

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

## Limited Brands, Inc. F1Q09 (Qtr End 05/02/09) Earnings Call Transcript

### Question-and-Answer Session

---

#### Operator

Thank you. (Operator Instructions) Your first question comes from Kimberly Greenberger - Citigroup.

#### Kimberly Greenberger - Citigroup

Martyn, you said something in your prepared remarks about sensing the economy is stabilizing. I'm wondering if you could share with us what are the things that you're looking at. And if it's something that you're seeing on a brand-by-brand basis, maybe Dian and Sharen could talk as well.

#### Martyn Redgrave

Sure, Kimberly. Again, we're all, I think, reading and watching all of the developments in the economy and all seeing pretty much the same kind of metrics and indicators.

I think some of the things we're looking at is the relative stabilization - in other words, the decline is lessening in intensity - in the housing market, the relative recovery in the consumer confidence index, and the relative stabilization of the financial markets. And I say it all in a relative sense because it's relative to the pace of decline that we've been experiencing over the past six months. And so the signs that things are stabilizing in that sense are there.

In terms of our comp store sales growth and other things, you've got the numbers. So is that stabilizing or not? Hard to say. As we've signaled in terms of our planning, though, looking forward we're continuing to look at things very conservatively, positioning all elements of the business in a very conservative posture, and continuing to look for other leverage in the other parts of our business through cost savings, inventory, capital, etc., to maintain a very strong position as we navigate our way through the economy and the retail environment that we're competing in.

#### Operator

Your next question comes from Michelle Clark - Morgan Stanley.

#### Michelle Clark - Morgan Stanley

My question relates to gross margin. If you can give us a sense of what the gross margin rate would have been ex the favorability of physical inventory at both VS and BBW, and secondly what the gross margin rate would have been ex the decline in lower margin Mast sales.

#### Stuart Burgdoerfer

In terms of isolating those effects or adjusting for those effects, merchandise margins would have been down - I'll talk about the two businesses together - between 150 and 200 basis points for the quarter.

**Operator**

Your next question comes from John Morris - BMO Capital Markets, LLC.

**John Morris - BMO Capital Markets, LLC**

Copyright © 2009 CBS Interactive, Inc. All Rights Reserved.