GENESCO INC
Form 10-Q
September 11, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Quarter Ended August 2, 2014

o 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 x No o

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 x No o

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:

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

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

As of August 29, 2014, 24,093,609 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	August 2, 2014	February 1, 2014	August 3, 2013
Current Assets:			
Cash and cash equivalents	$59,303	$59,447	$46,027
Accounts receivable, net of allowances of $4,597 at August 2, 2014, $4,420 at February 1, 2014 and $5,048 at August 3, 2013	54,142	52,646	50,188
Inventories	669,388	567,261	628,074
Deferred income taxes	23,491	23,089	24,076
Prepaids and other current assets	72,923	54,432	60,867
Total current assets	879,247	756,875	809,232
Property and equipment:			
Land	6,250	6,169	6,066
Buildings and building equipment	20,498	20,474	20,256
Computer hardware, software and equipment	141,301	131,110	122,203
Furniture and fixtures	184,290	173,992	155,981
Construction in progress	44,123	35,623	14,590
Improvements to leased property	343,767	335,287	322,082
Property and equipment, at cost	740,229	702,655	641,178
Accumulated depreciation	(443,822)	(422,618)	(396,589)
Property and equipment, net	296,407	280,037	244,589
Deferred income taxes	668	3,342	19,795
Goodwill	293,610	288,100	277,398
Trademarks, net of accumulated amortization of $4,660 at August 2, 2014, $4,312 at February 1, 2014 and $3,884 at August 3, 2013	78,008	77,571	75,815
Other intangibles, net of accumulated amortization of $22,151 at August 2, 2014, $20,645 at February 1, 2014 and $18,812 at August 3, 2013	8,306	9,082	10,223
Other noncurrent assets	24,591	24,277	20,297
Total Assets	$1,580,837	$1,439,284	$1,457,349

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

Liabilities and Equity	August 2, 2014	February 1, 2014	August 3, 2013
Current Liabilities:			
Accounts payable	$237,777	$145,483	$244,752
Accrued employee compensation	81,003	49,078	49,045
Accrued other taxes	22,359	26,247	22,855
Accrued income taxes	55	2,188	43
Current portion – long-term debt	29,284	6,793	5,312
Other accrued liabilities	61,804	68,526	55,532
Provision for discontinued operations	7,770	7,263	7,243
Total current liabilities	440,052	305,578	384,782
Long-term debt	47,083	26,937	67,813
Pension liability	8,793	9,223	19,704
Deferred rent and other long-term liabilities	134,829	175,311	147,678
Provision for discontinued operations	4,789	4,112	4,180
Total liabilities	635,546	521,161	624,157
Commitments and contingent liabilities			
Equity			
Non-redeemable preferred stock	1,299	1,305	1,307
Common equity:			
Common stock, $1 par value:			
Authorized: 80,000,000 shares			
Issued/Outstanding:			
August 2, 2014 – 24,580,700/24,092,236			
February 1, 2014 – 24,407,724/23,919,260			
August 3, 2013 – 24,468,597/23,980,133	24,581	24,408	24,469
Additional paid-in capital	201,692	190,568	181,196
Retained earnings	746,075	734,533	673,939
Accumulated other comprehensive loss	(12,500)	(16,767)	(31,804)
Treasury shares, at cost (488,464 shares)	(17,857)	(17,857)	(17,857)
Total Genesco equity	943,290	916,190	831,250
Noncontrolling interest – non-redeemable	2,001	1,933	1,942
Total equity	945,291	918,123	833,192
Total Liabilities and Equity	$1,580,837	$1,439,284	$1,457,349

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	
	August 2, 2014	August 3, 2013	August 2, 2014	August 3, 2013
Net sales	$615,474	$574,746	$1,244,299	$1,166,134
Cost of sales	313,729	291,938	626,610	584,889
Selling and administrative expenses	290,239	274,420	583,576	545,804
Asset impairments and other, net	1,422	(7,140)	311	(5,811)
Earnings from operations	10,084	15,528	33,802	41,252
Interest expense, net:				
Interest expense	800	1,158	1,533	2,219
Interest income	(18)	(18)	(50)	(40)
Total interest expense, net	782	1,140	1,483	2,179
Earnings from continuing operations before income taxes	9,302	14,388	32,319	39,073
Income tax expense	4,534	5,923	13,453	16,099
Earnings from continuing operations	4,768	8,465	18,866	22,974
Provision for discontinued operations, net	(74)	(125)	(199)	(224)
Net Earnings	$4,694	$8,340	$18,667	$22,750
Basic earnings per common share:				
Continuing operations	$0.20	$0.36	$0.81	$0.99
Discontinued operations	0.00	0.00	(0.01)	(0.01)
Net earnings	$0.20	$0.36	$0.80	$0.98
Diluted earnings per common share:				
Continuing operations	$0.20	$0.36	$0.80	$0.97
Discontinued operations	0.00	(0.01)	(0.01)	(0.01)
Net earnings	$0.20	$0.35	$0.79	$0.96

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	
	August 2, 2014	August 3, 2013	August 2, 2014	August 3, 2013
Net earnings	$4,694	$8,340	$18,667	$22,750
Other comprehensive income (loss):				
Pension liability adjustments, net of tax of $0.3 million and $0.7 million for the three and six months ended August 2, 2014 and $0.6 million and $1.2 million for the three and six months ended August 3, 2013	521	916	1,107	1,900
Postretirement liability adjustments, net of tax of $0.0 million for the three and six months ended August 2, 2014 and August 3, 2013	15	16	33	32
Foreign currency translation adjustments	(96)	(3,175)	3,127	(5,495)
Total other comprehensive income (loss)	440	(2,243)	4,267	(3,563)
Comprehensive income	$5,134	$6,097	$22,934	$19,187

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

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

	Three Months Ended		Six Months Ended	
	August 2, 2014	August 3, 2013	August 2, 2014	August 3, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net earnings	$4,694	$8,340	$18,667	$22,750
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	18,389	16,454	35,749	32,883
Amortization of deferred note expense and debt discount	172	198	345	396
Deferred income taxes	3,286	2,667	1,609	(2,726)
Provision for recoveries on accounts receivable	(51)	(443)	(238)	(636)
Impairment of long-lived assets	418	209	1,242	1,417
Restricted stock expense	3,278	2,954	6,508	5,852
Provision for discontinued operations	122	206	328	369
Tax benefit of stock options and restricted stock	(2,178)	(3,000)	(3,098)	(3,080)
Other	418	567	462	515
Effect on cash from changes in working capital and other assets and liabilities, net of acquisitions:				
Accounts receivable	(338)	(5,683)	(1,132)	(1,533)
Inventories	(78,631)	(118,727)	(97,120)	(123,396)
Prepaids and other current assets	(13,430)	(20,286)	(18,260)	(15,811)
Accounts payable	59,884	104,525	86,329	122,721
Other accrued liabilities	25,733	12,733	19,167	(18,659)
Other assets and liabilities	(46,068)	(7,751)	(42,694)	(4,572)
Net cash (used in) provided by operating activities	(24,302)	(7,037)	7,864	16,490
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(32,927)	(19,425)	(52,737)	(37,206)
Acquisitions, net of cash acquired	(3,233)	(11,006)	(3,233)	(11,006)
Proceeds from asset sales	7	60	156	60
Net cash used in investing activities	(36,153)	(30,371)	(55,814)	(48,152)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments of long-term debt	(6,242)	(1,917)	(7,698)	(3,243)
Proceeds from issuance of long-term debt	23,820	—	23,820	—
Borrowings under revolving credit facility	55,200	91,100	83,200	200,700
Payments on revolving credit facility	(34,000)	(69,400)	(62,000)	(174,600)
Tax benefit of stock options and restricted stock	2,178	3,000	3,098	3,080
Share repurchases	—	(2,589)	—	(11,218)
Change in overdraft balances	6,935	22,808	5,586	4,487
Redemption of preferred shares	—	—	—	(1,462)
Dividends paid on non-redeemable preferred stock	—	—	—	(33)
Exercise of stock options	180	761	1,687	920
Other	(9)	1	(42)	2
Net cash provided by financing activities	48,062	43,764	47,651	18,633
Effect of foreign exchange rate fluctuations on cash	(186)	3	155	(739)
Net (Decrease) Increase in Cash and Cash Equivalents	(12,579)	6,359	(144)	(13,768)
Cash and cash equivalents at beginning of period	71,882	39,668	59,447	59,795

