

GENESCO INC
Form 10-Q
September 06, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Quarter Ended July 28, 2012

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____
Commission File No. 1-3083

Genesco Inc.
(Exact name of registrant as specified in its charter)

Tennessee
(State or other jurisdiction of incorporation or organization) 62-0211340
(I.R.S. Employer Identification No.)

Genesco Park, 1415 Murfreesboro Road
Nashville, Tennessee 37217-2895
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (615) 367-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if smaller reporting company.) Smaller reporting company

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

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As of August 31, 2012, 24,292,044 shares of the registrant's common stock were outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

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

Assets	July 28, 2012	January 28, 2012	Recast July 30, 2011(1)
Current Assets:			
Cash and cash equivalents	\$47,222	\$53,790	\$35,582
Accounts receivable, net of allowances of \$6,071 at July 28, 2012, \$6,900 at January 28, 2012 and \$4,876 at July 30, 2011	45,709	43,713	43,305
Inventories	555,626	435,113	474,951
Deferred income taxes	22,685	22,541	32,034
Prepays and other current assets	57,990	40,155	59,841
Total current assets	729,232	595,312	645,713
Property and equipment:			
Land	6,119	6,118	6,172
Buildings and building equipment	20,336	20,260	20,359
Computer hardware, software and equipment	122,881	116,920	106,902
Furniture and fixtures	137,063	127,949	120,628
Construction in progress	11,388	7,158	9,175
Improvements to leased property	305,891	299,775	292,799
Property and equipment, at cost	603,678	578,180	556,035
Accumulated depreciation	(372,150)	(350,491)	(327,557)
Property and equipment, net	231,528	227,689	228,478
Deferred income taxes	26,740	28,152	17,653
Goodwill	269,310	259,759	260,363
Trademarks, net of accumulated amortization of \$2,787 at July 28, 2012, \$2,246 at January 28, 2012 and \$1,712 at July 30, 2011	77,768	78,276	79,891
Other intangibles, net of accumulated amortization of \$15,406 at July 28, 2012, \$13,645 at January 28, 2012 and \$11,857 at July 30, 2011	13,177	14,808	16,342
Other noncurrent assets	33,203	33,269	30,136
Total Assets	\$1,380,958	\$1,237,265	\$1,278,576

(1) Certain previously reported July 30, 2011 balances have been recast to reflect the effects of finalizing the allocation of the Schuh purchase price. See Note 2 for additional information.

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

Liabilities and Equity	July 28, 2012	January 28, 2012	Recast July 30, 2011(1)
Current Liabilities:			
Accounts payable	\$212,938	\$138,938	\$197,653
Accrued employee compensation	50,587	53,029	41,804
Accrued other taxes	23,436	26,293	18,361
Accrued income taxes	2,778	16,390	1,263
Current portion – long-term debt	5,497	8,773	5,113
Other accrued liabilities	65,141	52,789	48,616
Provision for discontinued operations	7,511	8,250	9,308
Total current liabilities	367,888	304,462	322,118
Long-term debt	95,001	31,931	159,406
Pension liability	24,470	22,201	13,143
Deferred rent and other long-term liabilities	151,600	156,794	126,430
Provision for discontinued operations	4,267	4,267	4,363
Total liabilities	643,226	519,655	625,460
Commitments and contingent liabilities			
Equity			
Non-redeemable preferred stock	4,066	4,957	5,160
Common equity:			
Common stock, \$1 par value:			
Authorized: 80,000,000 shares			
Issued/Outstanding:			
July 28, 2012 – 24,782,586/24,294,122			
January 28, 2012 – 24,757,826/24,269,362			
July 30, 2011 – 24,651,206/24,162,742	24,783	24,758	24,651
Additional paid-in capital	164,032	149,479	141,440
Retained earnings	593,409	586,990	519,527
Accumulated other comprehensive loss	(32,825)	(32,966)	(22,272)
Treasury shares, at cost	(17,857)	(17,857)	(17,857)
Total Genesco equity	735,608	715,361	650,649
Noncontrolling interest – non-redeemable	2,124	2,249	2,467
Total equity	737,732	717,610	653,116
Total Liabilities and Equity	\$1,380,958	\$1,237,265	\$1,278,576

(1) Certain previously reported July 30, 2011 balances have been recast to reflect the effects of finalizing the allocation of the Schuh purchase price. See Note 2 for additional information.

