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Liz Claiborne Inc. Q1 2009 (Qtr End 00/00/00) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Benjamin Rowbotham - Goldman Sachs

Benjamin Rowbotham - Goldman Sachs

My question really had to do with gross margins within the quarter, I know you mentioned that the direct brands were down about 400 basis points, any color on how the partnered brands division and the international direct brand division fared.

William McComb

I think you can find it on that chart, if we flip back to the speaker support slides. We saw that the adjusted operating margin at international based direct brands which is of course the Mexx business in Canada and throughout Europe, it went from in first quarter 2008 from 6.1% to negative 6.4%.

Benjamin Rowbotham - Goldman Sachs

Perhaps I misspoke, I was more referring to the gross margin rates not the operating profit margin rates.

William McComb

Okay.

Andy Warren

International, as William said the Mexx businesses, was 52% and domestic base direct brands was also 52%.

William McComb

Okay so let's put it back in basis points, its comparable. What you're going to see is international base direct brands, the gross margin rate was down 418 basis points and partnered brands down 600 basis points.

Benjamin Rowbotham - Goldman Sachs

Is there any way to think about on the partnered brands side how much of that was due to the liquidation of historical or legacy Liz Claiborne product versus the new stuff or actually more importantly the ongoing portion of the brand both Liz Claiborne and the other exclusive labels that you deal with in that channel.

William McComb

I can tell you this, we don't have a bridge in front of us that does that, and its hard to tease it out as you well know, it definitely skews to the clearance, very heavy clearance of the excess of what call old Liz. That said, I don't want to mischaracterize the fact that as we all said two or three times, it is a very promotional environment out there.

And all of the product lines have sort of been lumped into clearance, even some of the new Liz product. Its falling into a promotion cadence that reflects everybody's need to drive turn, drive turn, and goose traffic. So there's no question that that partnered brand SKU is, the SKU, almost the 400 to 600 SKU is driven by that massive clearance of the old Liz but generally speaking, capture the point that it is still very promotional out there.

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