Cash and cash equivalents at end of period	$59,303	$46,027	$59,303	$46,027
Supplemental Cash Flow Information:				
Net cash paid for:				
Interest	$793	$891	$1,294	$1,762
Income taxes	19,155	24,662	24,977	29,204

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

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 Shares	Non Controlling Interest Non-Redeemable	Total Equity
Balance February 2, 2013	$ 3,924	$24,485	$170,360	$669,189	$ (28,241)	$(17,857)	$ 1,927	$823,787
Net earnings	—	—	—	92,653	—	—	—	92,653
Other comprehensive income	—	—	—	—	11,474	—	—	11,474
Dividends paid on non-redeemable preferred stock	—	—	—	(33)	—	—	—	(33)
Exercise of stock options	—	130	2,904	—	—	—	—	3,034
Issue shares – Employee Stock Purchase Plan	—	3	193	—	—	—	—	196
Employee and non-employee restricted stock	—	—	12,295	—	—	—	—	12,295
Restricted stock issuance	—	214	(214)	—	—	—	—	—
Restricted shares withheld for taxes	—	(105)	105	(6,938)	—	—	—	(6,938)
Tax benefit of stock options and restricted stock exercised	—	—	3,784	—	—	—	—	3,784
Shares repurchased	—	(338)	—	(20,338)	—	—	—	(20,676)
Redemption of preferred shares	(1,462)	—	—	—	—	—	—	(1,462)
Other	(1,157)	19	1,141	—	—	—	—	3
Noncontrolling interest – gain	—	—	—	—	—	—	6	6
Balance February 1, 2014	1,305	24,408	190,568	734,533	(16,767)	(17,857)	1,933	918,123
Net earnings	—	—	—	18,667	—	—	—	18,667
Other comprehensive income	—	—	—	—	4,267	—	—	4,267
Exercise of stock options	—	65	1,622	—	—	—	—	1,687
Employee and non-employee restricted stock	—	—	6,508	—	—	—	—	6,508
Restricted stock issuance	—	202	(202)	—	—	—	—	—

Restricted shares withheld for taxes	—	(88)	88	(7,125)	—	—	—	(7,125)
Tax benefit of stock options and restricted stock exercised	—	—	3,098	—	—	—	—	3,098
Other	(6)	(6)	10	—	—	—	—	(2)
Noncontrolling interest – gain	—	—	—	—	—	—	68	68
Balance August 2, 2014	$ 1,299	$24,581	$201,692	$746,075	$ (12,500)	$(17,857)	$ 2,001	$945,291

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 Notes 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 January 31, 2015 ("Fiscal 2015") and of the fiscal year ended February 1, 2014 ("Fiscal 2014"). 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 Genesco Inc.'s (the "Company") Annual Report on Form 10-K.

Nature of Operations
The Company's business includes the design and sourcing, marketing and distribution of footwear and accessories through retail stores in the U.S., Puerto Rico and Canada primarily under the Journeys, Journeys Kidz, Shi by Journeys, Underground by Journeys and Johnston & Murphy banners and under the Schuh banner in the United Kingdom and the Republic of Ireland; through e-commerce websites including journeys.com, journeyskidz.com, shibyjourneys.com, schuh.co.uk, johnstonmurphy.com and trask.com and catalogs, and at wholesale, primarily under the Company's Johnston & Murphy brand, the recently relaunched Trask brand, the licensed Dockers brand and other brands that the Company licenses for footwear, and the Company's SureGrip® line of slip-resistant, occupational footwear. The Company's business also includes Lids Sports Group, which operates headwear and accessory stores in the U.S. and Canada primarily under the Lids, Hat World and Hat Shack banners; the Lids Locker Room and Lids Clubhouse businesses, consisting of sports-oriented fan shops featuring a broad array of licensed merchandise such as apparel, hats and accessories, sports decor and novelty products, operating under various trade names; licensed team merchandise departments in Macy's department stores operated under the name of Locker Room by Lids and on macys.com, under a license agreement with Macy's; certain e-commerce operations including lids.com, lids.ca, lidslockerroom.com and lidsclubhouse.com; and an athletic team dealer business operating as Lids Team Sports. Including both the footwear businesses and the Lids Sports Group business, at August 2, 2014, the Company operated 2,674 retail stores and leased departments in the U.S., Puerto Rico, Canada, the United Kingdom and the Republic of Ireland.
During the six months ended August 2, 2014 and August 3, 2013, the Company operated five reportable business segments (not including corporate): (i) Journeys Group, comprised of the Journeys, Journeys Kidz, Shi by Journeys and Underground by Journeys retail footwear chains, catalog and e-commerce operations; (ii) Schuh Group, comprised of the Schuh retail footwear chain and e-commerce operations; (iii) Lids Sports Group, comprised as described in the preceding paragraph; (iv) Johnston & Murphy Group, comprised of Johnston & Murphy retail operations, e-commerce and catalog operations and wholesale distribution of products under the Johnston & Murphy and Trask brands; and (v) Licensed Brands, comprised of Dockers® Footwear, sourced and marketed under a license from Levi Strauss & Company; SureGrip®Footwear, occupational footwear primarily sold directly to consumers; and other brands.

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

Note 1
Summary of Significant Accounting Policies, Continued

Principles of Consolidation
All subsidiaries are consolidated in the Condensed Consolidated Financial Statements. All significant intercompany transactions and accounts have been eliminated.

Use of Estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant areas requiring management estimates or judgments include the following key financial areas:

Inventory Valuation
The Company values its inventories at the lower of cost or market.

In its footwear wholesale operations, its Schuh Group segment and its Lids Sports Group wholesale operations, except for the Anaconda Sports wholesale division, cost is determined using the first-in, first-out method. Market value is determined using a system of analysis which evaluates inventory at the stock number level based on factors such as inventory turn, average selling price, inventory level, and selling prices reflected in future orders. The Company provides reserves when the inventory has not been marked down to market value based on current selling prices or when the inventory is not turning and is not expected to turn at levels satisfactory to the Company.

The Lids Sports Group retail segment and its Anaconda Sports wholesale division employ the moving average cost method for valuing inventories and apply freight using an allocation method.
The Company provides a valuation allowance for slow-moving inventory based on negative margins and estimated shrink based on historical experience and specific analysis, where appropriate.

In its retail operations, other than the Schuh Group and Lids Sports Group retail segments, the Company employs the retail inventory method, applying average cost-to-retail ratios to the retail value of inventories. Under the retail inventory method, valuing inventory at the lower of cost or market is achieved as markdowns are taken or accrued as a reduction of the retail value of inventories.

Inherent in the retail inventory method are subjective judgments and estimates, including merchandise mark-on, markups, markdowns, and shrinkage. These judgments and estimates, coupled with the fact that the retail inventory method is an averaging process, could produce a range of cost figures. To reduce the risk of inaccuracy and to ensure consistent presentation, the Company employs the retail inventory method in multiple subclasses of inventory with similar gross margins, and analyzes markdown requirements at the stock number level based on factors such as inventory turn, average selling price, and inventory age. In addition, the Company accrues

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

Note 1
Summary of Significant Accounting Policies, Continued

markdowns as necessary. These additional markdown accruals reflect all of the above factors as well as current agreements to return products to vendors and vendor agreements to provide
markdown support. In addition to markdown provisions, the Company maintains provisions for shrinkage and damaged goods based on historical rates.

Inherent in the analysis of both wholesale and retail inventory valuation are subjective judgments about current market conditions, fashion trends, and overall economic conditions. Failure to make appropriate conclusions regarding these factors may result in an overstatement or understatement of inventory value.

