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Warnaco Group Inc. Q3 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from Matt McClintock – Barclays Capital.

Matt McClintock – Barclays Capital

So first question would be for Larry. Larry, can you elaborate more on the mix shift impact on gross margin? What exactly was that mix shift, and how should we think about that going forward?

Lawrence Rutkowski

I think a couple things on gross margin. As we reported that gross margin was impacted by currency. We said in our earnings release about \$20.8 million. And remember, the swimwear charge was also taken through gross margin and that additional 3.5.

So the gross margin excluding those items would be roughly flat. In terms of mix change, obviously as we look and show greater growth in international, as we continue to drive direct consumer, that is the mix change that over time should benefit our gross margin apples-to-apples.

Matt McClintock – Barclays Capital

And the second question would be regarding comps. At the analyst day, you released a comp number of quarter-to-date improvement 3.3% through September 25 and then for the full quarter it came in at 2%. I just want to know, how bad was that last week?

And Joe, when you talked about trends in October improving or getting better, I don't want to put words in your mouth, how should we look about that? Should we look at it towards the 2% or should we look at it towards the 3.3%?

Joseph Gromek

I think what happened at the end of the quarter at the end of September was we had some anomalies in some parts of the world. And I believe in Asia there was some holidays that kicked in and in some cases shops were closed for three or four days. So that's what really impacted us.

Matt McClintock – Barclays Capital

And in October?

Joseph Gromek

October, I sit back and I look at the results here and we are really quite pleased with what happened here. And with comparable store sales up 10% and top-line growth up over 30%, this is the best performance that we've had probably since last year.

And begin to equate that to the scale of our retail business, and the scale of our retail business now is approaching \$500 million. If we can grow that by 30%, just think about what that does for our future opportunities.

Operator

Your next question comes from Todd Slater – Lazard Capital.

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