

STEVEN MADDEN, LTD.
Form 10-Q
May 10, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

S QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

or

£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-23702

STEVEN MADDEN, LTD.

(Exact name of registrant as specified in its charter)

Delaware 13-3588231
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

52-16 Barnett Avenue, Long Island City, New York 11104
(Address of principal executive offices) (Zip
Code)

(718) 446-1800
(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer”, and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of May 7, 2012, the latest practicable date, there were 44,325,487 shares of the registrant’s common stock, \$.0001 par value, outstanding.

STEVEN MADDEN, LTD.

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QUARTERLY REPORT

March 31, 2012

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PART I. FINANCIAL INFORMATION**Item 1. Condensed Consolidated Financial Statements****STEVEN MADDEN, LTD. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets**

(in thousands)

	March 31, 2012 (unaudited)	December 31, 2011	March 31, 2011 (unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 61,953	\$ 102,830	\$ 60,354
Accounts receivable, net of allowances of \$4,989, \$5,894 and \$2,442	90,626	91,407	26,891
Due from factor, net of allowances of \$10,359, \$12,325 and \$9,515	86,301	62,017	70,115
Inventories	53,277	59,644	33,845
Marketable securities – available for sale	4,629	5,659	10,733
Prepaid expenses and other current assets	14,612	15,289	10,456
Deferred taxes	9,693	9,711	9,101
Total current assets	321,091	346,557	221,495
Notes receivable	9,505	7,401	7,159
Note receivable – related party	3,522	4,090	3,907
Property and equipment, net	35,824	31,587	22,644
Deferred taxes	—	2,428	7,894
Deposits and other	4,848	1,257	2,565
Marketable securities – available for sale	98,410	72,004	117,709
Goodwill – net	85,980	75,595	38,613
Intangibles – net	138,110	98,867	42,047
Total Assets	\$ 697,290	\$ 639,786	\$ 464,033
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 76,732	\$ 69,747	\$ 37,354
Accrued expenses	33,061	34,327	19,249
Income taxes payable	3,407	—	8,012
Contingent payment liability – current portion	21,042	14,133	—
Accrued incentive compensation	1,792	16,881	3,888
Total current liabilities	136,034	135,088	68,503
Contingent payment liability	43,763	23,788	10,458
Deferred rent	6,210	6,004	5,661
Deferred taxes	3,797	—	—
Other liabilities	137	148	1,042

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Total Liabilities	189,941	165,028	85,664
Commitments, contingencies and other			
STOCKHOLDERS' EQUITY			
Preferred stock – \$.0001 par value, 5,000 shares authorized; none issued; Series A Junior Participating preferred stock – \$.0001 par value, 60 shares authorized; none issued			
Common stock – \$.0001 par value, 60,000 shares authorized, 52,723, 51,408 and 49,737 shares issued, 44,320, 43,005 and 41,334 outstanding	5	5	4
Additional paid-in capital	196,393	186,325	169,074
Retained earnings	442,279	420,411	340,944
Other comprehensive income	1,274	678	890
Treasury stock – 8,403, 8,403 and 8,403 shares at cost	(132,543)	(132,543)	(132,543)
Total Steven Madden, Ltd. stockholders' equity	507,408	474,876	378,369
Noncontrolling interests	(59)	(118)	—
Total stockholders' equity	507,349	474,758	378,369
Total Liabilities and Stockholders' Equity	\$ 697,290	\$ 639,786	\$ 464,033

See accompanying notes to condensed consolidated financial statements - unaudited

STEVEN MADDEN, LTD. AND SUBSIDIARIES**Condensed Consolidated Statements of Income**

(unaudited)

(in thousands, except per share data)

	Three Months Ended March 31,	
	2012	2011
Net sales	\$265,970	\$165,755
Cost of sales	169,877	96,623
Gross profit	96,093	69,132
Commission and licensing fee income – net	4,473	4,567
Operating expenses	(65,207)	(46,244)
Income from operations	35,359	27,455
Interest and other income – net	470	1,517
Income before provision for income taxes	35,829	28,972
Provision for income taxes	13,902	11,120
Net income	21,927	17,852
Net income attributable to noncontrolling interests	59	—
Net income attributable to Steven Madden, Ltd.	\$21,868	\$17,852
Basic net income per share	\$0.51	\$0.43
Diluted net income per share	\$0.50	\$0.42
Basic weighted average common shares outstanding	42,694	41,948
Effect of dilutive securities – options/restricted stock	1,186	841
Diluted weighted average common shares outstanding	43,880	42,789

See accompanying notes to condensed consolidated financial statements - unaudited

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STEVEN MADDEN, LTD. AND SUBSIDIARIES**Condensed Consolidated Statements of Comprehensive Income**

(unaudited)