Impairment of Long-Lived Assets
The Company periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. Inherent in the analysis of impairment are subjective judgments about future cash flows. Failure to make appropriate conclusions regarding these judgments may result in an overstatement or understatement of the value of long-lived assets. See also Notes 3 and 5.
The goodwill impairment test involves performing a qualitative assessment, on a reporting unit level, based on current circumstances. If the results of the qualitative assessment indicate that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, a two-step impairment test will not be performed. However, if the results of the qualitative assessment indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a two-step impairment test is performed. Alternatively, the Company may elect to bypass the qualitative assessment and proceed directly to the two-step impairment test, on a reporting unit level basis. The first step is a comparison of the fair value and carrying value of the business unit with which the goodwill is associated. The Company estimates fair value using the best information available, and computes the fair value derived by an income approach utilizing discounted cash flow projections. The income approach uses a projection of a reporting unit’s estimated operating results and cash flows that is discounted using a weighted-average cost of capital that reflects current market conditions. A key assumption in the Company’s fair value estimate is the weighted average cost of capital utilized for discounting its cash flow projections in its income approach. The Company believes the rate it used in its latest annual test, which was completed in the prior year fourth quarter, was consistent with the risks inherent in its business and with industry discount rates. The projection uses management’s best estimates of economic and market conditions over the projected period including growth rates in sales, costs, estimates of future expected changes in operating margins and cash expenditures.
Other significant estimates and assumptions include terminal value growth rates, future estimates of capital expenditures and changes in future working capital requirements.

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

Note 1
Summary of Significant Accounting Policies, Continued

If the carrying value of the reporting unit is higher than its fair value, there is an indication that impairment may exist and the second step must be performed to measure the amount of impairment loss. The amount of impairment is determined by comparing the implied fair value of reporting unit goodwill to the carrying value of the goodwill in the same manner as if the reporting unit was being acquired in a business combination. Specifically, the Company would allocate the fair value to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that would calculate the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, the Company would record an impairment charge for the difference.

Environmental and Other Contingencies
The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters. The Company has made pretax accruals for certain of these contingencies, including approximately $0.2 million in each of the second quarters of Fiscal 2015 and 2014 and approximately $0.4 million for each of the first six months of Fiscal 2015 and 2014. These charges are included in provision for discontinued operations, net in the Condensed Consolidated Statements of Operations because they relate to former facilities operated by the Company. The Company monitors these matters on an ongoing basis and, on a quarterly basis, management reviews the Company's reserves and accruals, adjusting provisions as management deems necessary in view of changes in available information. Changes in estimates of liability are reported in the periods when they occur. Consequently, management believes that its reserve in relation to each proceeding is a best estimate of probable loss connected to the proceeding, or in cases in which no best estimate is possible, the minimum amount in the range of estimated losses, based upon its analysis of the facts and circumstances as of the close of the most recent fiscal quarter. However, because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, there can be no assurance that future developments will not require additional reserves, that some or all reserves will be adequate or that the amounts of any such additional reserves or any such inadequacy will not have a material adverse effect upon the Company's financial condition or results of operations. See also Notes 3 and 9.

Revenue Recognition
Retail sales are recorded at the point of sale and are net of estimated returns and exclude sales and value added taxes. Catalog and internet sales are recorded at estimated time of delivery to the customer and are net of estimated returns and exclude sales and value added taxes. Wholesale revenue is recorded net of estimated returns and allowances for markdowns, damages and miscellaneous claims when the related goods have been shipped and legal title has passed to the customer. Shipping and handling costs charged to customers are included in net sales. Estimated returns are based on historical returns and claims. Historically, actual amounts of markdowns have not differed materially from estimates. Actual returns and claims in any future period may differ from historical experience.

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

Note 1
Summary of Significant Accounting Policies, Continued

Income Taxes
As part of the process of preparing the Condensed Consolidated Financial Statements, the Company is required to estimate its income taxes in each of the tax jurisdictions in which it operates. This process involves estimating actual current tax obligations together with assessing temporary differences resulting from differing treatment of certain items for tax and accounting purposes, such as depreciation of property and equipment and valuation of inventories. These temporary differences result in deferred tax assets and liabilities, which are included within the Condensed Consolidated Balance Sheets. The Company then assesses the likelihood that its deferred tax assets will be recovered from future taxable income. Actual results could differ from this assessment if adequate taxable income is not generated in future periods. To the extent the Company believes that recovery of an asset is at risk, valuation allowances are established. To the extent valuation allowances are established or increased in a period, the Company includes an expense within the tax provision in the Condensed Consolidated Statements of Operations. These deferred tax valuation allowances may be released in future years when management considers that it is more likely than not that some portion or all of the deferred tax assets will be realized. In making such a determination, management will need to periodically evaluate whether or not all available evidence, such as future taxable income and reversal of temporary differences, tax planning strategies, and recent results of operations, provides sufficient positive evidence to offset any potential negative evidence that may exist at such time. In the event the deferred tax valuation allowance is released, the Company would record an income tax benefit for the portion or all of the deferred tax valuation allowance released. At August 2, 2014, the Company had a deferred tax valuation allowance of $3.9 million.

Income tax reserves for certain tax positions are determined using the methodology required by the Income Tax Topic of the Accounting Standards Codification ("Codification"). This methodology requires companies to assess each income tax position taken using a two step process. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position. Uncertain tax positions require determinations and estimated liabilities to be made based on provisions of the tax law which may be subject to change or varying interpretation. If the Company’s determinations and estimates prove to be inaccurate, the resulting adjustments could be material to its future financial results.

The Company recorded an effective income tax rate of 48.7% in the second quarter of Fiscal 2015 compared to 41.2% for the same period last year and 41.6% and 41.2% for the first six months of Fiscal 2015 and 2014, respectively. The tax rate for Fiscal 2015 was higher compared to Fiscal 2014 primarily due to taxes of $0.8 million related to the alternative minimum tax for prior years in Puerto Rico included in Fiscal 2015's second quarter tax expenses.

Genesco Inc.
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Note 1
Summary of Significant Accounting Policies, Continued

Postretirement Benefits Plan Accounting
Full-time employees who had at least 1000 hours of service in calendar year 2004, except employees in the Lids Sports Group and Schuh Group segments, are covered by a defined benefit pension plan. The Company froze the defined benefit pension plan effective January 1, 2005. The Company also provides certain former employees with limited medical and life insurance benefits. The Company funds at least the minimum amount required by the Employee Retirement Income Security Act.

As required by the Compensation – Retirement Benefits Topic of the Codification, the Company is required to recognize the overfunded or underfunded status of postretirement benefit plans as an asset or liability in its Condensed Consolidated Balance Sheets and to recognize changes in that funded status in accumulated other comprehensive loss, net of tax, in the year in which the changes occur.

The Company accounts for the defined benefit pension plans using the Compensation-Retirement Benefits Topic of the Codification. As permitted under this topic, pension expense is recognized on an accrual basis over employees' approximate service periods. The calculation of pension expense and the corresponding liability requires the use of a number of critical assumptions, including the expected long-term rate of return on plan assets and the assumed discount rate, as well as the recognition of actuarial gains and losses. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from these assumptions.

Cash and Cash Equivalents
The Company had total available cash and cash equivalents of $59.3 million, $59.4 million and $46.0 million as of August 2, 2014, February 1, 2014 and August 3, 2013, respectively. There were no cash equivalents included in cash and cash equivalents at August 2, 2014, February 1, 2014 and August 3, 2013. Cash equivalents are highly-liquid financial instruments having an original maturity of three months or less.
At August 2, 2014, substantially all of the Company's domestic cash was invested in deposit accounts at FDIC-insured banks. The majority of payments due from banks for domestic customer credit card transactions process within 24 - 48 hours and are accordingly classified as cash and cash equivalents in the Condensed Consolidated Balance Sheets.

At August 2, 2014, February 1, 2014 and August 3, 2013, outstanding checks drawn on zero-balance accounts at certain domestic banks exceeded book cash balances at those banks by approximately $47.7 million, $42.1 million and $40.6 million, respectively. These amounts are included in accounts payable in the Condensed Consolidated Balance Sheets.

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Note 1
Summary of Significant Accounting Policies, Continued

Concentration of Credit Risk and Allowances on Accounts Receivable
The Company’s footwear wholesale businesses sell primarily to independent retailers and department stores across the United States. Receivables arising from these sales are not collateralized. Customer credit risk is affected by conditions or occurrences within the economy and the retail industry as well as by customer specific factors. The Company’s Lids Team Sports wholesale business sells primarily to colleges and high school athletic teams and their fan bases. Including both footwear wholesale and Lids Team Sports wholesale business receivables, two customers each accounted for 7% of the Company’s total trade receivables balance, while no other customer accounted for more than 5% of the Company’s total trade receivables balance as of August 2, 2014.

