UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report: April 27, 2004

STEVEN MADDEN, LTD.

(Exact name of registrant as specified in its charter)

Delaware	0-23702	13-3588231
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

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

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

Item 7(c). Exhibits.

99.1 Press Release of Steven Madden, Ltd. dated April 27, 2004, reporting financial results for the first quarter of 2004.

99.2 Transcript of April 27, 2004, Steven Madden, Ltd. conference call.

Item 12. Results of Operations and Financial Condition.

On April 27, 2004, Steven Madden, Ltd. issued a press release and held a conference call announcing its financial results for the first quarter of 2004. A copy of the press release is furnished as Exhibit 99.1 to this report and is incorporated herein by reference. A copy of the transcript of the conference call is furnished as Exhibit 99.2 to this report and also is incorporated herein by reference.

The information in this report, including exhibits attached hereto, is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this report shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, except as otherwise expressly stated in such filing.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

STEVEN MADDEN, LTD.

By: /s/ JAMIESON A. KARSON

Name: Jamieson A. Karson
Title: Chief Executive Officer

Date: April 29, 2004

Exhibit 99.1

Company Contact: Richard Olicker
President, Chief Operating Officer
Arvind Dharia
Chief Financial Officer
Steven Madden, Ltd.
(718) 446-1800

Investor Relations: Cara O'Brien/Lila Sharifian
Press: Stephanie Sampiere
Financial Dynamics
(212) 850-5600

FOR IMMEDIATE RELEASE

STEVEN MADDEN, LTD. ANNOUNCES FIRST QUARTER RESULTS
~ Comparable Store Sales Increase 8% ~
~ Company Reaffirms 2004 Outlook ~

LONG ISLAND CITY, N.Y. - April 27, 2004 - Steven Madden, Ltd. (NASDAQ: SHOO), a leading designer, wholesaler and marketer of fashion footwear for women, men and children, today announced financial results for the first quarter ended March 31, 2004.

Net sales were $78.8 million compared with $78.7 million in the first quarter last year. Net income was $4.1 million, or $0.29 per diluted share on 14,374,000 diluted weighted average shares outstanding, which is in line with the current analyst estimate. In the prior year period, net income was $5.0 million, or $0.36 per diluted share on 13,872,000 diluted weighted average shares outstanding.

Retail revenues increased 12% to $23.7 million from $21.1 million in the same period last year. Same-store sales increased 8% over the comparable period last year primarily due to an improved product mix and higher unit sales. The Company ended the first quarter with 83 Company-owned retail locations, including the Internet store, and remains on schedule to open approximately 8 to 12 new stores this year.

Revenues from the wholesale division, comprising the Company's seven brands, Steve Madden Womens, Steve Madden Mens, Stevies, l.e.i., Steven, Candie's, and UNIONBAY, were $55.1 million versus $57.6 million in the year-ago period. As previously announced, in response to changing footwear industry trends and consumer preferences, the Company is implementing a shift in product focus from its traditional casual base into broader categories. Although the benefits of this shift have not yet been fully realized in all of the Company's wholesale businesses, the trends are positive. Furthermore, the strategy towards brand diversification is reaping positive results, as evidenced by strong performance in the Steven and Candie's lines.

Arvind Dharia, Chief Financial Officer, said, "We are proud of our ability to grow and diversify the Company while managing the business effectively. In addition, our financial position remains strong with $72.6 million in cash, cash equivalents, and investment securities, no short- or long-term debt, and $164.0 million in total stockholder equity."

"Our first quarter results were in line with our expectations," commented Richard Olicker, President and Chief Operating Officer. "We achieved solid retail results, demonstrating the fact that our shift in product focus is proceeding as planned and that the popularity of our brands remains sound despite a sustained promotional and competitive market. Of note, during the quarter we fully rolled out our Candie's brand and made investments across the business, including additional personnel, to support our various divisions. We also incurred higher expenses related to efforts to swiftly deliver the most current trends to our customers as well as increased advertising to promote awareness of all of our brands."