(in thousands)

	Three Months Ended March 31,	
	2012	2011
Net income	\$21,927	\$17,852
Other comprehensive income (loss) (net of tax):		
Foreign currency translation adjustment	(12)	—
Unrealized gain (loss) on marketable securities	608	(82)
Total other comprehensive income (loss) (net of tax)	596	(82)
Comprehensive income	22,523	17,770
Comprehensive income attributable to noncontrolling interests	59	—
Comprehensive income attributable to Steven Madden, Ltd.	\$22,464	\$17,770

See accompanying notes to condensed consolidated financial statements - unaudited

STEVEN MADDEN, LTD. AND SUBSIDIARIES**Condensed Consolidated Statements of Cash Flows**

(unaudited)

(in thousands)

	Three Months Ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$21,927	\$17,852
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Tax benefit from the exercise of options	(2,513)	(544)
Depreciation and amortization	2,960	2,209
Loss on disposal of fixed assets	—	463
Non-cash compensation	4,007	2,525
Provision for doubtful accounts and chargebacks	(2,871)	(3,301)
Accrued interest on note receivable – related party	568	(58)
Deferred rent expense	281	194
Realized loss (gain) on sale of marketable securities	14	(45)
Changes in:		
Accounts receivable	4,180	(8,133)
Due from factor	(22,318)	(14,624)
Inventories	8,741	5,712
Prepaid expenses, deposits and other assets	914	552
Accounts payable and other accrued expenses	(2,165)	(4,383)
Net cash provided by (used in) operating activities	13,725	(1,581)
Cash flows from investing activities:		
Purchases of property and equipment	(3,270)	(3,702)
Purchases of marketable securities	(26,841)	(12,890)
Purchase of note receivable	(3,085)	—
Payment of contingent liability	(291)	—
Sale of marketable securities	2,191	11,600
Acquisition, net of cash acquired	(29,367)	—
Net cash used in investing activities	(60,663)	(4,992)
Cash flows from financing activities:		
Proceeds from exercise of stock options	3,548	232

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Tax benefit from the exercise of options	2,513	544
Net cash provided by financing activities	6,061	776
Net decrease in cash and cash equivalents	(40,877)	(5,797)
Cash and cash equivalents – beginning of period	102,830	66,151
Cash and cash equivalents – end of period	\$61,953	\$60,354

See accompanying notes to condensed consolidated financial statements - unaudited

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STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements – Unaudited

March 31, 2012

(\$ in thousands except share and per share data)

Note A – Basis of Reporting

The accompanying unaudited condensed consolidated financial statements of Steven Madden, Ltd. and subsidiaries (the “Company”) have been prepared in accordance with the generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the financial position of the Company and the results of its operations and cash flows for the periods presented. The results of its operations for the three-month period ended March 31, 2012 are not necessarily indicative of the operating results for the full year. It is suggested that these financial statements be read in conjunction with the financial statements and related disclosures for the year ended December 31, 2011 included in the Annual Report of Steven Madden, Ltd. on Form 10-K filed with the SEC on February 29, 2012.

Note B – 2011 Stock Split

On May 5, 2011, the Company’s Board of Directors announced a three-for-two stock split of the Company’s outstanding shares of common stock, effected in the form of a stock dividend on the Company’s outstanding common stock. Stockholders of record at the close of business on May 20, 2011 received one additional share of the Company’s common stock for every two shares of common stock owned on this date. The additional shares were distributed on May 31, 2011. Stockholders received cash in lieu of any fractional shares of common stock they otherwise would have received in connection with the dividend. All share and per share data provided herein gives effect to this stock split, applied retroactively.

Note C – Recently Adopted Accounting Standards

In September 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2011-08, “Intangibles – Goodwill and Other” (“ASU 2011-08”). Under ASU 2011-08, when testing goodwill for impairment, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If an entity believes, as a result of its qualitative assessment that the fair value of a reporting unit is less than its carrying amount, performing the current two-step impairment test is not required. The guidance also includes a number of events and circumstances that an entity should consider in conducting the qualitative assessment. The adoption of this guidance, which became effective for the Company on

January 1, 2012, did not have a material impact on our financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05 “Comprehensive Income (Topic 220): Presentation of Comprehensive Income” (“ASU No. 2011-05”). Under ASU No. 2011-5, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Regardless of which option is selected, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU No. 2011-5 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders’ equity. ASU No. 2011-5 which became effective for the Company on January 1, 2012, only effected the presentation of financial statements and thus had no impact on the financial results or financial position. In October 2011, the FASB announced plans to defer the presentation of items that are reclassified from other comprehensive income to net income alongside their respective components of net income and other comprehensive income.

STEVEN MADDEN, LTD. AND SUBSIDIARIES