The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information, as well as customer-specific factors. The Company also establishes allowances for sales returns, customer deductions and co-op advertising based on specific circumstances, historical trends and projected probable outcomes.

Property and Equipment
Property and equipment are recorded at cost and depreciated or amortized over the estimated useful life of related assets. Depreciation and amortization expense are computed principally by the straight-line method over the following estimated useful lives:

Buildings and building equipment	20-45 years
Computer hardware, software and equipment	3-10 years
Furniture and fixtures	10 years

Leases
Leasehold improvements and properties under capital leases are amortized on the straight-line method over the shorter of their useful lives or their related lease terms and the charge to earnings is included in selling and administrative expenses in the Condensed Consolidated Statements of Operations.

Certain leases include rent increases during the initial lease term. For these leases, the Company recognizes the related rental expense on a straight-line basis over the term of the lease (which includes any rent holidays and the pre-opening period of construction, renovation, fixturing and merchandise placement) and records the difference between the amounts charged to operations and amounts paid as deferred rent.

The Company occasionally receives reimbursements from landlords to be used towards construction of the store the Company intends to lease. Leasehold improvements are recorded at their gross costs including items reimbursed by landlords. The reimbursements are amortized as a reduction of rent expense over the initial lease term. Tenant allowances of $24.8 million, $24.2 million and $21.0 million at August 2, 2014, February 1, 2014 and August 3, 2013, respectively, and deferred rent of $44.0 million, $41.6 million and $39.4 million at August 2, 2014, February 1, 2014 and August 3, 2013, respectively, are included in deferred rent and other long-term liabilities on the Condensed Consolidated Balance Sheets.

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Note 1
Summary of Significant Accounting Policies, Continued

Goodwill and Other Intangibles
Under the provisions of the Intangibles – Goodwill and Other Topic of the Codification, goodwill and intangible assets with indefinite lives are not amortized, but are tested at least annually, during the fourth quarter, for impairment. The Company will update the tests between annual tests if events or circumstances occur that would more likely than not reduce the fair value of the business unit with which the goodwill is associated below its carrying amount. It is also required that intangible assets with finite lives be amortized over their respective lives to their estimated residual values and reviewed for impairment in accordance with the Property, Plant and Equipment Topic of the Codification.

Intangible assets of the Company with indefinite lives are primarily goodwill and identifiable trademarks acquired in connection with the acquisition of Schuh Group Ltd. in June 2011 and Hat World Corporation in April 2004. The Condensed Consolidated Balance Sheets include goodwill of $185.5 million for the Lids Sports Group, $107.3 million for the Schuh Group and $0.8 million for Licensed Brands at August 2, 2014, $182.4 million for the Lids Sports Group, $104.9 million for the Schuh Group and $0.8 million for Licensed Brands at February 1, 2014 and $180.0 million for the Lids Sports Group, $96.6 million for the Schuh Group and $0.8 million for Licensed Brands at August 3, 2013. The Company tests for impairment of intangible assets with an indefinite life, relying on a number of factors including operating results, business plans, projected future cash flows and observable market data. The impairment test for identifiable assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying amount. The Company has not had an impairment charge for intangible assets.

In connection with acquisitions, the Company records goodwill on its Condensed Consolidated Financial Statements. This asset is not amortized but is subject to an impairment assessment at least annually. If the impairment assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a two-step impairment is performed based on projected future cash flows from the acquired business discounted at a rate commensurate with the risk the Company considers to be inherent in its current business model. The Company performs the impairment assessment annually as of the close of its fiscal year, or more frequently if events or circumstances indicate that the value of the asset might be impaired.

As a result of the various acquisitions comprising the Lids Team Sports team dealer business, the Company carries goodwill related to such acquisitions at a value of $14.2 million on its Condensed Consolidated Balance Sheets related to such acquisitions. The Company found that the result of its annual impairment test in January 2014, which valued the business at approximately $3.9 million in excess of its carrying value, indicated no impairment at that time. The Company may determine in future impairment tests that some or all of the carrying value of the goodwill may not be recoverable. Such a finding would require a write-off of the amount of the carrying value that is impaired, which would reduce the Company's profitability in the period of the impairment charge. Holding all other assumptions constant as of the measurement date, the Company noted that an increase in the weighted average cost of capital of 100 basis points would reduce the fair value of the Lids Team Sports business by $5.9 million. Furthermore, the Company noted that a decrease in projected annual revenue growth by one percent would reduce the fair value of the Lids Team

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Note 1
Summary of Significant Accounting Policies, Continued

Sports business by $0.4 million. However, if other assumptions do not remain constant, the fair value of the Lids Team Sports business may decrease by a greater amount.

Identifiable intangible assets of the Company with finite lives are trademarks, customer lists, in-place leases, non-compete agreements and a vendor contract. They are subject to amortization based upon their estimated useful lives. Finite-lived intangible assets are evaluated for impairment using a process similar to that used to evaluate other definite-lived long-lived assets, a comparison of the fair value of the intangible asset with its carrying amount. An impairment loss is recognized for the amount by which the carrying value exceeds the fair value of the asset.

Fair Value of Financial Instruments
The carrying amounts and fair values of the Company's financial instruments at August 2, 2014 and February 1, 2014 are:

Fair Values

In thousands	August 2, 2014		February 1, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
U.S. Revolver Borrowings	$21,200	$21,175	$—	$—
UK Term Loans	55,167	54,929	33,730	33,840

Debt fair values were determined using a discounted cash flow analysis based on current market interest rates for similar types of financial instruments and would be classified in Level 2 as defined in Note 5.

Carrying amounts reported on the Condensed Consolidated Balance Sheets for cash, cash equivalents, receivables and accounts payable approximate fair value due to the short-term maturity of these instruments.

Cost of Sales
For the Company's retail operations, the cost of sales includes actual product cost, the cost of transportation to the Company's warehouses from suppliers and the cost of transportation from the Company's warehouses to the stores. Additionally, the cost of its distribution facilities allocated to its retail operations is included in cost of sales.

For the Company's wholesale operations, the cost of sales includes the actual product cost and the cost of transportation to the Company's warehouses from suppliers.

Selling and Administrative Expenses
Selling and administrative expenses include all operating costs of the Company excluding (i) those related to the transportation of products from the supplier to the warehouse, (ii) for its retail operations, those related to the transportation of products from the warehouse to the store and (iii) costs of its distribution facilities which are allocated to its retail operations. Wholesale and unallocated retail costs of distribution are included in selling and administrative expenses on the

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Note 1
Summary of Significant Accounting Policies, Continued

Condensed Consolidated Statements of Operations in the amounts of $2.3 million and $2.2 million for the second quarters of Fiscal 2015 and 2014, respectively, and $4.6 million and $4.2 million for the first six months of Fiscal 2015 and 2014, respectively.

Historically under the Company's EVA Incentive Plan, bonus awards in excess of a specified cap in any one year are retained and paid over three subsequent years, subject to reduction or elimination by deteriorating financial performance or subject to forfeiture if the participant voluntarily resigns from employment with the Company. As a result, the bonus awards were subject to service conditions that resulted in recognition of expense over the period of service by the respective employee. During the first quarter of Fiscal 2015, the Company amended the plan to remove the future service requirement for the payment of the retained bonuses. As a result, the bonus expense that would have been deferred under the previous plan terms is now recognized in the first year of service. The Company recorded a $5.7 million charge to earnings in the first quarter of Fiscal 2015 in connection with the amendment related to bonus amounts previously deferred to future years.

Gift Cards
The Company has a gift card program that began in calendar year 1999 for its Lids Sports operations and calendar year 2000 for its footwear operations. The gift cards issued to date do not expire. As such, the Company recognizes income when: (i) the gift card is redeemed by the customer; or (ii) the likelihood of the gift card being redeemed by the customer for the purchase of goods in the future is remote and there are no related escheat laws (referred to as “breakage”). The gift card
breakage rate is based upon historical redemption patterns and income is recognized for unredeemed gift cards in proportion to those historical redemption patterns.

Gift card breakage is recognized in revenues each period for which financial statements are updated. Gift card breakage recognized as revenue was $0.1 million and $0.2 million for the second quarters of Fiscal 2015 and 2014, respectively, and $0.3 million and $0.1 million for the first six months of Fiscal 2015 and 2014, respectively. The Condensed Consolidated Balance Sheets include an accrued liability for gift cards of $12.6 million, $14.4 million and $11.2 million at August 2, 2014, February 1, 2014 and August 3, 2013, respectively.