Company Outlook

Although the transition into new categories and the integration of new divisions will require continued investments in the business, the Company is encouraged by the progress made during the first quarter and believes it is well positioned to execute the strategies outlined at the outset of the year. That said, the

Company is comfortable with the outlook provided previously and reaffirms its expectations for 2004. The Company anticipates net sales will increase in the low-single digits over 2003 and expects diluted earnings per share to be in the range of $1.35 to $1.40.

Jamieson Karson, Chief Executive Officer, concluded, "Overall, we are cautiously optimistic as we look to the remainder of the year and believe we are on track to achieving our growth and profitability objectives for 2004. We are confident that the core elements of our business - significant brand equity, a flexible business model, a healthy balance sheet - will help us continue to generate industry-leading performance as we move forward. By leveraging the brand through entering new licensing opportunities and expanding the retail division of our business as well as considering strategic acquisitions, we aim to deliver enhanced shareholder value over the long-term."

Interested shareholders are invited to listen to the first quarter earnings conference call scheduled for today, Tuesday, April 27, 2004, at 10 a.m. Eastern Time. The call will be broadcast live over the Internet and can be accessed by logging onto http://www.firstcallevents.com/service/ajwz405058436gf12.html. An online archive will be available shortly after the call and will be accessible until May 10, 2004. Additionally, a replay of the call can be accessed by dialing (800) 839-8389 and will be available through April 30, 2004.

Steven Madden, Ltd. designs and markets fashion-forward footwear for women, men and children. The shoes are sold through Steve Madden Retail Stores, Department Stores, Apparel and Footwear Specialty Stores, and on-line at www.stevemadden.com. The Company has several licenses for the Steve Madden and Stevies brands - including eyewear, hosiery, and belts -- owns and operates one retail store under its Steven brand, and is the licensee for l.e.i Footwear, Candie's Footwear and UNIONBAY Men's Footwear.

Statements in this press release that are not statements of historical or current fact constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other unknown factors that could cause the actual results of the Company to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. In addition to statements which explicitly describe such risks and uncertainties readers are urged to consider statements labeled with the terms "believes", "belief", "expects", "intends", "anticipates" or "plans" to be uncertain and forward-looking. The forward looking statements contained herein are also subject generally to other risks and uncertainties that are described from time to time in the Company's reports and registration statements filed with the Securities and Exchange Commission.

(tables to follow)

CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share data)
(Unaudited)

	Three months ended	
	March 31, 2004	March 31, 2003
Net Sales	$78,768	$78,698
Cost of Sales	47,496	47,733
Gross Profit	31,272	30,965
Commission and licensing fee income	1,416	1,690
Operating Expenses	26,108	24,392
Income from Operations	6,580	8,263
Interest and Other Income Net	534	442
Income Before provision for Income Taxes	7,114	8,705
Provision for Income Tax	2,988	3,656
Net Income	$ 4,126	$ 5,049
Basic income per share	$ 0.31	$ 0.39
Diluted income per share	$ 0.29	$ 0.36
Weighted average common shares outstanding - Basic	13,254	12,789
Weighted average common shares outstanding - Diluted	14,374	13,872

CONSOLIDATED BALANCE SHEET HIGHLIGHTS
(in thousands)

	March 31, 2004 (Unaudited)	December 31, 2003	March 31, 2003 (Unaudited)
Cash and cash equivalents	$ 22,302	$ 53,073	$ 44,614
Investment Securities	50,296	32,659	26,789
Total Current Assets	111,339	121,995	114,939
Total Assets	181,013	177,870	159,061
Total Current Liabilities	15,143	16,855	20,885
Total Stockholder Equity	163,953	159,187	136,541

Exhibit 99.2

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Final Transcript

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CCBNStreetEvents ==>

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CCBN StreetEvents Conference Call Transcript

