesco Inc., et al.*, alleging that certain features of shoes in the Company s Johnston & Murphy line infringe the plaintiff s patent, misappropriate trade secrets and involve conversion of the plaintiff s proprietary information and unjust enrichment of the Company. On January 10, 2005, the court granted summary judgment to the Company on the patent claims, finding that the accused products do not infringe the plaintiff s patent. The plaintiffs appealed the summary judgment to the U.S. Court of Appeals for the Federal Circuit, pending which the trial court stayed the remainder of the case. On March 15, 2006, the Court of Appeals affirmed the summary judgment in the Company s favor. In December 2006, the Company and the plaintiffs settled all remaining claims in the action, which was then dismissed.

California Employment Matters

On October 22, 2004, the Company was named a defendant in a putative class action filed in the Superior Court of the State of California, Los Angeles, *Schreiner vs. Genesco Inc., et al.,* alleging violations of California wages and hours laws, and seeking damages of $40 million plus punitive damages. On May 4, 2005, the Company and the plaintiffs reached an agreement in principle to settle the action, subject to court approval and other conditions. In connection with the proposed settlement, to provide for the settlement payment to the plaintiff class and related expenses, the Company recognized a charge of $2.6 million before taxes included in Restructuring and Other, net in the Consolidated Statements of Earnings for the first three months of Fiscal 2006. On May 25, 2005, a second putative class action, *Drake vs. Genesco Inc., et al.,* making allegations similar to those in the Schreiner complaint on behalf of employees of the Company s Johnston & Murphy division, was filed by a different plaintiff in the California Superior Court, Los Angeles. On November 22, 2005, the *Schreiner* court granted final approval of the settlement and the Company and the *Drake* plaintiff reached an agreement on November 17, 2005 to settle that action. The two matters were resolved more favorably to the Company than originally expected, as not all members of the plaintiff class in *Schreiner* submitted claims and because the court required that plaintiff s counsel bear the administrative expenses of the settlement. Consequently, the Company recognized income of $0.9 million before tax, reflected in Restructuring and Other, net, in the Consolidated Statements of Earnings for the third quarter of Fiscal 2006.

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On November 4, 2005, a former employee gave notice to the California Labor Work Force Development Agency (LWDA) of a claim against Genesco for allegedly failing to provide a payroll check that is negotiable and payable in cash, on demand, without discount, at an established place of business in California, as required by the California Labor Code. On May 18, 2006, the same claimant filed a putative class, representative and private attorney general action alleging the same violations of the Labor Code in the Superior Court of California, Alameda County, seeking statutory penalties, damages, restitution, and injunctive relief. The Company disputes the material allegations of the complaint and intends to defend the matter vigorously.

ITEM 4, SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of Fiscal 2007.

EXECUTIVE OFFICERS OF THE REGISTRANT

The officers of the Company are generally elected at the first meeting of the board of directors following the annual meeting of shareholders and hold office until their successors have been chosen and qualify. The name, age and office of each of the Company s executive officers and certain information relating to the business experience of each are set forth below:

Hal N. Pennington, 69, *Chairman and Chief Executive Officer.* Mr. Pennington has served in various roles during his 45 year tenure with Genesco. He was vice president-wholesale for Johnston & Murphy from 1990 until his appointment as president of Dockers Footwear in August 1995. He was named president of Johnston & Murphy in February 1997 and named senior vice president in June 1998. Mr. Pennington was named executive vice president, chief operating officer and a director of the Company as of November 1999. Mr. Pennington was named president of the Company as of November 2000. Mr. Pennington was named chief executive officer of the Company as of April 2002. Mr. Pennington was named chairman as of October 2004.

Robert J. Dennis, 53, *President and Chief Operating Officer.* Mr. Dennis joined the Company in 2004 as chief executive officer of the Company s newly acquired Hat World business. Mr. Dennis was named senior vice president of the Company in June 2004 and executive vice president and chief operating officer, with oversight responsibility for all the Company s operating divisions, in October 2005. Mr. Dennis was named president of the Company in October 2006. Mr. Dennis joined Hat World in 2001 from Asbury Automotive, where he was employed in senior management roles beginning in 1998. Mr. Dennis was a partner with McKinsey and Company, an international consulting firm, from 1984 to 1997.

James S. Gulmi, 61, *Senior Vice President Finance and Chief Financial Officer*. Mr. Gulmi joined the Company in 1971 as a financial analyst, appointed assistant treasurer in 1974 and named treasurer in 1979. He was elected a vice president in 1983 and assumed the responsibilities of chief financial officer in 1986. Mr. Gulmi was appointed senior vice president finance in January 1996.

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James C. Estepa, 55, *Senior Vice President*. Mr. Estepa joined the Company in 1985 and in February 1996 was named vice president operations of Genesco Retail, which included the Jarman Shoe Company, Journeys, Boot Factory and General Shoe Warehouse. Mr. Estepa was named senior vice president operations of Genesco Retail in June 1998. He was named president of Journeys in March 1999. Mr. Estepa was named senior vice president of the Company in April 2000. He was named president and chief executive officer of the Genesco Retail Group in 2001, assuming additional responsibilities of overseeing Jarman and Underground Station.