Buying, Merchandising and Occupancy Costs
The Company records buying, merchandising and occupancy costs in selling and administrative expense on the Condensed Consolidated Statements of Operations. Because the Company does not include these costs in cost of sales, the Company’s gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin. Retail store occupancy costs recorded in selling and administrative expense were $102.9 million and $94.6 million for the second quarters of Fiscal 2015 and 2014, respectively, and $203.7 million and $187.0 million for the first six months of Fiscal 2015 and 2014, respectively.

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

Note 1
Summary of Significant Accounting Policies, Continued

Shipping and Handling Costs
Shipping and handling costs related to inventory purchased from suppliers are included in the cost of inventory and are charged to cost of sales in the period that the inventory is sold. All other shipping and handling costs are charged to cost of sales in the period incurred except for wholesale and unallocated retail costs of distribution, which are included in selling and administrative expenses on the Condensed Consolidated Statements of Operations.

Preopening Costs
Costs associated with the opening of new stores are expensed as incurred, and are included in selling and administrative expenses on the accompanying Condensed Consolidated Statements of Operations.

Store Closings and Exit Costs
From time to time, the Company makes strategic decisions to close stores or exit locations or activities. Under the provisions of the new Property, Plant, and Equipment Topic of the Codification, which the Company adopted in the first quarter of Fiscal 2015, the definition of a discontinued operation was amended. A discontinued operation may include a component of an entity or a group of components of an entity that represent a strategic shift that has or will have a major effect on an entity's operation or financial results. If stores or operating activities to be closed or exited constitute
a component or group of components that represent a strategic shift in the Company's operations, these closures will be considered discontinued operations. The results of operations of discontinued operations are presented retroactively, net of tax, as a separate component on the Condensed Consolidated Statements of Operations. In each of the years presented, no store closings have met the discontinued operations criteria.

Assets related to planned store closures or other exit activities are reflected as assets held for sale and recorded at the lower of carrying value or fair value less costs to sell when the required criteria, as defined by the Property, Plant and Equipment Topic of the Codification, are satisfied. Depreciation ceases on the date that the held for sale criteria are met.

Assets related to planned store closures or other exit activities that do not meet the criteria to be classified as held for sale are evaluated for impairment in accordance with the Company’s normal impairment policy, but with consideration given to revised estimates of future cash flows. In any event, the remaining depreciable useful lives are evaluated and adjusted as necessary.

Exit costs related to anticipated lease termination costs, severance benefits and other expected charges are accrued for and recognized in accordance with the Exit or Disposal Cost Obligations Topic of the Codification.

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Note 1
Summary of Significant Accounting Policies, Continued

Advertising Costs
Advertising costs are predominantly expensed as incurred. Advertising costs were $14.8 million and $11.2 million for the second quarters of Fiscal 2015 and 2014, respectively, and $29.6 million and $23.9 million for the first six months of Fiscal 2015 and 2014, respectively. Direct response advertising costs for catalogs are capitalized in accordance with the Other Assets and Deferred Costs Topic for Capitalized Advertising Costs of the Codification. Such costs are amortized over the estimated future period as revenues are realized from such advertising, not to exceed six months. The Condensed Consolidated Balance Sheets include prepaid assets for direct response advertising costs of $1.7 million, $2.3 million and $2.4 million at August 2, 2014, February 1, 2014 and August 3, 2013, respectively.

Consideration to Resellers
The Company does not have any written buy-down programs with retailers, but the Company has provided certain retailers with markdown allowances for obsolete and slow moving products that are in the retailer's inventory. The Company estimates these allowances and provides for them as reductions to revenues at the time revenues are recorded. Markdowns are negotiated with retailers and changes are made to the estimates as agreements are reached. Actual amounts for markdowns have not differed materially from estimates.

Cooperative Advertising
Cooperative advertising funds are made available to most of the Company's wholesale footwear customers. In order for retailers to receive reimbursement under such programs, the retailer must meet specified advertising guidelines and provide appropriate documentation of expenses to be reimbursed. The Company's cooperative advertising agreements require that wholesale customers present documentation or other evidence of specific advertisements or display materials used for the Company's products by submitting the actual print advertisements presented in catalogs, newspaper inserts or other advertising circulars, or by permitting physical inspection of displays. Additionally, the Company's cooperative advertising agreements require that the amount of reimbursement requested for such advertising or materials be supported by invoices or other evidence of the actual costs incurred by the retailer. The Company accounts for these cooperative advertising costs as selling and administrative expenses, in accordance with the Revenue Recognition Topic for Customer Payments and Incentives of the Codification.

Cooperative advertising costs recognized in selling and administrative expenses on the Condensed Consolidated Statements of Operations were $0.7 million and $0.8 million for the second quarters of Fiscal 2015 and 2014, respectively, and $1.7 million and $1.8 million for the first six months of Fiscal 2015 and 2014, respectively. During the first six months of Fiscal 2015 and 2014, the Company's cooperative advertising reimbursements paid did not exceed the fair value of the benefits received under those agreements.

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Note 1
Summary of Significant Accounting Policies, Continued

Vendor Allowances
From time to time, the Company negotiates allowances from its vendors for markdowns taken or expected to be taken. These markdowns are typically negotiated on specific merchandise and for specific amounts. These specific allowances are recognized as a reduction in cost of sales in the period in which the markdowns are taken. Markdown allowances not attached to specific inventory on hand or already sold are applied to concurrent or future purchases from each respective vendor.

The Company receives support from some of its vendors in the form of reimbursements for cooperative advertising and catalog costs for the launch and promotion of certain products. The reimbursements are agreed upon with vendors and represent specific, incremental, identifiable costs incurred by the Company in selling the vendor's specific products. Such costs and the related reimbursements are accumulated and monitored on an individual vendor basis, pursuant to the respective cooperative advertising agreements with vendors. Such cooperative advertising reimbursements are recorded as a reduction of selling and administrative expenses in the same period in which the associated expense is incurred. If the amount of cash consideration received exceeds the costs being reimbursed, such excess amount would be recorded as a reduction of cost of sales.

Vendor reimbursements of cooperative advertising costs recognized as a reduction of selling and administrative expenses were $0.7 million for each of the second quarters of Fiscal 2015 and 2014 and $1.3 million and $1.2 million for the first six months of Fiscal 2015 and 2014, respectively. During the first six months of Fiscal 2015 and 2014, the Company's cooperative advertising reimbursements received were not in excess of the costs incurred.

Environmental Costs
Environmental expenditures relating to current operations are expensed or capitalized as appropriate. Expenditures relating to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated and are evaluated independently of any future claims for recovery. Generally, the timing of these accruals coincides with completion of a feasibility study or the Company's commitment to a formal plan of action. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Earnings Per Common Share
Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities to issue common stock were exercised or converted to common stock (see Note 8).

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Note 1
Summary of Significant Accounting Policies, Continued

Share-Based Compensation
The Company has share-based compensation covering certain members of management and non-employee directors. The Company recognizes compensation expense for share-based payments based on the fair value of the awards as required by the Compensation - Stock Compensation Topic of the Codification. The Company has not granted any stock options since the first quarter of Fiscal 2008. The fair value of employee restricted stock is determined based on the closing price of the Company's stock on the date of grant. The benefits of tax deductions in excess or recognized compensation expense are reported as a financing cash flow.

Other Comprehensive Income
The Comprehensive Income Topic of the Codification requires, among other things, the Company’s pension liability adjustment, postretirement liability adjustment and foreign currency translation adjustments to be included in other comprehensive income net of tax. Accumulated other comprehensive loss at August 2, 2014 consisted of $15.3 million of cumulative pension liability adjustments, net of tax, a cumulative post-retirement liability adjustment of $0.9 million, net of tax, offset by a cumulative foreign currency translation adjustment of $3.7 million.

