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Steve Madden, Ltd. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Scott Krasik - C.L. King & Associates, Inc.

Scott Krasik - C.L. King & Associates, Inc.

When you guys raised your guidance a couple of weeks ago you really took it up quite a bit given only one quarter of results and since you guys work typically so close to season and not a lot of visibility what gives you the confidence to raise your full year as much as you did?

Edward R. Rosenfeld

Well, quite simply the goods have been selling through very well at retail and our order file looks a bit better today than it did when we put out our original guidance on the fourth quarter call. There's really three factors driving the increase in the guidance. Number one is Steve Madden Women's the wholesale segment, we've just been doing very well there, gotten very good reception to our spring product and both sales and margin are coming in better than anticipated in Steve Madden Women's.

It's a very similar store in Madden Girl and we've taken those numbers up from what we were previously anticipating. Then, the last factor is L.e.i. at Wal-Mart. We're off to a great start there and our current expectations for L.e.i. at Wal-Mart are about double what we had in our original budget. So, when you put those three things together we think this new guidance makes sense.

Scott Krasik - C.L. King & Associates, Inc.

Then, the wholesale gross margin was very good even with the international hit. It's as high as its been since I think the first quarter of '06, what's going on in that line item? Is it just lower levels of markdowns or is there something you're doing better and how should we think just in terms of short of peakish or what can we do there?

Edward R. Rosenfeld

Well, the big improvement there was in the reduction in markdown allowances. That is as low as it's been for some time but there's also been a positive mix shift, Madden Girl is a fairly high margin business for us and that's been growing so I wouldn't classify this as peak but certainly it does represent a good performance particularly in the markdown area.

Scott Krasik - C.L. King & Associates, Inc.

Just in terms of mix is there anything that can improve there to help the margin? Either Daniel Friedman contributing?

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