GENESCO INC
Form 10-K
April 03, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended February 2, 2013

¨ 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 (Address of principal executive offices)	37217-2895 (Zip Code)

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

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

Title of each class	Name of Exchange on which Registered
Common Stock, $1.00 par value	New York and Chicago
Preferred Share Purchase Rights	New York and Chicago

Securities Registered Pursuant to Section 12(g) of the Act:
Subordinated Serial Preferred Stock, Series 1
Employees' Subordinated Convertible Preferred Stock

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

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

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 (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x 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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

x

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 ¨
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 x

The aggregate market value of common stock held by nonaffiliates of the registrant as of July 28, 2012, the last business day of the registrant’s most recently completed second fiscal quarter, was approximately $1,587,000,000. The market value calculation was determined using a per share price of $65.31, the price at which the common stock was last sold on the New York Stock Exchange on such date. For purposes of this calculation, shares held by nonaffiliates excludes only those shares beneficially owned by officers, directors, and shareholders owning 10% or more of the outstanding common stock (and, in each case, their immediate family members and affiliates).

As of March 15, 2013, 24,010,616 shares of the registrant’s common stock were outstanding.

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Documents Incorporated by Reference

Portions of Genesco’s Annual Report to Shareholders for the fiscal year ended February 2, 2013 are incorporated into Part II by reference.

Portions of the proxy statement for the June 26, 2013 annual meeting of shareholders are incorporated into Part III by reference.

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PART I

ITEM 1, BUSINESS

General

Genesco Inc. ("Genesco" or the "Company") is a leading retailer and wholesaler of branded footwear, apparel and accessories with net sales for Fiscal 2013 of $2.60 billion. During Fiscal 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, acquired in June 2011, comprised of the Schuh retail footwear chain and e-commerce operations; (iii) Lids Sports Group, comprised of (a) headwear and accessory stores under the Lids® name and other names in the U.S., Puerto Rico and Canada, (b) the Lids Locker Room business, consisting of sports-oriented fan shops featuring a broad array of licensed merchandise such as apparel, hats and accessories, sports decor and novelty products, (c) the Lids Clubhouse business, consisting of single team fan shops, (d) e-commerce business and (e) an athletic team dealer business operating as Lids Team Sports; (iv) Johnston & Murphy Group, comprised of Johnston & Murphy retail operations, e-commerce and catalog operations and wholesale distribution; 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.

At February 2, 2013, the Company operated 2,459 retail footwear, headwear and sports apparel and accessory stores located primarily throughout the United States and in Puerto Rico, but also including 98 headwear stores and 29 footwear stores in Canada and 79 footwear stores and 13 footwear concessions in the United Kingdom and the Republic of Ireland. It currently plans to open a total of approximately 165 new retail stores and close 33 retail stores in Fiscal 2014. At February 2, 2013, Journeys Group operated 1,157 stores, including 156 Journeys Kidz, 51 Shi by Journeys and 130 Underground by Journeys; Schuh Group operated 79 stores and 13 concessions; Lids Sports Group operated 1,053 stores and Johnston & Murphy Group operated 157 retail shops and factory stores.

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

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Retail Stores					
Beginning of year	2,175	2,234	2,276	2,309	2,387
Opened during year	102	61	53	70	104
Acquired during year	—	38	58	85	33
Closed during year	(43)	(57)	(78)	(77)	(65)
End of year	2,234	2,276	2,309	2,387	2,459

The Company also designs, sources, markets and distributes footwear under its own Johnston & Murphy brand, the licensed Dockers® brand and other brands that the Company licenses for men's footwear to over 1,025 retail accounts in the United States, including a number of leading department, discount, and specialty stores.

Shorthand references to fiscal years (e.g., "Fiscal 2013") refer to the fiscal year ended on the Saturday nearest January 31st in the named year (e.g., February 2, 2013). The terms "Company," "Genesco," "we," "our" or "us" as used herein and unless otherwise stated or indicated by context refer to Genesco Inc. and its subsidiaries. All information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations," which is referred to in Item 1 of this report, is incorporated by such reference in Item 1. This report contains forward-looking statements. Actual results may vary materially and adversely from the expectations reflected in these statements. For a discussion of some of the factors that may lead to different results, see Item 1A, "Risk Factors" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Available Information

The Company files reports with the Securities and Exchange Commission (“SEC”), including annual reports on Form 10-K, quarterly reports on Form 10-Q and other reports from time to time. The public may read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F. Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Company is an electronic filer and the SEC maintains an Internet site at http://www.sec.gov that contains the reports, proxy and information statements, and other information filed electronically. The Company’s website address is http://www.genesco.com. The

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Company's website address is provided as an inactive textual reference only. The Company makes available free of charge through the website annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Copies of the charters of each of the Company's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, as well as the Company's Corporate Governance Guidelines and Code of Ethics along with position descriptions for the Board of Directors and Board committees are also available free of charge through the website. The information provided on the Company's website is not part of this report, and is therefore not incorporated by reference unless such information is otherwise specifically incorporated elsewhere in this report.

Segments

Journeys Group

The Journeys Group segment, including Journeys, Journeys Kidz, Shi by Journeys and Underground by Journeys retail stores, catalog and e-commerce operations, accounted for approximately 43% of the Company's net sales in Fiscal 2013. Operating income attributable to Journeys Group was $106.9 million in Fiscal 2013, with an operating margin of 9.6%. The Company believes that the Journeys Group's distinctive store formats, its mix of well-known brands and new product introductions, and its experienced management team provide significant competitive advantages for the Journeys Group.

At February 2, 2013, Journeys Group operated 1,157 stores, including 156 Journeys Kidz stores, 51 Shi by Journeys stores and 130 Underground by Journeys stores averaging approximately 1,900 square feet, throughout the United States and in Puerto Rico and Canada, selling footwear and accessories for young men, women and children.

Same store sales increased 6%, comparable direct sales increased 8% and comparable sales, including both store and direct sales, increased 6% from the prior fiscal year. Journeys stores target customers in the 13 to 22 year age group through the use of youth-oriented decor and multi-channel media. Journeys stores carry predominately branded merchandise across a wide range of prices. The Journeys Kidz retail footwear stores sell footwear and accessories primarily for younger children ages five to 12. Shi by Journeys retail footwear stores sell footwear and accessories to a target customer group consisting of fashion-conscious women in their early 20's to mid 30's. Underground by Journeys retail footwear stores sell footwear and accessories primarily for men and women in the 20 to 35 age group. In Fiscal 2013, the Journeys Group added three net new stores and plans to open approximately 32 net new stores in Fiscal 2014.

Lids Sports Group

The Lids Sports Group segment, as described above, accounted for approximately 30% of the Company's net sales in Fiscal 2013. Operating income attributable to Lids Sports Group was $85.8 million in Fiscal 2013, with an operating margin of 10.8%.

At February 2, 2013, Lids Sports Group operated 1,053 stores, averaging approximately 1,150 square feet, throughout the United States and in Puerto Rico and Canada. Lids Sports Group added 51 net new stores in Fiscal 2013, including 33 acquired stores, and plans to open approximately 78 net new stores in Fiscal 2014.

Same store sales for Lids Sports Group decreased 4% for Fiscal 2013, while comparable direct sales increased 9% from the prior fiscal year. Comparable sales, including both store and direct sales, decreased 3% for Fiscal 2013. The core headwear stores and kiosks, located in malls, airports, street-level stores and factory outlet stores throughout the United States and in Puerto Rico and Canada, target customers in the early-teens to mid-20's age group. In general, the stores offer headwear from an assortment of college, MLB, NBA, NFL and NHL teams, as well as other specialty fashion categories. The Lids Locker Room and Lids Clubhouse stores, operating under a number of trade names, located in malls and other locations primarily in the United States, target sports fans of all ages. These stores offer headwear, apparel, accessories and novelties from an assortment of college and professional teams. The Clubhouse stores offer headwear, apparel and accessories for specific college or professional teams.

Schuh Group

The Schuh Group segment, including e-commerce operations, accounted for approximately 14% of the Company's net sales in Fiscal 2013. Operating income attributable to Schuh Group was $7.9 million in Fiscal 2013, with an operating margin of 2.1%. Operating income for Schuh included $12.1 million in compensation expense related to a deferred purchase price obligation in connection with the acquisition. For additional information, see Note 2 to the Consolidated Financial Statements included in Item 8.

Sames store sales increased 7%, comparable direct sales increased 13% and comparable sales, including both store and direct sales, increased 8% from July through the end of the prior fiscal year. At February 2, 2013, Schuh Group operated

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76 Schuh stores, averaging approximately 4,300 square feet, which include both street-level and mall locations in the United Kingdom and the Republic of Ireland. Schuh Group opened its first Kids store in Fiscal 2013. As of February 2, 2013, Schuh Group operated three Kids stores averaging 1,075 square feet. The Schuh Group also operated 13 footwear concessions in Republic apparel stores in the United Kingdom, averaging approximately 1,175 square feet. Schuh Group plans to open approximately 15 new Schuh stores and close five stores in Fiscal 2014. Schuh stores target men and women in the 15 to 30 age group selling a broad range of branded casual and athletic footwear along with a meaningful private label offering.