The following table summarizes the components of accumulated other comprehensive income for the six months ended August 2, 2014:

(In thousands)	Foreign Currency Translation	Unrecognized Pension/Postretirement Benefit Costs	Total Accumulated Other Comprehensive Income (Loss)
Balance February 1, 2014	$575	$ (17,342)	$(16,767)
Other comprehensive income (loss) before reclassifications:			
Foreign currency translation adjustment	3,127	—	3,127
Amounts reclassified from AOCI:			
Amortization of net actuarial loss (1)	—	1,880	1,880
Amortization reclassified from AOCI, before tax	—	1,880	1,880
Income tax expense (2)	—	740	740
Current period other comprehensive income, net of tax	3,127	1,140	4,267
Balance August 2, 2014	$3,702	$ (16,202)	$(12,500)

(1) Amount is included in net periodic benefit cost, which is recorded in selling and administrative expense on the Condensed Consolidated Statements of Operations.
(2) Relates to amounts reclassified from AOCI.

Business Segments
The Segment Reporting Topic of the Codification requires that companies disclose “operating segments” based on the way management disaggregates the Company’s operations for making internal operating decisions (see Note 10).

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Note 1
Summary of Significant Accounting Policies, Continued

New Accounting Principles
In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". This update amends the definition of a discontinued operation and also provides new disclosure requirements for disposals meeting the definition, and for those that do not meet the definition, of a discontinued operation. Under the new guidance, a discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity that has been disposed of or is classified as held for sale, and represents a strategic shift that has or will have a major effect on an entity's operation and financial results. This update is effective for annual and interim periods beginning on or after December 15, 2014, with early adoption permitted. The Company adopted ASU No. 2014-08 in the first quarter of Fiscal 2015 and the adoption did not have any impact on the Company's results of operations or financial position.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". This update provides a five-step analysis of transactions to determine when and how revenue is recognized. An entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2016. This update may be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this update recognized at the date of initial application. The Company is currently evaluating the new guidance.

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Note 2
Intangible Assets

Other intangibles by major classes were as follows:

	Leases		Customer Lists		Other*		Total	
(In Thousands)	Aug. 2, 2014	Feb. 1, 2014	Aug. 2, 2014	Feb. 1, 2014	Aug. 2, 2014	Feb. 1, 2014	Aug. 2, 2014	Feb. 1, 2014
Gross other intangibles	$13,605	$13,104	$14,433	$14,381	$2,419	$2,242	$30,457	$29,727
Accumulated amortization	(12,354)	(11,997)	(8,392)	(7,354)	(1,405)	(1,294)	(22,151)	(20,645)
Net Other Intangibles	$1,251	$1,107	$6,041	$7,027	$1,014	$948	$8,306	$9,082

*Includes non-compete agreements, vendor contract and backlog.

The amortization of intangibles, including trademarks, was $0.8 million for each of the second quarters of Fiscal 2015 and 2014 and was $1.5 million and $1.6 million for the first six months of Fiscal 2015 and 2014, respectively. The amortization of intangibles, including trademarks, is expected to be $2.9 million, $2.2 million, $1.7 million, $1.1 million and $0.9 million for Fiscal 2015, 2016, 2017, 2018 and 2019, respectively.

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Note 3
Asset Impairments and Other Charges and Discontinued Operations

Asset Impairments and Other Charges

In accordance with Company policy, assets (other than goodwill and intangibles) are determined to be impaired when the revised estimated future cash flows are insufficient to recover the carrying costs. Impairment charges represent the excess of the carrying value over the fair value of those assets.

Asset impairment charges are reflected as a reduction of the net carrying value of property and equipment in the accompanying Condensed Consolidated Balance Sheets, and in asset impairments and other, net in the accompanying Condensed Consolidated Statements of Operations.

The Company recorded a pretax charge of $1.4 million in the second quarter of Fiscal 2015, including a $0.6 million charge for network intrusion expenses, a $0.6 million charge for other legal matters and a $0.4 million charge for retail store asset impairments, partially offset by a $(0.2) million gain on a lease termination. The Company recorded a pretax charge of $0.3 million in the first six months of Fiscal 2015, including charges of $1.8 million charge for network intrusion expenses, $1.2 million for retail store asset impairments and $0.6 million for other legal matters, partially offset by a $(3.4) million gain on a lease termination of a Lids store.

The Company recorded a pretax gain of $(7.1) million in the second quarter of Fiscal 2014, including an $(8.3) million gain on a lease termination of a New York City Journeys store, partially offset by a $0.5 million charge for other legal matters, a $0.4 million charge for network intrusion expenses and a $0.2 million charge for retail store asset impairments. The Company recorded a pretax gain of $(5.8) million in the first six months of Fiscal 2014, including an $(8.3) million gain on the lease termination, partially offset by charges of $1.4 million for retail store asset impairments, $0.6 million for network intrusion expenses and $0.5 million for other legal matters.

Discontinued Operations

Accrued Provision for Discontinued Operations

In thousands	Facility Shutdown Costs	
Balance February 2, 2013	$11,351	
Additional provision Fiscal 2014	543	
Charges and adjustments, net	(519	)
Balance February 1, 2014	11,375	
Additional provision Fiscal 2015	388	
Charges and adjustments, net	796	
Balance August 2, 2014*	12,559	
Current provision for discontinued operations	7,770	
Total Noncurrent Provision for Discontinued Operations	$4,789	

*Includes an $11.9 million environmental provision, including $7.7 million in current provision for discontinued operations.

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Note 4
Inventories

In thousands	August 2, 2014	February 1, 2014
Raw materials	$30,515	$26,115
Wholesale finished goods	63,252	64,357
Retail merchandise	575,621	476,789
Total Inventories	$669,388	$567,261

Note 5
Fair Value

The Fair Value Measurements and Disclosures Topic of the Codification defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles and expands disclosures about fair value measurements. This Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

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Note 5
Fair Value, Continued

The following table presents the Company’s assets (which excludes the Company's pension plan assets) and liabilities measured at fair value on a nonrecurring basis as of August 2, 2014 aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	Long-Lived Assets Held and Used	Level 1	Level 2	Level 3	Total Losses
Measured as of May 3, 2014	$890	$—	$—	$890	$824
Measured as of August 2, 2014	258	—	—	258	418
Sub-total asset impairment YTD					$1,242

In accordance with the Property, Plant and Equipment Topic of the Codification, the Company recorded $0.4 million and $1.2 million of impairment charges as a result of the fair value measurement of its long-lived assets held and used on a nonrecurring basis during the three months and six months ended August 2, 2014, respectively. These charges are reflected in asset impairments and other, net on the Condensed Consolidated Statements of Operations.

The Company used a discounted cash flow model to estimate the fair value of these long-lived assets. Discount rate and growth rate assumptions are derived from current economic conditions, expectations of management and projected trends of current operating results. As a result, the Company has determined that the majority of the inputs used to value its long-lived assets held and used are unobservable inputs that fall within Level 3 of the fair value hierarchy.

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Note 6
Long-Term Debt

In thousands	August 2, 2014	February 1, 2014
Revolver borrowings	$21,200	$—
UK term loans	55,167	33,730
Total long-term debt	76,367	33,730
Current portion	29,284	6,793
Total Noncurrent Portion of Long-Term Debt	$47,083	$26,937

Long-term debt maturing during each of the next five years ending in January each year is $4.0 million, $35.8 million, $2.1 million, $2.1 million and $2.1 million, respectively, and $9.1 million thereafter.

The Company had $21.2 million in revolver borrowings outstanding under the Credit Facility at August 2, 2014 and had $55.2 million in term loans outstanding under the U.K. Credit Facilities (described below) at August 2, 2014. The Company had outstanding letters of credit of $14.6 million under the Credit Facility at August 2, 2014. These letters of credit support product purchases and lease and insurance indemnifications.

U.K. Credit Facility

In connection with the Schuh acquisition, Schuh entered into an amended and restated Senior Term Facilities Agreement and Working Capital Facility Letter, (collectively, the “UK Credit Facilities”) which provide for term loans of up to £29.5 million (a £15.5 million A term loan, £14.0 million B term loan), with an additional £12.5 million C term loan added in November 2013.

In June 2014, Schuh Group Limited entered into an Amended and Restated Facilities Agreement to provide for an additional term loan of £12.5 million ("D term loan"). The D term loan bears interest at LIBOR plus 0.95% per annum and expires June 18, 2015.