Jonathan D. Caplan, 53*, Senior Vice President.* Mr. Caplan rejoined the Company in 2002 as chief executive officer of the branded group and president of Johnston & Murphy and was named senior vice president in November 2003. Mr. Caplan first joined the Company in June 1982 and served as president of Genesco s Laredo-Code West division from December 1985 to May 1992. After that time, Mr. Caplan was president of Stride Rite s Children s Group and then its Ked s Footwear division, from 1992 to 1996. He was vice president, New Business Development and Strategy, for Service Merchandise Corporation from 1997 to 1998. Prior to joining Genesco in October 2002, Mr. Caplan served as president and chief executive officer of Hi-Tec Sports North America beginning in 1998.

Kenneth J. Kocher, 41, *Senior Vice President.* Mr. Kocher was named senior vice president in October 2006 in addition to continuing his role as president of Hat World. Mr. Kocher joined Hat World in 1997 as chief financial officer and was named president in October 2005. Prior to joining Hat World, he served as a controller with several companies and was a certified public accountant with Edie Bailley, a public accounting firm.

John W. Clinard, 59, *Senior Vice President Administration and Human Resources*. Mr. Clinard has served in various human resources capacities during his 35 year tenure with Genesco. He was named vice president human resources in June 1997. He was named vice president administration and human resources in November 2000. He was named senior vice president administration and human resources in October 2006.

Roger G. Sisson, 43, *Senior Vice President*, *Secretary and General Counsel*. Mr. Sisson joined the Company in 1994 as assistant general counsel and was elected secretary in February 1994. He was named general counsel in January 1996. Mr. Sisson was named vice president in November 2003. He was named senior vice president in October 2006. Before joining the Company, Mr. Sisson was associated with a Nashville law firm for approximately six years.

Mimi Eckel Vaughn, 40, *Senior Vice President, Strategy and Business Development.* Ms. Vaughn joined the Company in 2003 as vice president of strategy and business development. She was named senior vice president, strategy and business development in October 2006. Prior to joining the Company, Ms. Vaughn was executive vice president of business development and marketing, and acting chief financial officer from 2000 to 2001 for Link2Gov Corporation in Nashville. From 1993 to 1999, she was a consultant at McKinsey and Company in Atlanta. Prior to joining McKinsey, she held various corporate finance positions at Goldman, Sachs & Co., Wasserstein Perella & Co. Inc. and Drexel Burnham Lambert.

Matthew N. Johnson, 42, *Vice President Finance and Treasurer*. Mr. Johnson joined the Company in 1993 as manager, corporate finance and was elected assistant treasurer in December 1993. He was elected treasurer in June 1996. He was named vice president finance in October 2006. Prior to joining the Company, Mr. Johnson was a vice president in the corporate and institutional banking division of The First National Bank of Chicago.

Paul D. Williams, 52, *Vice President and Chief Accounting Officer.* Mr. Williams joined the Company in 1977, was named director of corporate accounting and financial reporting in 1993 and chief accounting officer in April 1995. He was named vice president in October 2006.

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PART II

ITEM 5, MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company s common stock is listed on the New York Stock Exchange (Symbol: GCO) and the Chicago Stock Exchange. The following table sets forth for the periods indicated the high and low sales prices of the common stock as shown in the New York Stock Exchange Composite Transactions listed in the Wall Street Journal.

Fiscal Year ended January 28

		High	Low
2006	1st Quarter	$ 31.50	$ 25.16
	2nd Quarter	41.10	25.80
	3rd Quarter	40.27	33.41
	4th Quarter	42.89	35.61

Fiscal Year ended February 3

		High	Low
2007	1st Quarter	$ 42.60	$ 37.33
	2nd Quarter	43.72	25.50
	3rd Quarter	38.73	26.05
	4th Quarter	42.15	35.46

There were approximately 4,900 common shareholders of record on March 22, 2007.

The Company has not paid cash dividends in respect of its common stock since 1973. The Company s ability to pay cash dividends in respect of its common stock is subject to various restrictions. See Item 7 and Notes 6 and 8 to the Consolidated Financial Statements included in Item 8 and Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Future Capital Needs for information regarding restrictions on dividends and redemptions of capital stock.

The following table provides information relating to the Company s repurchase of common stock for the fourth quarter of Fiscal 2007.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total of Number of Shares (or Units Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1) (in thousands)
November 2006				
10-29-06 to 11-25-06	-0-	-0-	-0-	$ 18,741
December 2006				
11-26-06 to 12-30-06	-0-	-0-	-0-	$ 18,741
12-21-06(2)	244	$ 38.54	-0-	-0-
January 2007				
12-31-06 to 2-3-07	-0-	-0-	-0-	$ 18,741

(1) In a series of authorizations from Fiscal 1999-2003, the Company s board of directors authorized the repurchase of up to 7.5 million shares. In June 2006, the board authorized an additional $20.0 million in stock repurchases. In August 2006, the board authorized an

additional $30.0 million in stock repurchases. The Company repurchased 1,062,400 shares at a cost of $32.1 million during Fiscal 2007. In total, the Company has repurchased 8.2 million shares at a cost of $103.4 million from all authorizations as of February 3, 2007.

(2) These shares represent shares withheld from vested restricted stock to satisfy the minimum withholding requirement for federal taxes.

Stock Performance Graph

Refer to the Company s 2007 Annual Report to Shareholders which is incorporated herein by reference solely as it relates to this item.

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ITEM 6, SELECTED FINANCIAL DATA
Financial Summary