Johnston & Murphy Group

The Johnston & Murphy Group segment, including retail stores, catalog and e-commerce operations and wholesale distribution, accounted for approximately 9% of the Company's net sales in Fiscal 2013. Operating income attributable to Johnston & Murphy Group was $15.7 million in Fiscal 2013, with an operating margin of 7.1%. All of the Johnston & Murphy wholesale sales are of the Genesco-owned Johnston & Murphy brand and approximately 99% of the group's retail sales are of Johnston & Murphy branded products.

Johnston & Murphy Retail Operations. At February 2, 2013, Johnston & Murphy operated 157 retail shops and factory stores throughout the United States and in Canada averaging approximately 1,825 square feet and selling footwear, luggage and accessories primarily for men in the 35 to 55 age group, targeting business and professional customers. Women's footwear and accessories are sold in select Johnston & Murphy locations. Johnston & Murphy retail shops are located primarily in better malls and airports nationwide and sell a broad range of men's dress and casual footwear and accessories. The Company also sells Johnston & Murphy products directly to consumers through an e-commerce website and a direct mail catalog. Same store sales for Johnston & Murphy retail operations increased 3%, comparable direct sales increased 13% and comparable sales, including both store and direct sales, increased 4% for Fiscal 2013. Retail prices for Johnston & Murphy footwear generally range from $100 to $275. Total footwear accounted for 65% of total Johnston & Murphy retail sales in Fiscal 2013, with the balance consisting primarily of apparel and accessories. Johnston & Murphy Group added nine new shops and factory stores, including four in Canada, and closed five shops and factory stores in Fiscal 2013, and plans to open approximately 12 net new shops and factory stores in Fiscal 2014.

Johnston & Murphy Wholesale Operations. In addition to Company-owned Johnston & Murphy retail shops and factory stores, Johnston & Murphy men's footwear and accessories are sold at wholesale, primarily to better department and independent specialty stores. Johnston & Murphy's wholesale customers offer the brand's footwear for dress, dress casual, and casual occasions, with the majority of styles offered in these channels selling from $100 to $165.

Licensed Brands

The Licensed Brands segment accounted for approximately 4% of the Company's net sales in Fiscal 2013. Operating income attributable to Licensed Brands was $10.1 million in Fiscal 2013, with an operating margin of 9.3%. Licensed Brands sales are footwear marketed under the Dockers® brand, for which Genesco has had the exclusive men's footwear license in the United States since 1991. See "Trademarks and Licenses." Dockers footwear is marketed to men aged 30 to 55 through many of the same national retail chains that carry Dockers slacks and sportswear and in department and specialty stores across the country. Suggested retail prices for Dockers footwear generally range from $50 to $90. The Company acquired Keuka Footwear in the third quarter of Fiscal 2011 and subsequently launched its SureGrip® Footwear line of slip-resistant, occupational footwear from that base. The Company sources and distributes the SureGrip line to employees in the hospitality, healthcare, and other industries.

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

Manufacturing and Sourcing

The Company relies on independent third-party manufacturers for production of its footwear products sold at wholesale. The Company sources footwear and accessory products from foreign manufacturers located in Bangladesh, Belgium, Brazil, Canada, China, Denmark, Dominican Republic, France, India, Indonesia, Ireland, Italy, Korea, Mexico, Netherlands, Peru, Portugal, Spain, Sweden, Thailand and Vietnam. The Company's retail operations source primarily branded products from third parties, who source primarily overseas.

Competition

Competition is intense in the footwear and headwear industry. The Company's retail footwear and headwear competitors range from small, locally owned stores to regional and national department stores, discount stores, and specialty chains.

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The Company also competes with hundreds of footwear wholesale operations in the United States and throughout the world, most of which are relatively small, specialized operations, but some of which are large, more diversified companies. Some of the Company's competitors have resources that are not available to the Company. The Company's success depends upon its ability to remain competitive with respect to the key factors of style, price, quality, comfort, brand loyalty, customer service, store location and atmosphere and the ability to offer distinctive products.

Licenses

The Company owns its Johnston & Murphy brand and owns or licenses the trade names of its retail concepts either directly or through wholly-owned subsidiaries. The Dockers® brand footwear line, introduced in Fiscal 1993, is sold under a license agreement granting the exclusive right to sell men's footwear under the trademark in the United States, Canada and Mexico and in certain other Latin American countries. The Dockers license agreement, as amended, expires on November 30, 2015, subject to extension for an additional 3-year term if certain conditions are met. Net sales of Dockers products were approximately $84 million in Fiscal 2013 and approximately $78 million in Fiscal 2012. The Company licenses certain of its footwear brands, mostly in foreign markets. License royalty income was not material in Fiscal 2013.

Wholesale Backlog

Most of the orders in the Company's wholesale divisions are for delivery within 150 days. Because most of the Company's business is at-once, the backlog at any one time is not necessarily indicative of future sales. As of March 2, 2013, the Company's wholesale operations had a backlog of orders, including unconfirmed customer purchase orders, amounting to approximately $46.1 million, compared to approximately $47.5 million on February 25, 2012. The backlog is somewhat seasonal, reaching a peak in spring. The Company maintains in-stock programs for selected product lines with anticipated high volume sales.

Employees

Genesco had approximately 22,700 employees at February 2, 2013, approximately 120 of whom were employed in corporate staff departments and the balance in operations. Retail footwear and headwear stores employ a substantial number of part-time employees, and approximately 13,875 of the Company's employees were part-time.

Properties

At February 2, 2013, the Company operated 2,459 retail footwear, headwear and sports apparel and accessory stores throughout the United States and in Puerto Rico, Canada, the United Kingdom and the Republic of Ireland. New shopping center store leases in the United States, Puerto Rico and Canada typically are for a term of approximately 10 years and new factory outlet leases typically are for a term of approximately five years. Store leases in the United Kingdom and the Republic of Ireland typically have terms of between 10 and 20 years. Both typically provide for rent based on a percentage of sales against a fixed minimum rent based on the square footage leased.

Seasonality

The Company's business is seasonal with the Company's investment in inventory and accounts receivable normally reaching peaks in the spring and fall of each year.

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The general location, use and approximate size of the Company's principal properties are set forth below:

Location	Owned/Leased	Segment	Use	Approximate Area Square Feet	
Lebanon, TN	Owned	Journeys Group	Distribution warehouse	320,000	
Nashville, TN	Leased	Various	Executive & footwear operations offices	295,000	*
Indianapolis, IN	Leased	Lids Sports Group	Distribution warehouse and manufacturing	271,825	
Chapel Hill, TN	Owned	Licensed Brands	Distribution warehouse	182,000	
Fayetteville, TN	Owned	Johnston & Murphy Group	Distribution warehouse	178,500	
Indianapolis, IN	Leased	Lids Sports Group	Distribution warehouse	152,158	
Deans Industrial Estate, Livingston, Scotland	Owned	Schuh Group	Distribution warehouse and administrative offices	106,813	
Indianapolis, IN	Leased	Lids Sports Group	Distribution Warehouse	77,281	
Lake Katrine, NY	Leased	Lids Sports Group	Distribution warehouse and administrative offices	68,300	
Nashville, TN	Owned	Journeys Group	Distribution warehouse	63,000	
Houston Industrial Estate, Livingston, Scotland	Leased	Schuh Group	Distribution warehouse	51,012	
Indianapolis, IN	Leased	Lids Sports Group	Headwear operations offices	43,000	
Mississauga, Ontario, Canada	Leased	Lids Sports Group	Distribution warehouse	28,392	
Tigard, OR	Leased	Lids Sports Group	Administrative offices	17,844	
Indianapolis, IN	Leased	Lids Sports Group	Administrative offices	13,000	
Tampa, FL	Leased	Lids Sports Group	Distribution warehouse and administrative offices	7,112	

* The Company occupies approximately 80% of the building and subleases the remainder of the building.

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

Environmental Matters

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

Company currently is involved in certain administrative and judicial environmental proceedings relating to the Company's former facilities. See Item 3, Legal Proceedings and Note 13.

ITEM 1A, RISK FACTORS

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

Poor economic conditions and other factors can affect consumer spending and may significantly harm our business, affecting our financial condition, liquidity, and results of operations.

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

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

Adverse economic conditions and any related decrease in consumer demand for discretionary items could have a material adverse effect on our business, results of operations and financial condition. The merchandise we sell generally consists of discretionary items. Reduced consumer confidence and spending may result in reduced demand for discretionary items and may force us to take inventory markdowns, decreasing sales and making expense leverage difficult to achieve. Demand can also be influenced by other factors beyond our control. For example, sales in the Lids Sports Group segment have historically been affected by developments in team sports, and could be adversely impacted by player strikes or other interruptions, as well as by the performance and reputation of certain teams. Moreover, while the Company believes that its operating cash flows and its borrowing capacity under committed lines of credit will be more than adequate for its anticipated cash requirements, if the economy were to experience a renewed downturn, or if one or more of the Company's revolving credit banks were to fail to honor its commitments under the Company's credit lines, the Company could be required to modify its operations for decreased cash flow or to seek alternative sources of liquidity, and such alternative sources might not be available to the Company.