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Note 7
Defined Benefit Pension Plans and Other Benefit Plans

Components of Net Periodic Benefit Cost

In thousands	Pension Benefits Three Months Ended August 2, 2014	Pension Benefits Three Months Ended August 3, 2013	Other Benefits Three Months Ended August 2, 2014	Other Benefits Three Months Ended August 3, 2013
Service cost	$113	$88	$130	$113
Interest cost	1,163	1,145	55	43
Expected return on plan assets	(1,517)	(1,663)	—	—
Amortization:				
Losses	860	1,512	24	26
Net amortization	860	1,512	24	26
Net Periodic Benefit Cost	$619	$1,082	$209	$182

Components of Net Periodic Benefit Cost

In thousands	Pension Benefits Six Months Ended August 2, 2014	Pension Benefits Six Months Ended August 3, 2013	Other Benefits Six Months Ended August 2, 2014	Other Benefits Six Months Ended August 3, 2013
Service cost	$225	$176	$266	$226
Interest cost	2,338	2,293	116	86
Expected return on plan assets	(3,035)	(3,328)	—	—
Amortization:				
Losses	1,826	3,136	53	52
Net amortization	1,826	3,136	53	52
Net Periodic Benefit Cost	$1,354	$2,277	$435	$364

There is no cash contribution required for the pension plan in 2014.

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Note 8
Earnings Per Share

	For the Three Months Ended August 2, 2014			For the Three Months Ended August 3, 2013		
(In thousands, except per share amounts)	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Earnings from continuing operations	$4,768			$8,465		
Less: Preferred stock dividends	—			—		
Basic EPS from continuing operations						
Income available to common shareholders	4,768	23,496	$0.20	8,465	23,274	$0.36
Effect of Dilutive Securities from continuing operations						
Dilutive share-based awards		80			203	
Employees' preferred stock(1)		46			46	
Diluted EPS from continuing operations						
Income available to common shareholders plus assumed conversions	$4,768	23,622	$0.20	$8,465	23,523	$0.36

(1) The Company's Employees' Subordinated Convertible Preferred Stock is convertible one for one to the Company's common stock. Because no dividends are paid on this stock, these shares are assumed to be converted in the diluted earnings per share calculations for the second quarters ended August 2, 2014 and August 3, 2013.

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Note 8
Earnings Per Share, Continued

	For the Six Months Ended August 2, 2014			For the Six Months Ended August 3, 2013		
(In thousands, except per share amounts)	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Earnings from continuing operations	$18,866			$22,974		
Less: Preferred stock dividends	—			(33)		
Basic EPS from continuing operations						
Income available to common shareholders	18,866	23,432	$0.81	22,941	23,284	$0.99
Effect of Dilutive Securities from continuing operations						
Dilutive share-based awards		179			297	
Employees' preferred stock(1)		46			46	
Diluted EPS from continuing operations						
Income available to common shareholders plus assumed conversions	$18,866	23,657	$0.80	$22,941	23,627	$0.97

(1) The Company's Employees' Subordinated Convertible Preferred Stock is convertible one for one to the Company's common stock. Because no dividends are paid on this stock, these shares are assumed to be converted in the diluted earnings per share calculations for the six months ended August 2, 2014 and August 3, 2013.

The Company did not repurchase any shares during the three and six months ended August 2, 2014. The Company repurchased 189,300 shares of common stock during the six months ended August 3, 2013 for $11.2 million. The Company has $65.5 million remaining under its current $75.0 million share repurchase authorization.

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Note 9
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 remedial 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 completed the IRM and the RIFS. In the course of preparing the RIFS, the Company identified remedial alternatives with estimated undiscounted costs ranging from $0.0 million to $24.0 million, excluding amounts previously expended or provided for by the Company. The United States Environmental Protection Agency ("EPA"), which has assumed primary regulatory responsibility for the site from NYSDEC, issued a Record of Decision in September 2007. The Record of Decision requires a remedy of a combination of groundwater extraction and treatment and in-site chemical oxidation at an estimated present cost of approximately $10.7 million.

In July 2009, the Company agreed to a Consent Order with the EPA requiring the Company to perform certain remediation actions, operations, maintenance and monitoring at the site. In September 2009, a Consent Judgment embodying the Consent Order was filed in the U.S. District Court for the Eastern District of New York.

The Village of Garden City, New York (the "Village"), has additionally asserted that the Company is liable for the costs associated with enhanced treatment required by the impact of the groundwater plume from the site on two public water supply wells, including historical costs ranging from approximately $1.8 million to in excess of $2.5 million, and future operation and maintenance costs which the Village estimates at $126,400 annually while the enhanced treatment continues. On December 14, 2007, the Village filed a complaint against the Company and the owner of the property under the Resource Conservation and Recovery Act ("RCRA"), the Safe Drinking Water Act, and the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") as well as a number of state law theories in the U.S. District Court for the Eastern District of New York, seeking an injunction requiring the defendants to remediate contamination from the site and to establish their liability for future costs that may be incurred in connection with it, which the complaint alleges could exceed $41 million, undiscounted, over a 70-year period.

The Company has not verified the estimates of either historic or future costs asserted by the Village, but believes that an estimate of future costs based on a 70-year remediation period is unreasonable given the expected remedial period reflected in the EPA's Record of Decision. On May 23, 2008, the Company filed a motion to dismiss the Village's complaint on grounds including applicable statutes of limitation and preemption of certain claims by the NYSDEC's and the EPA's diligent prosecution of remediation. On January 27, 2009, the Court granted the motion to dismiss all counts of the plaintiff's complaint except for the CERCLA claim and a state law claim for indemnity for costs incurred after November 27, 2000. On September 23, 2009, on a motion for reconsideration by the Village, the Court reinstated the claims for injunctive relief under RCRA and for equitable relief under certain of the state law theories. The Company intends to continue to defend the action if an acceptable settlement agreement cannot be reached.

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Note 9
Legal Proceedings, Continued

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.

In October 2010, the Company and the Michigan Department of Natural Resources and Environment entered into a Consent Decree providing for implementation of a remedial Work Plan for the facility site designed to bring the site into compliance with applicable regulatory standards. The Work Plan's implementation is substantially complete and the Company expects, based on its present understanding of the condition of the site, that its future obligations with respect to the site will be limited to periodic monitoring and that future costs related to the site should not have a material effect on its financial condition or results of operations.

Accrual for Environmental Contingencies
Related to all outstanding environmental contingencies, the Company had accrued $11.9 million as of August 2, 2014, February 1, 2014 and August 3, 2013. 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 Condensed Consolidated Balance Sheets because it relates to former facilities operated by the Company. The Company has made pretax accruals for certain of these contingencies, including approximately $0.2 million reflected in each of the second quarters of Fiscal 2015 and 2014 and approximately $0.4 million in each of the first six months of Fiscal 2015 and 2014. These charges are included in provision for discontinued operations, net in the Condensed Consolidated Statements of Operations and represent changes in estimates.

Other Matters
On December 10, 2010, the Company announced that it had suffered a criminal intrusion into the portion of its computer network that processes payments for transactions in certain of its retail stores. Visa, Inc., MasterCard Worldwide and American Express Travel Related Services Company, Inc. asserted claims totaling approximately $15.6 million in connection with the intrusion and the claims of two of the claimants have been collected by withholding payment card receivables of the Company. In the fourth quarter of Fiscal 2013, the Company recorded a $15.4 million charge to earnings in connection with the disputed liability. On March 7, 2013, the Company filed an action in the U.S. District Court for the Middle District of Tennessee against Visa U.S.A. Inc., Visa Inc. and Visa International Service Association seeking to recover $13.3 million in non-compliance fines and issuer reimbursement assessments collected from the Company in connection with the intrusion. The Company does not currently expect any future claims in connection with the intrusion to have a material effect on its financial condition, cash flows, or results of operations.

On May 14, 2012, a putative class and collective action, Maro v. Hat World, Inc., was filed in the U.S. District Court for the Northern District of Illinois. The action alleges that the Company failed to pay the plaintiff and other, similarly situated retail store employees of Hat World, Inc., for time spent making bank deposits of store collections, and seeks to recover unpaid wages, liquidated damages, statutory penalties,

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Note 9
Legal Proceedings, Continued

attorneys fees, and costs pursuant to the federal Fair Labor Standards Act, the Illinois Minimum Wage Law and the Illinois Wage Payment and Collection Act. On January 15, 2014, the court dismissed the Maro case with prejudice, based on the plaintiffs' failure to prosecute. On July 16, 2012 and July 30, 2012, additional putative class and collective actions, Chavez v. Hat World, Inc. and Dismukes v. Hat World, Inc., were filed in the same court, alleging that certain Hat World employees were misclassified as exempt from overtime pay, and seeking similar relief. The Chavez and Dismukes actions have been consolidated. The parties have reached agreement on a proposed settlement, which the court preliminarily approved on May 9, 2014. The court granted final approval on September 5, 2014. The Company does not expect the matter or its settlement as proposed to have a material effect on its financial condition or results of operations.

