Genesco Holds Steady in Q1

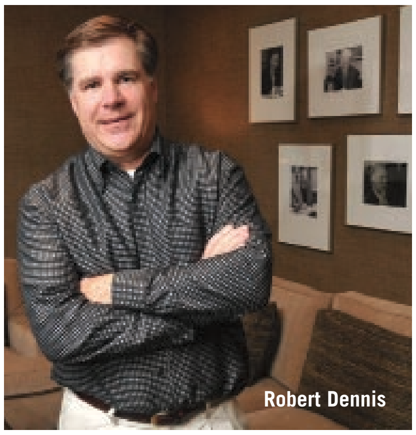
By MEGHAN CASS & ARNOLD J. KARR

NEW YORK — Analysts were upbeat last Thursday after Genesco Inc.'s first-quarter results came in better than expected.

The Nashville, Tenn.-based firm beat analysts' expectations by 13 cents a share and reaffirmed its full-year guidance, but restructuring charges and a loss on the early retirement of debt pulled Genesco to a net loss in the first quarter.

"While we were pleased with how well our business has held up overall in the quarter given economic conditions … we are still experiencing an up-and-down sales pattern, currently down. That causes us to be cautious in our outlook and in our approach to managing the business in the near term," President and CEO Robert Dennis said on a conference call with analysts. "We believe the Journeys Group heads into summer and back-to-school with a solid overall assortment, based on continued strength in several categories, especially skate and vulcanized fashion canvas."

Sterne Agee senior research analyst Sam Poser said he sees strength for Genesco toward the back half of the year. "They may be a little too optimistic about the second quarter. That quarter is going to be really, really tough. But we'll see improvement in the third quarter beyond what they are expecting. …


Robert Dennis

People are shopping closer to need, so that will be in September [for back-to-school]."

In the three months ended May 2, Genesco's net loss came to $5.8 million, or 31 cents a diluted share, versus net income of $129.3 million, or $5.14, in the year-ago period.

Excluding a loss on the early retirement of debt related to an exchange of notes for common stock, discontinued operations and other charges, Genesco earned $3.5 million, or 17 cents a share. Analysts polled by Yahoo Finance had anticipated EPS of 4 cents.

Excluding the benefit of the settlement reached in its aborted merger with Finish Line and other items in last year's quarter, earnings during that period would have been $3.8 million, or 17 cents.

Sales in the first quarter of 2009 rallied 4 percent to $370.4 million from $356.9 million in the year-ago period. Sales at the Journeys Group were up 5 percent to $176.8 million and rose 3 percent on a same-store basis. Hat World sales jumped 11 percent to $98.8 million, while its comparable-store sales rose 7 percent. Sales at Johnston & Murphy fell 16 percent to $39.3 million, where comps dropped 18 percent. Underground Station's sales fell 8 percent to $26.7 million, on 5 percent comps contraction.

Dennis said that, based on first-quarter results and business prospects, the firm was now "slightly more comfortable" with its full-year guidance for earnings of $1.70 to $1.80 a share.

Higher Expenses Drag Down DSW

By JESSICA PALLAY

NEW YORK — Increased investments in technology and marketing, coupled with a decrease in units per transaction, took a toll on DSW Inc. during the first quarter.

"It's another disappointing quarter," said Patrick McKeever, an analyst at MKM Partners, who lowered his full-year earnings estimate to 16 cents a share from 22 cents after the results. "Gross margin was a bright spot," he noted, "but selling, general and administrative expenses are under significant pressure from planned increases in advertising and IT spending. And operating margin is likely to register another sharp drop in the full year."

Susquehanna Financial Group analyst Christopher Svezia attributed DSW's 31 percent drop in profits to a much-needed spend on infrastructure updates, which although poorly timed with the recession, will eventually put the retailer on even technological ground with its competitors. "They've made significant investments in things such as merchandise allocation, size enablement and their dot-com business, which are all required systems in the footwear business," he said. "In the longer term, they're the right things to do, but by the time they're going to benefit the company, we could be a couple of years out."

The Columbus, Ohio-based retailer reported last Wednesday a net income of $7.1 million, or 16 cents a diluted share, for the first quarter ended May 2, compared with a profit of $10.3 million, or 23 cents, in the year-ago period.

Revenue for the first quarter increased by 5 percent to $385.8 million, from $366.3 million in last year's first quarter. The company narrowed its same-store sales decrease to 4.7 percent from 5.4 percent in the first quarter of 2008.

DSW also released earnings-per-share guidance for the full year to range between 30 and 35 cents, below analyst forecasts for 46 cents. The company expects same-store sales to decline in the mid-single digits.

The firm's new president and CEO, Michael MacDonald, also outlined his top 10 opportunities to improve sales trends during a conference call with analysts.

Some of his points included improving future store formats, implementing a size system for customers and further developing DSW's Website. MacDonald singled out the men's and accessories businesses as possible growth avenues.

"We need to be known for more than just women's shoes," he said. Beyond growing top-line revenue, he explained, "we also have opportunities to both expand margins and reduce expenses."

John Lobb Forges Ahead With Bespoke

By JOCELYN ANDERSON

NEW YORK — John Lobb is bolstering its bespoke business.

The high-end men's shoemaker opened a new flagship for its made-to-measure operations in Paris last month and launched a bespoke collection to celebrate the move.

The French firm, part of Hermès International, set up shop in the heart of Paris at 32 Rue de Mogador, steps away from the famed Palais Garnier opera house. At 6,500 square feet, the space serves as headquarters for John Lobb's bespoke business and includes craftsmen workshops and administrative offices. The made-to-measure salon, where customers will be fitted by appointment only, opens in early 2010.

"The idea was to repeat what happened in 1902, when John Lobb came to Paris from England," said Renaud Paul-Dauphin, CEO and general director of the brand. "He [built] his workshop together with a shop and an office in the Rue du Faubourg Saint-Honoré."

Paul-Dauphin added that the move should also encourage more interaction between customers and the company's 15 craftsmen working onsite.

In honor of the street name, the company is unveiling a new line — the Mogador Bespoke Collection — made up of 11 styles retailing for $6,000 with a wait time of three to four months.

"These shoes are a little more modern and very international in look," said Paul Goring, director of operations for John Lobb USA. "One pair is made per calf skin, which is much more expensive [to do]."

Among the styles on offer are single and double monk shoes, a two-eyelet derby, a slip-on oxford and a tassel loafer. All the shoes in the collection feature a sole that has been dyed "Mogador purple," a color said to have been worn by Roman aristocrats.

Even in this economy, Paul-Dauphin said, the demand for bespoke footwear is high.

"[People] are very much into creating their own designs," he said. "Bespoke is now more than ever a strong trend in our industry."