Our business involves a degree of fashion risk.

The majority of our businesses serve a fashion-conscious customer base and depend upon the ability of our buyers and merchandisers to react to fashion trends, to purchase inventory that reflects such trends, and to manage our inventories appropriately in view of the potential for sudden changes in fashion or in consumer taste. Failure to continue to execute any of these activities successfully could result in adverse consequences, including lower sales, product margins, operating income and cash flows.

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

Our business and results of operations are subject to uncertainties arising out of world and domestic events, which may impact not only consumer demand, but also our ability to obtain the products we sell, most of which are produced outside the countries in which we operate. These uncertainties may include a global economic slowdown, changes in consumer

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spending or travel, the increase in gasoline and natural gas prices, and the economic consequences of natural disasters, military action or terrorist activities and increased regulatory and compliance burdens related to governmental actions in response to a variety of factors, including but not limited to national security and anti-terrorism concerns and concerns about climate change. Any future events arising as a result of terrorist activity or other world events may have a material impact on our business, including the demand for and our ability to source products, and consequently on our results of operations and financial condition.

The increasing scope of our non-U.S. operations exposes our performance to risks including foreign economic conditions and exchange rate fluctuations.

Our performance depends in part on general economic conditions affecting all countries in which we do business. We are dependent on foreign manufacturers for the products we sell, and our inventory is subject to cost and availability of foreign materials and labor. Demand for our product offering in our non-U.S. operations is also subject to local market conditions. The economic situation in Europe has been unstable, arising from concerns that certain European countries may default in payments due on their national debt obligations and from related European financial restructuring efforts, the effects of which could be felt throughout the European Union, including in the U.K. and the Republic of Ireland, where our Schuh operations are based. While Schuh has performed above our expectations since its acquisition, there can be no assurance that its future performance will not be adversely affected by economic conditions in its markets.

As we expand our international operations, we also increase our exposure to exchange rate fluctuations. Sales from stores outside the U.S. are denominated in the currency of the country in which these operations or stores are located and changes in foreign exchange rates affect the translation of the sales and earnings of these businesses into U.S. dollars for financial reporting purposes. Additionally, inventory purchase agreements may also be denominated in the currency of the country where the vendor resides.

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

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

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

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

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

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

Merchandise originally manufactured and imported from overseas makes up a large proportion of our total inventory. A disruption in the shipping of our imported merchandise or an increase in the cost of those products may significantly decrease our sales and profits. We may be unable to meet our customers’ demands or pass on price increases to our customers. In addition, if imported merchandise becomes more expensive or unavailable, the transition to alternative sources may not

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occur in time to meet demand. Products from alternative sources may also be of lesser quality or more expensive than those we currently import. Risks associated with our reliance on imported products include:

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

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

A small portion of the products we buy abroad are priced in foreign currencies and, therefore, we are affected by fluctuating currency exchange rates. In the past, we have entered into foreign currency exchange contracts with major financial institutions to hedge these fluctuations. We might not be able to effectively protect ourselves in the future against currency rate fluctuations, and our financial performance could suffer as a result. Even dollar-denominated foreign purchases may be affected by currency fluctuations, as suppliers seek to reflect appreciation in the local currency against the dollar in the price of the products that they provide. You should read "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information about our foreign currency exchange rate exposure and hedging activities.

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

We depend on a variety of information technology systems for the efficient functioning of our business and security of information. Much information essential to our business is maintained electronically, including competitively sensitive information and potentially sensitive personal information about customers and employees. Security breaches and incidents, such as the unlawful intrusion into a portion of our networks used to process payment card and check transactions for certain retail stores that we announced in December 2010, could expose us to liability connected to any data loss, to higher operational costs related to security enhancements, and to loss of consumer confidence in our retail concepts and brands. Our insurance policies may not provide coverage for these matters or may have coverage limits which may not be adequate to reimburse us for losses caused by security breaches. We rely on certain hardware and software vendors to maintain and periodically upgrade many of these systems so that they can continue to support our business. The software programs supporting many of our systems were licensed to the Company by independent software developers. The inability of these developers or the Company to continue to maintain and upgrade these information systems and software programs could disrupt or reduce the efficiency of our operations. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations or leave the Company vulnerable to security breaches.

We also rely heavily on our information technology staff. If we cannot meet our staffing needs in this area, we may not be able to fulfill our technology initiatives or to provide maintenance on existing systems.

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

Each of our operations uses a single distribution center to handle all or a significant amount of its merchandise. Most of our operations' inventory is shipped directly from suppliers to their distribution centers, where the inventory is then processed, sorted and shipped to our stores or to our wholesale customers. We depend on the orderly operation of this receiving and distribution process, which depends, in turn, on adherence to shipping schedules and effective management of the distribution centers. Although we believe that our receiving and distribution process is efficient and well positioned to support our current business and our expansion plans, we cannot offer assurance that we have anticipated all of the changing demands which our expanding operations will impose on our receiving and distribution system, or that events beyond our control,

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such as disruptions in operations due to fire or other catastrophic events, labor disagreements or shipping problems (whether in our own or in our third party vendors' or carriers' businesses), will not result in delays in the delivery of merchandise to our stores or to our wholesale customers. We also make changes in our distribution processes from time to time in an effort to improve efficiency, maximize capacity, etc. We cannot assure that these changes will not result in unanticipated delays or interruptions in distribution. We depend upon UPS for shipment of a significant amount of merchandise. An interruption in service by UPS for any reason could cause temporary disruptions in our business, a loss of sales and profits, and other material adverse effects.

Our freight cost is impacted by changes in fuel prices through surcharges. Fuel prices and surcharges affect freight cost both on inbound freight from vendors to our distribution centers and outbound freight from our distribution centers to our stores and wholesale customers.

Increases in fuel prices and surcharges and other factors may increase freight costs and thereby increase our cost of goods sold.

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

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

We face a number of risks in opening new stores.

As part of our long-term growth strategy, we expect to open new stores, both in regional malls, where most of our operational experience lies, and in other venues with which we are less familiar, including lifestyle centers, major city street locations, and tourist destinations. Because of economic conditions and the availability of appropriate locations, we slowed our pace of new store openings beginning in Fiscal 2010. While we intend to continue to be selective with respect to new locations, our plans for Fiscal 2014 call for more new stores than we have opened in any year since Fiscal 2008. We increased our net store base by 33 in Fiscal 2011, 78 in Fiscal 2012 and 72 in Fiscal 2013; and currently plan to increase our net store base by approximately 132 stores in Fiscal 2014. We cannot offer assurances that we will be able to open as many stores as we have planned, that any new store will achieve similar operating results to those of our existing stores or that new stores opened in markets in which we operate will not have a material adverse effect on the revenues and profitability of our existing stores. The success of our planned expansion will be dependent upon numerous factors, many of which are beyond our control, including the following:

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

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

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

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

•the timing of new store openings and renewals;
•the amount of net sales contributed by new and existing stores;
•the timing of certain holidays and sales events;
•changes in our merchandise mix;
•general economic, industry and weather conditions that affect consumer spending; and
•actions of competitors, including promotional activity.

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

A number of factors have historically affected, and will continue to affect, our comparable sales results, including:
•consumer trends, such as less disposable income due to the impact of economic conditions and tax policies;
•competition;
•timing of holidays including sales tax holidays;
•general regional and national economic conditions;
•inclement weather;
•changes in our merchandise mix;
•our ability to distribute merchandise efficiently to our stores;
•timing and type of sales events, promotional activities or other advertising;
•other external events beyond our control;
•new merchandise introductions; and
•our ability to execute our business strategy effectively.

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

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

We are party to certain lawsuits, governmental investigations, and regulatory proceedings, including the suits and proceedings arising out of alleged environmental contamination relating to historical operations of the Company and various suits involving current operations as disclosed in Note 13 to the Consolidated Financial Statements. If these or similar matters are resolved against us, our results of operations, our cash flows, or our financial condition could be adversely affected. The costs of defending such lawsuits and responding to such investigations and regulatory proceedings may be

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substantial and their potential to distract management from day-to-day business is significant. Moreover, with retail operations in 50 states, Puerto Rico, Canada, the United Kingdom and the Republic of Ireland, we are subject to federal, state, provincial, territorial, local and foreign regulations, which impose costs and risks on our business. Changes in regulations could make compliance more difficult and costly, and violations could result in liability for damages or penalties.

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

Our performance depends largely on the efforts and abilities of members of our management team. Our executives have substantial experience and expertise in our business and have made significant contributions to our growth and success. The unexpected future loss of services of one or more key members of our management team could have an adverse effect on our business. In addition, future performance will depend upon our ability to attract, retain and motivate qualified employees, including store personnel and field management. If we are unable to do so, our ability to meet our operating goals may be compromised. Finally, our stores are decentralized, are managed through a network of geographically dispersed management personnel and historically experience a high degree of turnover. If we are for any reason unable to maintain appropriate controls on store operations due to turnover or other reasons, including the ability to control losses resulting from inventory and cash shrinkage, our sales and operating margins may be adversely affected. There can be no assurance that we will be able to attract and retain the personnel we need in the future.