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

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

	Three Months Ended		Six Months Ended	
	July 28, 2012	July 30, 2011	July 28, 2012	July 30, 2011
Net sales	\$543,522	\$470,591	\$1,143,666	\$952,093
Cost of sales	269,294	233,307	560,135	467,267
Selling and administrative expenses	256,869	235,286	530,030	456,059
Asset impairments and other, net	404	347	539	1,591
Earnings from operations	16,955	1,651	52,962	27,176
Interest expense, net:				
Interest expense	1,217	1,097	2,349	1,613
Interest income	(10	) (16	) (25	) (18
Total interest expense, net	1,207	1,081	2,324	1,595
Earnings from continuing operations before income taxes	15,748	570	50,638	25,581
Income tax expense	5,187	220	19,286	10,256
Earnings from continuing operations	10,561	350	31,352	15,325
Provision for discontinued operations, net	(41	) (742	) (218	) (924
Net Earnings (Loss)	\$10,520	\$(392	)\$31,134	\$14,401
Basic earnings (loss) per common share:				
Continuing operations	\$0.44	\$0.01	\$1.32	\$0.66
Discontinued operations	0.00	(0.03	) (0.01	) (0.04
Net earnings (loss)	\$0.44	\$(0.02	)\$1.31	\$0.62
Diluted earnings (loss) per common share:				
Continuing operations	\$0.44	\$0.01	\$1.29	\$0.65
Discontinued operations	(0.01	) (0.03	) 0.00	(0.04
Net earnings (loss)	\$0.43	\$(0.02	)\$1.29	\$0.61

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

Genesco Inc.
and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(In Thousands)

	Three Months Ended		Six Months Ended	
	July 28, 2012	July 30, 2011	July 28, 2012	July 30, 2011
Net earnings (loss)	\$10,520	\$(392)	)\$31,134	\$14,401
Other comprehensive (loss) income:				
Gain (loss) on foreign currency forward contract, net of tax of \$0.0 million for each period	(9	) 9	(20	) 63
Foreign currency translation adjustments	(4,169	) 1,387	161	1,970
Total other comprehensive (loss) income	(4,178	) 1,396	141	2,033
Comprehensive income	\$6,342	\$1,004	\$31,275	\$16,434

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

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

	Three Months Ended		Six Months Ended	
	July 28, 2012	July 30, 2011	July 28, 2012	July 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net earnings (loss)	\$10,520	\$(392)	)\$31,134	\$14,401
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:				
Depreciation and amortization	15,291	13,002	30,544	25,204
Amortization of deferred note expense and debt discount	198	165	396	311
Deferred income taxes	1,657	1,531	(2,204)	) 318
(Recoveries) Provision for losses on accounts receivable	(592)	) 435	855	676
Impairment of long-lived assets	391	313	437	1,060
Restricted stock and share-based compensation	2,444	1,641	4,655	3,237
Provision for discontinued operations	67	1,224	360	1,524
Tax benefit of stock options exercised	(2,340)	) (3,558)	)(4,666	) (3,558)
Other	281	240	639	589
Effect on cash from changes in working capital and other assets and liabilities, before acquisitions:				
Accounts receivable	2,474	5,085	(2,864)	) 5,498
Inventories	(109,802)	) (69,738)	)(118,708	) (81,804)
Prepays and other current assets	(15,048)	) (17,884)	)(17,763	) (18,473)
Accounts payable	55,981	53,567	64,386	67,279
Other accrued liabilities	10,636	(6,018)	)(9,325	) (25,746)
Other assets and liabilities	(1,225)	) (9,791)	) 631	(8,696)
Net cash used in operating activities	(29,067)	) (30,178)	)(21,493	) (18,180)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(18,415)	) (13,616)	)(32,533	) (23,213)
Acquisitions, net of cash acquired	(10,797)	) (87,402)	)(10,797	) (87,402)
Proceeds from asset sales	21	23	38	23
Net cash used in investing activities	(29,191)	) (100,995)	)(43,292	) (110,592)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments of capital leases	—	—	—	(21)
Payments of long-term debt	(6,404)	) (16,074)	)(7,597	) (16,074)
Borrowings under revolving credit facility	156,400	151,000	190,700	151,000
Payments on revolving credit facility	(84,600)	) (33,519)	)(123,900	) (33,519)
Tax benefit of stock options and restricted stock exercised	2,340	3,558	4,666	3,558
Share repurchases	(20,227)	) —	(20,227)) —
Change in overdraft balances	4,058	455	9,612	(2,823)
Dividends paid on non-redeemable preferred stock	(35)	) (49)	)(81	) (98)
Exercise of stock options	—	5,470	4,783	7,309
Other	(1)	) (846)	) —	(912)
Net cash provided by financing activities	51,531	109,995	57,956	108,420
Effect of foreign exchange rate fluctuations on cash	(875)	) —	261	—
Net Decrease in Cash and Cash Equivalents	(7,602)	) (21,178)	)(6,568	) (20,352)
Cash and cash equivalents at beginning of period	54,824	56,760	53,790	55,934