On August 30, 2012, a former employee of a Company subsidiary filed a putative class and collective action, Kershner v. Hat World, Inc., in the Philadelphia, Pennsylvania Court of Common Pleas alleging violations of the Pennsylvania Minimum Wage Act by the subsidiary. The Company has reached an agreement to resolve the matter. On May 29, 2014, the court granted final approval of the settlement.

On May 23, 2013, a former employee of the Company filed an action, Everett v. Genesco Inc., in the U.S. District Court for the Middle District of Florida alleging violations of the Fair Labor Standards Act, seeking designation as a collective action and the award of allegedly unpaid minimum wages, overtime pay, liquidated damages, penalties, interest, attorneys' fees, and other relief. The Company disputes the material allegations in the action and intends to defend it.

On May 17, 2013, a former employee filed a putative class and representative action, Garcia v. Genesco, Inc., in the Superior Court of California for the County of Ventura, alleging various claims under the California Labor Code, including failure to provide meal and rest periods, failure to timely pay wages, failure to provide accurate itemized wage statements, and unfair competition and violation of the Private Attorneys’ General Act of 2004, and seeking unspecified damages and penalties. On August 30, 2013, the Company removed the action to the United States District Court for the Central District of California. The Company has reached an agreement in principle, subject to court approval, to settle the matter. The Company does not expect the matter or its settlement as proposed to have a material effect on its financial condition or results of operations.

In addition to the matters specifically described in this Note, the Company is a party to other legal and regulatory proceedings and claims arising in the ordinary course of its business. While management does not believe that the Company's liability with respect to any of these other matters is likely to have a material effect on its financial position, cash flows, or results of operations, legal proceedings are subject to inherent uncertainties and unfavorable rulings could have a material adverse impact on the Company's business and results of operations.

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Note 10
Business Segment Information

During the six months ended August 2, 2014 and August 3, 2013, the Company operated five reportable business segments (not including corporate): (i) Journeys Group, comprised of the Journeys, Journeys Kidz, Shi by Journeys and Underground by Journeys retail footwear chains, catalog and e-commerce operations; (ii) Schuh Group, comprised of the Schuh retail footwear chain and e-commerce operations; (iii) Lids Sports Group, comprised primarily of the Lids, Hat World and Hat Shack retail headwear stores, the Lids Locker Room and Lids Clubhouse fan shops (operated under various trade names), licensed team merchandise departments in Macy's department stores operated under the name of Locker Room by Lids under a license agreement with Macy's, the Lids Team Sports business and certain e-commerce operations; (iv) Johnston & Murphy Group, comprised of Johnston & Murphy retail operations, catalog and e-commerce operations and wholesale distribution of products under the Johnston & Murphy and Trask brands; and (v) Licensed Brands, comprised of Dockers Footwear, sourced and marketed under a license from Levi Strauss & Company; SureGrip Footwear, occupational footwear primarily sold directly to consumers; and other brands.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 1).

The Company's reportable segments are based on management's organization of the segments in order to make operating decisions and assess performance along types of products sold. Journeys Group, Schuh Group and Lids Sports Group sell primarily branded products from other companies while Johnston & Murphy Group and Licensed Brands sell primarily the Company's owned and licensed brands.

Corporate assets include cash, domestic prepaid rent expense, prepaid income taxes, deferred income taxes, deferred note expense and corporate fixed assets. The Company charges allocated retail costs of distribution to each segment. The Company does not allocate certain costs to each segment in order to make decisions and assess performance. These costs include corporate overhead, interest expense, interest income, asset impairment charges and other, including major litigation and major lease terminations.

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Note 10
Business Segment Information, Continued

Three Months Ended August 2, 2014 In thousands	Journeys Group	Schuh Group	Lids Sports Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	$236,838	$99,770	$199,529	$54,995	$24,470	$262	$615,864
Intercompany Sales	—	—	(212)	—	(178)	—	(390)
Net sales to external customers	$236,838	$99,770	$199,317	$54,995	$24,292	$262	$615,474
Segment operating income (loss)	$6,820	$(197)	$8,474	$(424)	$1,873	$(5,040)	$11,506
Asset Impairments and other*	—	—	—	—	—	(1,422)	(1,422)
Earnings (loss) from operations	6,820	(197)	8,474	(424)	1,873	(6,462)	10,084
Interest expense	—	—	—	—	—	(800)	(800)
Interest income	—	—	—	—	—	18	18
Earnings (loss) from continuing operations before income taxes	$6,820	$(197)	$8,474	$(424)	$1,873	$(7,244)	$9,302
Total assets**	$339,876	$283,895	$639,539	$108,725	$45,202	$163,600	$1,580,837
Depreciation and amortization	5,088	3,699	7,048	1,207	171	1,176	18,389
Capital expenditures	8,736	7,379	13,350	2,336	244	882	32,927

*Asset Impairments and other includes a $0.4 million charge for asset impairments, which is in the Lids Sports Group, a $0.6 million charge for other legal matters and a $0.6 million charge for network intrusion expenses, partially offset by a $(0.2) million gain on a lease termination.

**Total assets for the Lids Sports Group, Schuh Group and Licensed Brands include $185.5 million, $107.3 million and $0.8 million of goodwill, respectively. The Schuh Group goodwill increased by $2.4 million from February 1, 2014 due to foreign currency translation adjustment. Goodwill for Lids Sports Group includes $3.1 million added since February 1, 2014 from a small acquisition.

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Note 10
Business Segment Information, Continued

Three Months Ended August 3, 2013 In thousands	Journeys Group	Schuh Group	Lids Sports Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	$222,471	82,109	$192,779	$53,258	$23,896	$583	$575,096
Intercompany Sales	—	—	(323)	—	(27)	—	(350)
Net sales to external customers	$222,471	$82,109	$192,456	$53,258	$23,869	$583	$574,746
Segment operating income (loss)	$1,717	$(1,433)	$12,725	$1,751	$1,471	$(7,843)	$8,388
Asset Impairments and other*	—	—	—	—	—	7,140	7,140
Earnings (loss) from operations	1,717	(1,433)	12,725	1,751	1,471	(703)	15,528
Interest expense	—	—	—	—	—	(1,158)	(1,158)
Interest income	—	—	—	—	—	18	18
Earnings (loss) from continuing operations before income taxes	$1,717	$(1,433)	$12,725	$1,751	$1,471	$(1,843)	$14,388
Total assets**	$352,135	228,520	$575,096	$103,384	$37,943	$160,271	$1,457,349
Depreciation and amortization	4,691	2,675	6,806	973	126	1,183	16,454
Capital expenditures	5,680	3,331	6,769	2,373	388	884	19,425

*Asset Impairments and other includes a $0.2 million charge for assets impairments, of which $0.2 million is in the Lids Sports Group, a $0.4 million charge for network intrusion expenses, a $0.5 million for other legal matters and a gain of $(8.3) million for the lease termination of a New York City Journeys store.

**Total assets for the Lids Sports Group, Schuh Group and Licensed Brands include $180.0 million, $96.6 million and $0.8 million of goodwill, respectively. The Schuh Group goodwill decreased by $4.1 million from February 2, 2013 due to foreign currency translation adjustment. Goodwill for Lids Sports Group includes $7.7 million added since February 2, 2013 from a small acquisition.

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Note 10
Business Segment Information, Continued

Six Months Ended August 2, 2014 In thousands	Journeys Group	Schuh Group	Lids Sports Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	$498,961	$181,046	$388,864	$118,392	$57,155	$563	$1,244,981
Intercompany Sales	—	—	(281)	—	(401)	—	(682)
Net sales to external customers	$498,961	$181,046	$388,583	$118,392	$56,754	$563	$1,244,299
Segment operating income (loss)	$26,497	$(5,338)	$16,611	$4,072	$5,394	$(13,123)	$34,113
Asset Impairments and other*	—						