Goodwill recorded with acquisitions is subject to impairment which could reduce the Company's profitability.

Deterioration in the Company’s market value, whether related to the Company’s operating performance or to disruptions in the equity markets or deterioration in the operating performance of the business unit with which goodwill is associated, could require the Company to recognize the impairment of some or all of the $273.8 million of goodwill on its Consolidated Balance Sheets at February 2, 2013, resulting in the reduction of net assets and a corresponding non-cash charge to earnings in the amount of the impairment.

In connection with acquisitions, the Company records goodwill on its Consolidated Financial Statements. This asset is not amortized but is subject to an impairment test at least annually, which consists of either a qualitative assessment on a reporting unit level, or a two-step impairment test if necessary, that is 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 test 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 at a value of $14.0 million on its Consolidated Balance Sheets related to such acquisitions. The Company found that the result of its annual impairment test, which valued the business at approximately $2.8 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 $7.4 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 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. Since the maximum non-cash goodwill impairment charge would be $14.0 million, the Company does not believe that any impairment charge related thereto would be material; however, there can be no assurance that any future goodwill impairment will not have a material adverse effect on the Company's financial position.

ITEM 1B, UNRESOLVED STAFF COMMENTS

None.

ITEM 2, PROPERTIES

See Item 1, Business — Properties.

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ITEM 3, LEGAL PROCEEDINGS

Environmental Matters

New York State Environmental Matters

In August 1997, the New York State Department of Environmental Conservation (“NYSDEC”) and the Company entered into a consent order whereby the Company assumed responsibility for conducting a remedial investigation and feasibility study (“RIFS”) and implementing an interim 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, 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.

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 February 2, 2013, $13.0 million as of January 28, 2012 and $15.5 million as of January 29, 2011. All such provisions reflect the Company's estimates of the most likely cost (undiscounted, including both current and noncurrent portions) of resolving the contingencies, based on facts and circumstances as of the time they were made. There is no assurance that relevant facts and circumstances will not change, necessitating future changes to the provisions. Such contingent liabilities are included in the liability arising from provision for discontinued operations on the accompanying Consolidated Balance Sheets because they relate to former facilities operated by the Company. The Company has made pretax accruals for certain of

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these contingencies, including approximately $0.8 million reflected in Fiscal 2013, $1.8 million reflected in Fiscal 2012 and $2.9 million reflected in Fiscal 2011. These charges are included in provision for discontinued operations, net in the 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. have 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 January 5, 2012, a patent infringement action against the Company and numerous other defendants was filed in the U.S. District Court for the Eastern District of Texas, GeoTag, Inc. v. Circle K Store, Inc., et al., alleging that features of certain of the Company's e-commerce websites infringe U.S. Patent No. 5,930,474, entitled “Internet Organizer for Accessing Geographically and Topically Based Information.” The plaintiff seeks relief including damages for the alleged infringement, costs, expenses and pre- and post-judgment interest and injunctive relief. The Company disputes the validity of the claim and is defending the matter.

On June 13, 2012, a former vendor of a subsidiary of the Company filed an action, Perfect Curve, Inc. v. Hat World, Inc., in U.S. District Court in Massachusetts, alleging patent, trademark, trade dress, and copyright infringement against the subsidiary based on the sale of a line of products developed by the subsidiary. The Company denies the material allegations against it and is defending the action.

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, 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 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 Company disputes the material allegations in the consolidated action and in Maro and is defending the actions.

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 is defending the matter.

In addition to the matters specifically described above, 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.

ITEM 4, MINE SAFETY DISCLOSURES
Not applicable.

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ITEM 4A, EXECUTIVE OFFICERS

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

Robert J. Dennis, 59, Chairman, President and Chief Executive Officer. Mr. Dennis joined the Company in 2004 as chief executive officer of the Company's acquired Hat World business. Mr. Dennis was named senior vice president of the Company in June 2004 and executive vice president and chief operating officer, with oversight responsibility for all the Company's operating divisions, in October 2005. Mr. Dennis was named president of the Company in October 2006 and chief executive officer in August 2008. Mr. Dennis was named chairman in February 2010, which became effective April 1, 2010. Mr. Dennis joined Hat World in 2001 from Asbury Automotive, where he was employed in senior management roles beginning in 1998. Mr. Dennis was with McKinsey and Company, an international consulting firm, from 1984 to 1997, and became a partner in 1990.

James S. Gulmi, 67, Senior Vice President – Finance and Chief Financial Officer. Mr. Gulmi joined the Company in 1971 as a financial analyst, appointed assistant treasurer in 1974 and named treasurer in 1979. He was elected a vice president in 1983 and assumed the responsibilities of chief financial officer in 1986. Mr. Gulmi was appointed senior vice president—finance in January 1996.

Jonathan D. Caplan, 59, Senior Vice President. Mr. Caplan rejoined the Company in 2002 as chief executive officer of the branded group and president of Johnston & Murphy and was named senior vice president of the Company in November 2003. Mr. Caplan first joined the Company in June 1982 and served as president of Genesco's Laredo-Code West division from December 1985 to May 1992. After that time, Mr. Caplan was president of Stride Rite's Children's Group and then its Ked's Footwear division, from 1992 to 1996. He was vice president, New Business Development and Strategy, for Service Merchandise Corporation from 1997 to 1998. Prior to rejoining Genesco in October 2002, Mr. Caplan served as president and chief executive officer of Hi-Tec Sports North America beginning in 1998.

James C. Estepa, 61, Senior Vice President. Mr. Estepa joined the Company in 1985 and in February 1996 was named vice president operations of Genesco Retail, which included the Jarman Shoe Company, Journeys, Boot Factory and General Shoe Warehouse. Mr. Estepa was named senior vice president operations of Genesco Retail in June 1998. He was named president of Journeys in March 1999. Mr. Estepa was named senior vice president of the Company in April 2000. He was named president and chief executive officer of the Genesco Retail Group in 2001, assuming additional responsibilities of overseeing the Company's former Underground Station segment.

Kenneth J. Kocher, 47, Senior Vice President. Mr. Kocher joined Hat World in 1997 as chief financial officer and was named president in October 2005. He was named senior vice president of the Company in October 2006 in addition to continuing his role as president of Hat World. Prior to joining Hat World, he served as a controller with several companies and was a certified public accountant with Edie Bailley, a public accounting firm.

Roger G. Sisson, 49, Senior Vice President, Secretary and General Counsel. Mr. Sisson joined the Company in 1994 as assistant general counsel and was elected secretary in February 1994. He was named general counsel in January 1996. Mr. Sisson was named vice president in November 2003. He was named senior vice president in October 2006.

Mimi Eckel Vaughn, 46, Senior Vice President of Strategy and Shared Services. Ms. Vaughn joined the Company in September 2003 as vice president of strategy and business development. She was named senior vice president, strategy and business development in October 2006 and senior vice president of strategy and shared services in April 2009. Prior to joining the Company, Ms. Vaughn was executive vice president of business development and marketing, and acting chief financial officer from 2000 to 2001 for Link2Gov Corporation in Nashville. From 1993 to 1999, she was a consultant at McKinsey and Company in Atlanta.

Paul D. Williams, 58, Vice President and Chief Accounting Officer. Mr. Williams joined the Company in 1977, was named director of corporate accounting and financial reporting in 1993 and chief accounting officer in April 1995. He was named vice president in October 2006.

Matthew N. Johnson, 48, Treasurer. Mr. Johnson joined the Company in 1993 as manager, corporate finance and was elected assistant treasurer in December 1993. He was elected treasurer in June 1996. He was named vice president finance in October 2006 and renamed treasurer in April 2011. Prior to joining the Company, Mr. Johnson was a vice president in the corporate and institutional banking division of The First National Bank of Chicago.

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PART II

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

Market Information

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

Fiscal Year ended January 28

	High	Low
2012 1st Quarter	$44.75	$35.76
2nd Quarter	56.84	39.12
3rd Quarter	62.51	39.41
4th Quarter	64.93	54.32

Fiscal Year ended February 2

	High	Low
2013 1st Quarter	$78.97	$60.02
2nd Quarter	78.78	55.65
3rd Quarter	74.93	55.40
4th Quarter	63.26	50.33

There were approximately 2,900 common shareholders of record on March 15, 2013.

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

Recent Sales of Unregistered Securities

None.

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Repurchases (shown in 000's except share and per share amounts):

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of shares Purchased as Part of Publicly announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
November 2012 10-28-12 to 11-24-12	—	$—	—	$—
December 2012 11-25-12 to 12-29-12[1]	151,989	$53.17	151,989	$58,323
January 2013 12-30-12 to 2-2-13[1]	2,804	$52.02	2,804	$58,177

(1) During the fourth quarter of Fiscal 2013, the Company repurchased shares of common stock under an existing $75.0 million authorization from the board of directors announced in the third quarter of Fiscal 2011. As of February 2, 2013, the Company had repurchased 299,506 shares at a cost of $16.8 million.