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Cash and cash equivalents at end of period	\$47,222	\$35,582	\$47,222	\$35,582
Supplemental Cash Flow Information:				
Net cash paid for:				
Interest	\$850	\$1,539	\$1,709	\$1,824
Income taxes	27,528	26,439	44,913	38,573

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

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

	Total Non-Redeemable Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non Controlling Interest Non-Redeemable	Total Equity
Balance January 29, 2011	\$ 5,183	\$24,163	\$131,910	\$505,224	\$ (24,305)	\$(17,857)	\$ 2,503	\$626,821
Net earnings	—	—	—	81,959	—	—	—	81,959
Other comprehensive loss	—	—	—	—	(8,661)	—	—	(8,661)
Dividends paid on non-redeemable preferred stock	—	—	—	(193)	—	—	—	(193)
Exercise of stock options	—	390	9,297	—	—	—	—	9,687
Issue shares – Employee Stock Purchase Plan	—	3	130	—	—	—	—	133
Employee and non-employee restricted stock	—	—	7,659	—	—	—	—	7,659
Share-based compensation	—	—	1	—	—	—	—	1
Restricted stock issuance	—	304	(304)	—	—	—	—	—
Restricted shares withheld for taxes	—	(93)	(4,034)	—	—	—	—	(4,127)
Tax benefit of stock options and restricted stock exercises	—	—	4,585	—	—	—	—	4,585
Other	(226)	(9)	235	—	—	—	—	—
Noncontrolling interest – loss	—	—	—	—	—	—	(254)	(254)
Balance January 28, 2012	4,957	24,758	149,479	586,990	(32,966)	(17,857)	2,249	717,610
Net earnings	—	—	—	31,134	—	—	—	31,134
Other comprehensive income	—	—	—	—	141	—	—	141
Dividends paid on non-redeemable preferred stock	—	—	—	(81)	—	—	—	(81)
Exercise of stock options	—	222	4,561	—	—	—	—	4,783
	—	—	4,655	—	—	—	—	4,655

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Employee and non-employee restricted stock								
Restricted stock issuance	—	194	(194)	—	—	—	—	—
Restricted shares withheld for taxes	—	(71)	—	(4,154)	—	—	—	(4,225)
Tax benefit of stock options and restricted stock exercised	—	—	4,666	—	—	—	—	4,666
Shares repurchased	—	(346)	—	(20,480)	—	—	—	(20,826)
Other	(891)	26	865	—	—	—	—	—
Noncontrolling interest – loss	—	—	—	—	—	—	(125)	(125)
Balance July 28, 2012	\$ 4,066	\$24,783	\$164,032	\$593,409	\$ (32,825)	\$ (17,857)	\$ 2,124	\$737,732

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

Genesco Inc.
and Consolidated Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies

Interim Statements

The condensed consolidated financial statements and footnotes contained in this report are unaudited but reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results for the interim periods of the fiscal year ending February 2, 2013 ("Fiscal 2013") and of the fiscal year ended January 28, 2012 ("Fiscal 2012"). The results of operations for any interim period are not necessarily indicative of results for the full year. The interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K.