Equity Compensation Plan Information

Refer to Part III, Item 12.

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ITEM 6, SELECTED FINANCIAL DATA
Financial Summary

In Thousands except per common share data, financial statistics and other data	Fiscal Year End 2013	2012	2011	2010	2009
Results of Operations Data					
Net sales	$2,604,817	$2,291,987	$1,789,839	$1,574,352	$1,551,562
Depreciation and amortization	63,697	53,737	47,738	47,462	46,833
Earnings from operations	167,970	143,870	86,083	60,422	259,626
Earnings from continuing operations before income taxes	162,939	138,778	84,961	50,488	250,714
Earnings from continuing operations	110,998	82,984	54,547	29,086	156,219
Provision for discontinued operations, net	(462)	(1,025)	(1,336)	(273)	(5,463)
Net earnings	$110,536	$81,959	$53,211	$28,813	$150,756
Per Common Share Data					
Earnings from continuing operations					
Basic	$4.70	$3.56	$2.34	$1.35	$8.11
Diluted	4.62	3.48	2.29	1.31	6.72
Discontinued operations					
Basic	(0.02)	(0.04)	(0.06)	(0.02)	(0.28)
Diluted	(0.02)	(0.05)	(0.05)	(0.01)	(0.23)
Net earnings					
Basic	4.68	3.52	2.28	1.33	7.83
Diluted	4.60	3.43	2.24	1.30	6.49
Balance Sheet Data					
Total assets	$1,333,789	$1,237,265	$961,082	$863,652	$816,063
Long-term debt	50,682	40,704	—	—	113,735
Non-redeemable preferred stock	3,924	4,957	5,183	5,220	5,203
Common equity	804,667	710,404	619,135	577,093	444,552
Capital expenditures	71,737	49,456	29,299	33,825	49,420
Financial Statistics					
Earnings from operations as a percent of net sales	6.4%	6.3%	4.8%	3.8%	16.7%
Book value per share (common equity divided by common shares outstanding)	$33.53	$29.27	$26.15	$23.97	$23.10
Working capital (in thousands)	$406,217	$290,850	$278,692	$280,415	$259,137
Current ratio	2.5	2.0	2.2	2.7	2.9
Percent long-term debt to total capitalization	5.9%	5.4%	—%	—%	20.2%
Other Data (End of Year)					
Number of retail outlets*	2,459	2,387	2,309	2,276	2,234
Number of employees	22,700	21,475	15,200	13,925	13,775

* Includes 75 Schuh stores and concessions in Fiscal 2012 acquired June 23, 2011, 48 Sports Avenue stores in Fiscal 2011 acquired October 8, 2010, and 37 Sports Fan Attic stores in Fiscal 2010 acquired November 3,

2009. See Note 2 to the Consolidated Financial Statements.

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Reflected in earnings from continuing operations for Fiscal 2012 was $7.4 million in acquisition related expenses. See Note 2 to the Consolidated Financial Statements for additional information.
Reflected in earnings from continuing operations for Fiscal 2009 was a $204.1 million gain on the settlement of merger-related litigation.
Reflected in earnings from continuing operations for Fiscal 2009 were $8.0 million in merger-related costs and litigation expenses. These expenses were deductible for tax purposes in Fiscal 2009.
Reflected in earnings from continuing operations for Fiscal 2013, 2012, 2011, 2010 and 2009 were asset impairment and other charges of $17.0 million, $2.7 million, $8.6 million, $13.4 million and $7.5 million, respectively. See Note 3 to the Consolidated Financial Statements for additional information regarding these charges.
Long-term debt includes current obligations. In January 2011, the Company entered into the second amended and restated credit agreement in the aggregate principal amount of $300.0 million. In June 2011, the Company entered into a first amendment to the second amended and restated credit agreement to raise the aggregate principal amount to $375.0 million. During Fiscal 2010, the Company entered into separate exchange agreements whereby it acquired and retired all $86.2 million in aggregate principal amount of its Debentures due June 15, 2023 in exchange for the issuance of 4,552,824 shares of its common stock. As a result of the exchange agreements and conversions, the Company recognized a loss on the early retirement of debt of $5.5 million reflected in earnings from continuing operations. See Note 6 to the Consolidated Financial Statements for additional information regarding the Company's debt.
The Company has not paid dividends on its Common Stock since 1973. See Notes 6 and 8 to the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Sources of Liquidity" for a description of limitations on the Company's ability to pay dividends.

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ITEM 7, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

This discussion and the notes to the Consolidated Financial Statements, as well as Item 1, Business, include certain forward-looking statements, which include statements regarding our intent, belief or expectations and all statements other than those made solely with respect to historical fact. Actual results could differ materially from those reflected by the forward-looking statements in this discussion and a number of factors may adversely affect the forward looking statements and the Company's future results, liquidity, capital resources or prospects. These include, but are not limited to, the amount of required accruals related to the earn-out bonus potentially payable to Schuh management based on the achievement of certain performance objectives, the timing and amount of non-cash asset impairments related to retail store fixed assets or to intangible assets of acquired businesses, weakness in the consumer economy, competition in the Company's markets, inability of customers to obtain credit, fashion trends that affect the sales or product margins of the Company's retail product offerings, changes in buying patterns by significant wholesale customers, bankruptcies or deterioration in financial condition of significant wholesale customers, disruptions in product supply or distribution, unfavorable trends in fuel costs, foreign exchange rates, foreign labor and materials costs, and other factors affecting the cost of products, the Company's ability to continue to complete and integrate acquisitions, expand its business and diversify its product base and changes in the timing of holidays or in the onset of seasonal weather affecting period-to-period sales comparisons. Additional factors that could affect the Company's prospects and cause differences from expectations include the ability to build, open, staff and support additional retail stores and to renew leases in existing stores and maintain reductions in occupancy costs achieved in recent lease negotiations, and to conduct required remodeling or refurbishment on schedule and at expected expense levels, deterioration in the performance of individual businesses or of the Company's market value relative to its book value, resulting in impairments of fixed assets or intangible assets or other adverse financial consequences, unexpected changes to the market for the Company's shares, variations from expected pension-related charges caused by conditions in the financial markets, and the outcome of litigation, investigations and environmental matters involving the Company. For a discussion of additional risk factors, see Item 1A, Risk Factors.

Overview

Description of Business

The Company's business includes the design and sourcing, marketing and distribution of footwear and accessories through retail stores, including Journeys®, Journeys Kidz®, Shi by Journeys®, Underground by Journeys® and Johnston & Murphy® in the U.S., Puerto Rico and Canada and through Schuh® stores in the United Kingdom and the Republic of Ireland, and through e-commerce websites and catalogs, and at wholesale, primarily under the Company's Johnston & Murphy brand, the licensed Dockers® brand, and other brands that the Company licenses for men's footwear. The Company's wholesale footwear brands are distributed to more than 1,025 retail accounts in the United States, including a number of leading department, discount, and specialty stores. The Company's business also includes Lids Sports, which operates (i) headwear and accessory stores under the Lids® name and other names in the U.S., Puerto Rico and Canada, (ii) the Lids Locker Room business, consisting of sports-oriented fan shops featuring a broad array of licensed merchandise such as apparel, hats and accessories, sports decor and novelty products, (iii) the Lids Clubhouse business, consisting of fan shops, (iv) e-commerce business and (v) an athletic team dealer business operating as Lids Team Sports. Including both the footwear businesses and the Lids Sports business, at February 2, 2013, the Company operated 2,459 retail stores in the U.S., Puerto Rico, Canada, the United Kingdom and the Republic of Ireland.

During Fiscal 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, acquired in June 2011, 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; 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 footwear brands.

The Journeys retail footwear stores sell footwear and accessories primarily for 13 to 22 year old men and women. The stores average approximately 1,975 square feet. The Journeys Kidz retail footwear stores sell footwear primarily for younger children, ages five to 12. These stores average approximately 1,425 square feet. Shi by Journeys retail footwear stores sell footwear and accessories to fashion-conscious women in their early 20's to mid 30's. These stores average approximately 2,125 square feet. The Underground by Journeys retail footwear stores sell footwear and accessories primarily for men and women in the 20 to 35 age group. These stores average approximately 1,825 square feet. The Journeys Group stores are primarily in malls and factory outlet centers throughout the United States, Puerto Rico and Canada. The Journeys Group operates 24 stores in Canada. Journeys also sells footwear and accessories through direct-to-consumer catalog and e-commerce operations.

The Schuh retail footwear stores sell a broad range of branded casual and athletic footwear along with a meaningful private label offering primarily for 15 to 30 year old men and women. The stores, which average approximately 4,300 square feet, include both street-level and mall locations in the United Kingdom and the Republic of Ireland. During the third quarter of Fiscal 2013, the Schuh Group opened its first Schuh Kids store. As of February 2, 2013, the Company has opened three Schuh Kids stores that sell footwear primarily for younger children, ages five to 12, and average 1,075 square feet. The Schuh Group also operates 13 footwear concessions in Republic apparel stores in the United Kingdom averaging approximately 1,175 square feet, and sells footwear through e-commerce operations.

The Lids Sports Group includes stores and kiosks, primarily under the Lids banner, that sell licensed and branded headwear to men and women primarily in the early-teens to mid-20's age group. The Lids store locations average approximately 850 square feet and are primarily in malls, airports, street-level stores and factory outlet centers throughout the United States, Puerto Rico and Canada. The Lids Sports Group also operates Lids Locker Room and Lids Clubhouse stores under a number of trade names, selling licensed sports headwear, apparel and accessories to sports fans of all ages in locations averaging approximately 2,975 square feet in malls and other locations primarily in the United States. The Lids Sports Group operates 98 stores in Canada. The Lids Sports Group also sells headwear and accessories through e-commerce operations. In addition, the Lids Sports Group operates Lids Team Sports, an athletic team dealer business.

Johnston & Murphy retail shops sell a broad range of men's footwear, luggage and accessories. Women's footwear and accessories are sold in select Johnston & Murphy retail locations. Johnston & Murphy shops average approximately 1,525 square feet and are located primarily in better malls and in airports throughout the United States and in Canada. Johnston & Murphy opened its first store in Canada during the fourth quarter of Fiscal 2012. As of February 2, 2013, Johnston & Murphy operates five stores in Canada. The Company also has license and distribution agreements for wholesale and retail sales of Johnston & Murphy products in various non - U.S. jurisdictions. The Company also sells Johnston & Murphy footwear and accessories in factory stores, averaging approximately 2,350 square feet, located in factory outlet malls, and through an e-commerce operation and a direct-to-consumer catalog. In addition, Johnston & Murphy shoes are also distributed through the Company's wholesale operations to better department and independent specialty stores.

The Licensed Brands segment markets casual and dress casual footwear under the licensed Dockers® brand to men aged 30 to 55 through many of the same national retail chains that carry Dockers slacks and sportswear and in department and specialty stores across the country. The Company entered into an exclusive license with Levi Strauss & Co. to market men's footwear in the United States under the Dockers brand name in 1991. Levi Strauss & Co. and the Company have subsequently added additional territories, including Canada and Mexico and in certain other Latin American countries. The Dockers license agreement was renewed July 23, 2012 for a term expiring November 30, 2015, subject to extension for an additional 3-year term if certain conditions are met. The Company acquired Keuka Footwear in the third quarter of Fiscal 2011 and subsequently launched its SureGrip® Footwear line of slip-resistant, occupational footwear from that base. The Company sources and distributes the SureGrip line to employees in the hospitality, healthcare, and other industries.

Strategy

The Company's long-term strategy has been to seek organic growth by: 1) increasing the Company's store base, 2) increasing retail square footage, 3) improving comparable sales, 4) increasing operating margin and 5) enhancing the value of its brands. The pace of the Company's organic growth may be limited by saturation of its markets and by economic conditions. In Fiscal 2010, the Company slowed the pace of new store openings and focused on inventory management and cash flow in response to economic conditions. The Company also focused on opportunities provided by the economic climate to negotiate occupancy cost reductions, especially where lease provisions triggered by sales shortfalls or declining occupancy of malls would permit the Company to terminate leases. To address potential saturation of the U.S. market, certain of the Company's retail businesses have opened retail stores in Canada, beginning in Fiscal 2011. The Company also opened its first Schuh Kids store in Scotland during the third quarter of Fiscal 2013.

To further supplement its organic growth potential, the Company has made acquisitions, including the acquisition of the Schuh Group in June 2011 and several smaller acquisitions of businesses in the Lids Sports Group's markets, and expects to consider acquisition opportunities, either to augment its existing businesses or to enter new businesses that it considers compatible with its existing businesses, core expertise and strategic profile. Acquisitions involve a number of risks, including, among others, inaccurate valuation of the acquired business, the assumption of undisclosed liabilities, the failure to integrate the acquired business appropriately, and distraction of management from existing businesses. The Company seeks to mitigate these risks by applying appropriate financial metrics in its valuation analysis and developing and executing plans for due diligence and integration that are appropriate to each acquisition.

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More generally, the Company attempts to develop strategies to mitigate the risks it views as material, including those discussed under the caption “Forward Looking Statements,” above, and those discussed in Item 1A, Risk Factors. Among the most important of these factors are those related to consumer demand. Conditions in the economy can affect demand, resulting in changes in sales and, as prices are adjusted to drive sales and manage inventories, in gross margins. Because fashion trends influencing many of the Company’s target customers can change rapidly, the Company believes that its ability to react quickly to those changes has been important to its success. Even when the Company succeeds in aligning its merchandise offerings with consumer preferences, those preferences may affect results by, for example, driving sales of products with lower average selling prices or products which are more widely available in the marketplace and thus more subject to competitive pressures than the Company's typical offering. Moreover, economic factors, such as the relatively high level of unemployment and any future economic contraction and changes in tax policy, may reduce the consumer’s disposable income or his or her willingness to purchase discretionary items, and thus may reduce demand for the Company’s merchandise, regardless of the Company’s skill in detecting and responding to fashion trends. The Company believes its experience and discipline in merchandising and the buying power associated with its relative size and importance in the industry segments in which it competes are important to its ability to mitigate risks associated with changing customer preferences and other changes in consumer demand.

Summary of Results of Operations

The Company’s net sales increased 13.6% during Fiscal 2013 compared to Fiscal 2012. The increase reflected (i) the acquisition of the Schuh Group in the second quarter last year, which contributed $370.5 million in sales during Fiscal 2013 compared to $212.3 million in sales during Fiscal 2012, (ii) a 9% increase in Journeys Group sales, (iii) an 11% increase in Licensed Brands sales, (iv) a 10% increase in Johnston & Murphy Group sales, and (v) a 4% increase in Lids Sports Group sales. Included in Fiscal 2013 was a 53rd week compared to a 52-week year for Fiscal 2012. Excluding the 53rd week, sales would have increased 12.1% for Fiscal 2013. Gross margin decreased as a percentage of net sales during Fiscal 2013, reflecting gross margin decreases in Lids Sports Group and Johnston & Murphy Group, partially offset by increased gross margin in Journeys Group and Schuh Group. Licensed Brands' gross margin was flat. Selling and administrative expenses decreased as a percentage of net sales during Fiscal 2013, reflecting expense decreases as a percentage of net sales in Journeys Group, Lids Sports Group and Johnston & Murphy Group, partially offset by increased expenses as a percentage of net sales in Schuh Group and Licensed Brands. Earnings from operations increased as a percentage of net sales during Fiscal 2013, reflecting improved earnings from operations in Journeys Group and Johnston & Murphy Group, partially offset by decreased earnings in Schuh Group and Licensed Brands. Earnings as a percentage of net sales were flat in Lids Sports Group.

Significant Developments

Schuh Acquisition

On June 23, 2011, the Company, through its newly-formed, wholly-owned subsidiary Genesco (UK) Limited (“Genesco UK”), completed the acquisition of all the outstanding shares of Schuh Group Ltd. (“Schuh”) for a total purchase price of approximately £100.0 million, less £29.5 million outstanding under existing Schuh credit facilities, which remain in place, less a £1.9 million working capital adjustment and plus £6.2 million net cash acquired, with £5.0 million withheld and payable in June 2013. The Company financed the acquisition with borrowings under its existing credit facility and the balance from cash on hand. The purchase agreement also provides for deferred purchase price payments totaling £25 million, payable £15 million and £10 million on the third and fourth anniversaries of the closing, respectively, subject to the payees’ not having terminated their employment with Schuh under certain specified circumstances. This amount will be recorded as compensation expense and not reported as a component of the cost of the acquisition.

Headquartered in Scotland, Schuh is a specialty retailer of casual and athletic footwear sold through 79 retail stores in the United Kingdom and the Republic of Ireland and 13 concessions in Republic apparel stores as of February 2, 2013. The Company completed the acquisition in order to enhance its strategic development and prospects for growth and provide the Company with an established retail presence in the United Kingdom and improved insight into global fashion trends. The results of Schuh’s operations for Fiscal 2013 include net sales of $370.5 million and operating earnings of $7.9 million, and have been included in the Company’s Consolidated Financial Statements for all of Fiscal 2013. The results of Schuh's operations for the fiscal year from the date of acquisition through January 28, 2012, including net sales of $212.3 million and operating earnings of $11.7 million, have been included in the Company's Consolidated Financial Statements for the fiscal year ended January 28, 2012. During the fiscal year ended January 28, 2012, the Company expensed $7.4 million in costs related to the acquisition. These costs were recorded as selling and administrative expenses on the Consolidated Statement of Operations. During Fiscal 2013, compensation expense related to the Schuh acquisition deferred purchase price obligation was $12.1 million, compared to $7.2 million in Fiscal 2012. This expense is included in the operating earnings for the Schuh Group segment.

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Other Acquisitions

In Fiscal 2013, the Company completed other acquisitions of small retail chains for a total purchase price of $23.8 million. The stores acquired will be operated within the Lids Sports Group.

Network Intrusion

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. have 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.

Asset Impairment and Other Charges

The Company recorded a pretax charge to earnings of $17.0 million in Fiscal 2013, including $15.6 million for network intrusion expenses, $1.4 million for retail store asset impairments, and $0.1 million for other legal matters.

The Company recorded a pretax charge to earnings of $2.7 million in Fiscal 2012, including $1.1 million for retail store asset impairments, $0.9 million for other legal matters and $0.7 million for network intrusion expenses.

The Company recorded a pretax charge to earnings of $8.6 million in Fiscal 2011, including $7.2 million for retail store asset impairments, $1.3 million for network intrusion expenses and $0.1 million for other legal matters.

Postretirement Benefit Liability Adjustments

The return on pension plan assets was $11.2 million for Fiscal 2013, compared to an expected return of $7.0 million. The discount rate used to measure benefit obligations decreased from 4.35% to 4.00% in Fiscal 2013. As a result of the increase in the return on plan assets, partially offset by the decreased discount rate, the pension liability reflected in the Consolidated Balance Sheets decreased to $20.5 million compared to $22.2 million in Fiscal 2012. There was a decrease in the pension liability adjustment of $3.7 million (net of tax) in accumulated other comprehensive income in equity. Depending upon future interest rates and returns on plan assets and other factors, there can be no assurance that additional adjustments in future periods will not be required.

Discontinued Operations

In Fiscal 2013, the Company recorded an additional charge to earnings of $0.8 million ($0.5 million net of tax) reflected in discontinued operations primarily for anticipated costs of environmental remedial alternatives related to former facilities operated by the Company. For additional information, see Note 13 to the Consolidated Financial Statements.

In Fiscal 2012, the Company recorded an additional charge to earnings of $1.7 million ($1.0 million net of tax) reflected in discontinued operations, including $1.8 million primarily for anticipated costs of environmental remedial alternatives related to former facilities operated by the Company, offset by a $0.1 million gain for excess provisions to prior discontinued operations. For additional information, see Note 13 to the Consolidated Financial Statements.

In Fiscal 2011, the Company recorded an additional charge to earnings of $2.2 million ($1.3 million net of tax) reflected in discontinued operations, including $2.9 million primarily for anticipated costs of environmental remedial alternatives related to former facilities operated by the Company, offset by a $0.7 million gain for excess provisions to prior discontinued operations. For additional information, see Note 13 to the Consolidated Financial Statements.

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Critical Accounting Policies

Inventory Valuation

As discussed in Note 1 to the Consolidated Financial Statements, 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 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. A change of 10 percent from the recorded provisions for markdowns, shrinkage and damaged goods would have changed inventory by $0.8 million at February 2, 2013.

Impairment of Long-Lived Assets

As discussed in Note 1 to the Consolidated Financial Statements, the Company periodically assesses the realizability of its long-lived assets, other than goodwill, 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.

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. 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 annual test, which is completed in the fourth quarter each year, 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

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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.

If the carrying value of the business 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.

As a result of the various acquisitions comprising the Lids Team Sports team dealer business, the Company carries goodwill at a value of $14.0 million on its Consolidated Balance Sheets related to such acquisitions. The Company found that the result of its annual impairment test, which valued the business at approximately $2.8 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 $7.4 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 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. Since the maximum non-cash goodwill impairment charge would be $14.0 million, the Company does not believe that any impairment charge related thereto would be material.

Environmental and Other Contingencies

The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters, including those disclosed in Note 13 to the Company’s Consolidated Financial Statements. The Company has made pretax accruals for certain of these contingencies, including approximately $0.8 million reflected in Fiscal 2013, $1.8 million reflected in Fiscal 2012 and $2.9 million reflected in Fiscal 2011. These charges are included in provision for discontinued operations, net in the 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 in relation to each of them, 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.

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 time of delivery to the customer and are net of estimated returns and exclude sales and value of 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. Actual amounts of markdowns have not differed materially from estimates. Actual returns and claims in any future period may differ from historical experience.

Income Taxes

As part of the process of preparing 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 Consolidated Balance Sheets. The Company then assesses the

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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 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 other 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 February 2, 2013, the Company had a deferred tax valuation allowance of $3.5 million.

Income tax reserves for uncertain 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. See Note 9 to the Company’s Consolidated Financial Statements for additional information regarding income taxes.

The Company recorded an effective income tax rate of 31.9% for Fiscal 2013 compared to 40.2% for 2012. This year's tax rate is lower primarily due to the reversal of charges previously recorded related to uncertain tax positions due to the expiration of the applicable statutes of limitations and a settlement with a state tax authority more favorable than anticipated related to other uncertain tax positions.

Postretirement Benefits Plan Accounting

Full-time employees who had at least 1,000 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 their 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.

Long Term Rate of Return Assumption – Pension expense increases as the expected rate of return on pension plan assets decreases. The Company estimates that the pension plan assets will generate a long-term rate of return of 7.75%. To develop this assumption, the Company considered historical asset returns, the current asset allocation and future expectations of asset returns. The expected long-term rate of return on plan assets is based on a long-term investment policy of 50% U.S. equities, 13% international equities, 35% U.S. fixed income securities and 2% cash equivalents. For Fiscal 2013, if the expected rate of return had been decreased by 1%, net pension expense would have increased by $0.9 million, and if the expected rate of return had been increased by 1%, net pension expense would have decreased by $0.9 million.

Discount Rate – Pension liability and future pension expense increase as the discount rate is reduced. The Company discounted future pension obligations using a rate of 4.00%, 4.35% and 5.25% for Fiscal 2013, 2012 and 2011, respectively. The discount rate at February 2, 2013 was determined based on a yield curve of high quality corporate bonds with cash flows matching the Company's plans' expected benefit payments. For Fiscal 2013, if the discount rate had been increased by 0.5%, net pension expense would have decreased by $0.6 million, and if the discount rate had been decreased by 0.5%,

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net pension expense would have increased by $0.6 million. In addition, if the discount rate had been increased by 0.5%, the projected benefit obligation would have decreased by $6.0 million and the accumulated benefit obligation would have decreased by $6.0 million. If the discount rate had been decreased by 0.5%, the projected benefit obligation would have been increased by $6.6 million and the accumulated benefit obligation would have increased by $6.6 million.

Amortization of Gains and Losses – The Company utilizes a calculated value of assets, which is an averaging method that recognizes changes in the fair values of assets over a period of five years. At the end of Fiscal 2013, the Company had unrecognized actuarial losses of $42.9 million. Accounting principles generally accepted in the United States require that the Company recognize a portion of these losses when they exceed a calculated threshold. These losses might be recognized as a component of pension expense in future years and would be amortized over the average future service of employees, which is currently approximately six years. Future changes in plan asset returns, assumed discount rates and various other factors related to the pension plan will impact future pension expense and liabilities, including increasing or decreasing unrecognized actuarial gains and losses.

The Company recognized expense for its defined benefit pension plans of $4.3 million, $2.8 million and $2.3 million in Fiscal 2013, 2012 and 2011, respectively. The Company's board of directors approved freezing the Company's defined pension benefit plan effective January 1, 2005. The Company's pension expense is expected to increase in Fiscal 2014 by approximately $0.4 million due to a larger actuarial loss to be amortized.

Share-Based Compensation

The Company has share-based compensation plans 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. For Fiscal 2013, 2012 and 2011, share-based compensation expense was $0.0, less than $1,000 and $0.2 million, respectively. The Company did not issue any new share-based compensation awards in Fiscal 2013, 2012 or 2011. For Fiscal 2013, 2012 and 2011, restricted stock expense was $10.5 million, $7.7 million and $7.8 million, respectively. The fair value of employee restricted stock is determined based on the closing price of the Company's stock on the date of the grant. The benefits of tax deductions in excess of recognized compensation expense are reported as a financing cash flow.

Comparable Sales

During Fiscal 2013, the Company revised its presentation of comparable sales to include its e-commerce and direct mail catalog businesses. Prior year comparable sales have been adjusted to conform to the current year presentation. Comparable sales are sales from stores open longer than one year, beginning in the fifty-third week of a store's operation, and sales of websites operated longer than one year and direct mail catalog sales. Temporarily closed stores are excluded from the comparable store sales calculation for every full week of the store closing. Expanded stores are excluded from the comparable store sales calculation until the fifty-third week of operation in the expanded format.

Results of Operations—Fiscal 2013 Compared to Fiscal 2012

The Company's net sales for Fiscal 2013 (53 weeks) increased 13.6% to $2.60 billion from $2.29 billion in Fiscal 2012 (52 weeks). The increase in net sales was a result of the inclusion of Schuh Group for the full year in Fiscal 2013, an estimated $35.2 million impact of sales for the fifty-third week and an increase in comparable sales in the Journeys Group, Schuh Group and Johnston & Murphy Group, combined with increased sales in Licensed Brands, offset by decreased comparable sales in Lids Sports Group. Gross margin increased 13.1% to $1.30 billion in Fiscal 2013 from $1.15 billion in Fiscal 2012, but decreased as a percentage of net sales from 50.1% to 49.8%, primarily reflecting decreased gross margin as a percentage of net sales in the Lids Sports and Johnston & Murphy Groups, offset slightly by increased gross margin as a percentage of net sales in the Journeys and Schuh Groups, while Licensed Brands' gross margin was flat. Selling and administrative expenses in Fiscal 2013 increased 11.2% from Fiscal 2012 but decreased as a percentage of net sales from 43.7% to 42.7%, primarily reflecting expense leverage in the Johnston & Murphy, Journeys and Lids Sports Groups due to positive comparable sales in the Journeys and Johnston & Murphy Groups and increased wholesale sales in the Johnston & Murphy Group. The Company records buying and merchandising and occupancy costs in selling and administrative expense. 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. Explanations of the changes in results of operations are provided by business segment in discussions following these introductory paragraphs.
Earnings from continuing operations before income taxes (“pretax earnings”) for Fiscal 2013 were $162.9 million, compared to $138.8 million for Fiscal 2012. Pretax earnings for Fiscal 2013 included asset impairment and other charges of $17.0 million, including $15.5 million for expenses related to the computer network intrusion announced in December 2010, $1.4 million for retail store asset impairments and $0.1 million for other legal matters. Pretax earnings for Fiscal 2012 included

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asset impairment and other charges of $2.7 million, including $1.1 million for retail store asset impairments, $0.9 million for other legal matters and $0.7 million for expenses related to the computer network intrusion.

Net earnings for Fiscal 2013 were $110.5 million ($4.60 diluted earnings per share) compared to $82.0 million ($3.43 diluted earnings per share) for Fiscal 2012. Net earnings for Fiscal 2013 includes $0.5 million ($0.02 diluted loss per share) charge to earnings (net of tax), primarily for anticipated costs of environmental remedial alternatives related to former facilities operated by the Company. Net earnings for Fiscal 2012 includes $1.0 million ($0.05 diluted loss per share) charge to earnings (net of tax), including $1.1 million primarily for anticipated costs of environmental remedial alternatives related to former facilities operated by the Company, offset by a $0.1 million gain for excess provisions to prior discontinued operations. The Company recorded an effective federal income tax rate of 31.9% for Fiscal 2013 compared to 40.2% for Fiscal 2012. This year's lower effective tax rate of 31.9% reflects the reversal of charges previously recorded related to uncertain tax positions due to the expiration of the applicable statutes of limitations and a settlement with a state tax authority more favorable than anticipated related to other uncertain tax positions. See Note 9 to the Consolidated Financial Statements for additional information.

Journeys Group

	Fiscal Year Ended		%
	2013	2012	Change
	(dollars in thousands)		
Net sales	$1,111,490	$1,020,116	9.0%
Earnings from operations	$106,929	$82,452	29.7%
Operating margin	9.6%	8.1%	

Net sales from Journeys Group increased 9.0% to $1.11 billion for Fiscal 2013 from $1.02 billion for Fiscal 2012. The increase reflects primarily a 6% increase in same store sales, an 8% increase in comparable direct sales and a 6% increase in comparable sales, including both store and direct sales. The comparable store sales increase reflected a 6% increase in the average price per pair of shoes, offset by a 1% decrease in footwear unit comparable sales. Total unit sales increased 2% during the same period. The store count for Journeys Group was 1,157 stores at the end of Fiscal 2013, including 156 Journeys Kidz stores, 51 Shi by Journeys stores, 130 Underground by Journeys stores and 24 Journeys stores in Canada, compared to 1,154 stores at the end of Fiscal 2012, including 152 Journeys Kidz stores, 53 Shi by Journeys stores, 137 Underground by Journeys stores and 13 Journeys stores in Canada.

Journeys Group earnings from operations for Fiscal 2013 increased 29.7% to $106.9 million, compared to $82.5 million for Fiscal 2012. The increase in earnings from operations was primarily due to increased net sales, increased gross margin as a percentage of net sales, reflecting lower markdowns, and to decreased expenses as a percentage of net sales, reflecting leverage of store related costs, including occupancy costs and depreciation, and lower bonus accruals.

Schuh Group

	Fiscal Year Ended		%
	2013	2012	Change
	(dollars in thousands)		
Net sales	$370,480	$212,262	74.5%
Earnings from operations	$7,875	$11,711	(32.8%)
Operating margin	2.1%	5.5%	

Net sales from the Schuh Group increased 74.5% to $370.5 million for Fiscal 2013, compared to $212.3 million for Fiscal 2012. Net sales for Schuh Group in Fiscal 2012 included sales only for the seven months after the Company acquired Schuh on June 23, 2011. The sales increase also reflects a 7% increase in same store sales, a 13% increase in comparable direct sales and an 8% increase in comparable sales, including both store and direct sales for the seven months ended February 2, 2013. Schuh Group operated 79 stores, including three Schuh Kids stores, and 13

concessions at the end of Fiscal 2013 compared to 64 stores and 14 concessions at the end of Fiscal 2012.
Schuh Group earnings from operations were $7.9 million for Fiscal 2013 compared to $11.7 million for Fiscal 2012. The earnings included $12.1 million this year and $7.2 million last year in compensation expense related to a deferred purchase price obligation in connection with the acquisition. The earnings also included $15.8 million this year and $4.9 million

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last year related to accruals for a contingent bonus payment for Schuh employees provided for in the Schuh acquisition. The decrease in earnings is due to the increase in expense associated with both the deferred purchase price and contingent bonus payment. See Note 2 to the Consolidated Financial Statements for additional information related to the Schuh acquisition.

Lids Sports Group

	Fiscal Year Ended		%
	2013	2012	Change
	(dollars in thousands)		
Net sales	$791,255	$759,324	4.2 %
Earnings from operations	$85,794	$82,349	4.2 %
Operating margin	10.8 %	10.8 %	

Net sales from the Lids Sports Group increased 4.2% to $791.3 million for Fiscal 2013 from $759.3 million for Fiscal 2012. The increase primarily reflects a 3% increase in average Lids Sports Group stores operated. Same store sales decreased 4%, comparable direct sales increased 9% and comparable sales, including both store and direct sales, decreased 3% for Fiscal 2013. The comparable sales decrease reflected a 1% decrease in average price per hat and a 1% decrease in comparable store hat units sold. The comparable sales decrease reflects the current popularity of adjustable "snap-back" hat styles, which have displaced some demand for fitted merchandise. Management believes that the relative ease of merchandising non-fitted hats has enabled a variety of non-headwear retailers to carry the adjustable styles, increasing competition in the category. Lids Sports Group operated 1,053 stores at the end of Fiscal 2013, including 98 Lids stores in Canada and 144 Lids Locker Room and Clubhouse stores, compared to 1,002 stores at the end of Fiscal 2012, including 82 Lids stores in Canada and 120 Lids Locker Room and Clubhouse stores.

Lids Sports Group earnings from operations for Fiscal 2013 increased 4.2% to $85.8 million compared to $82.3 million for Fiscal 2012. The increase in operating income was primarily due to increased net sales and decreased expenses as a percentage of net sales, primarily reflecting decreased accruals for bonus compensation.

Johnston & Murphy Group

	Fiscal Year Ended		%
	2013	2012	Change
	(dollars in thousands)		
Net sales	$221,860	$201,725	10.0 %
Earnings from operations	$15,737	$13,682	15.0 %
Operating margin	7.1 %	6.8 %	

Johnston & Murphy Group net sales increased 10.0% to $221.9 million for Fiscal 2013 from $201.7 million for Fiscal 2012. The increase reflected primarily a 3% increase in same store sales, a 13% increase in comparable direct sales and a 4% increase in comparable sales, including both store and direct sales, and a 21% increase in Johnston & Murphy wholesale sales slightly offset by a 1% decrease in average stores operated (i.e. the sum of the number of stores open on the first day of the fiscal year and the last day of each fiscal month during the year divided by thirteen) for Johnston & Murphy retail operations. Unit sales for the Johnston & Murphy wholesale business increased 25% in Fiscal 2013, while the average price per pair of shoes decreased 3% for the same period. Retail operations accounted for 71.7% of the Johnston & Murphy Group's sales in Fiscal 2013, down from 74.3% in Fiscal 2012. The comparable sales increase in Fiscal 2013 reflects a 4% increase in the average price per pair of shoes for Johnston & Murphy retail operations, primarily associated with increased sales of higher-priced dress shoes, while footwear unit comparable sales were flat. The store count for Johnston & Murphy retail operations at the end of Fiscal 2013 included 157 Johnston & Murphy shops and factory stores, including five stores in Canada, compared to 153 Johnston & Murphy shops and factory stores, including one store in Canada, at the end of Fiscal 2012.

Johnston & Murphy earnings from operations for Fiscal 2013 increased 15.0% to $15.7 million from $13.7 million for Fiscal 2012, primarily due to increased net sales.

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Licensed Brands

	Fiscal Year Ended		%	
	2013	2012	Change	
	(dollars in thousands)			
Net sales	$108,498	$97,444	11.3	%
Earnings from operations	$10,064			