SHOO - Q1 2004 Steven Madden Earnings Conference Call

Event Date/Time: Apr. 27. 2004 / 10:00AM ET
Event Duration: N/A

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CORPORATE PARTICIPANTS

Cara O'Brien
Financial Dynamics - IR Contact

Jamie Karson
Steven Madden - CEO

Richard Olicker
Steven Madden - President, COO

Arvind Dharia
Steven Madden - CFO

CONFERENCE CALL PARTICIPANTS

Scott Krasik
C.L. King & Assoc. - Analyst

Sam Poser
Mosaic Research - Analyst

Ezra Fallowman
J.L. Advisors (ph) - Analyst

John Shanley
Wells Fargo Securities - Analyst

Mark Cooper
Wells Capital - Analyst

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Steven Madden Limited conference call sponsored by Financial Dynamics. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. (OPERATOR INSTRUCTIONS). Any reproduction of this call in whole or in part is not permitted without prior, expressed, written authorization from the Company. As a reminder, ladies and gentlemen, this conference is being recorded on April 27, 2004.

I would now like to introduce your host for today's conference, Ms. Cara O'Brien of Financial Dynamics. Please go ahead.

Cara O'Brien - Financial Dynamics - IR Contact

Good morning, everyone, and thank you for joining this discussion of Steven Madden Limited's first-quarter results.

By now, you should've received a copy of the press release, but if you have not, please call our offices at 212-850-5776 and we will send one out to you immediately.

Before we begin, I would like to remind you that statements in this conference call that are not statements of historical or current fact constitute forward-looking statements within the meanings of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other unknown factors that could cause the actual results of the Company to be materially different with the historical results or from any future results expressed or implied by such forward-looking statements. The statements contained herein are also subject to other risks and uncertainties that are described from time to time in the Company's reports and registration statements filed with the SEC. Also, please refer to the earnings release for more information on risk factors that could cause actual results to differ.

Finally, please note that any forward-looking statements used in this call should not be relied upon as current after today's date.

I would now like to turn the call over to Jamie Karson, Chief Executive Officer of Steven Madden Limited. Jamie, go ahead please.

Jamie Karson - Steven Madden - CEO

Thanks, Cara. Good morning and thank you for joining us to a few Steven Madden Limited's results for the first quarter that ended March 31, 2004.

With me to discuss the business are Richard Olicker, our President and Chief Operating Officer, and Arvind Dharia, our Chief Financial Officer.

As discussed when we reported fourth-quarter results, we were cautious as we entered fiscal 2004, since we were continuing to integrate new wholesale divisions as well as transition into new categories in the fashion footwear landscape. As discussed in detail on the last conference call, there are a number of factors that must be considered part of this evolution -- greater pricing pressure and a demanding mark-down environment in wholesale, increased advertising to support our brands, and additional personnel to support existing and new divisions.

All of this said, we're quite pleased with our overall first-quarter results. Despite the anticipated challenges, we generated a 12 percent sales increase at retail, achieved a comp-store sales increase of 8 percent, and posted net income of 29 cents, which is exactly in line with our internal plan as well as the current analyst estimate. Moreover, this keeps us on target to achieve our previously stated expectations for earnings in the range of $1.35 to $1.40 for fiscal 2004.

To give you a brief overview of the quarter's divisional performance before I turn the call over to Richard, as outlined on the last call, in response to changes in industry trends and shifts in customer demand, we are aggressively evolving our business from its traditional casual base into broader categories, including dress and tailored items. Importantly, this shift in direction is being taken as a result of listing to our customers, and it was our reactive model that enabled us to move quickly and immediately to meet the new demand.

As expected and planned, first to benefit from this strategy was our retail division, where our flexibility and speed enabled us to achieve strong overall as well as same-store sales increases.

At wholesale, however, this transition was initially met with conservative buying patterns for spring, 2004, as our brands needed to establish their viability as successful resources in these new categories. Against reduced plans, we achieved strong early spring sales and improved sales-to-stock performance, We believe that this proves the health and viability of our business, as we have an enormously strong foundation on which to build.

Now, I'd like to turn the call over to Richard, who will go through the quarter's results in more detail.

Richard Olicker - Steven Madden - President, COO

Thanks, Jamie. Let's review what happened in the quarter.

Net sales were essentially flat at 78.8 million versus 78.7 million in the first quarter of '03. Gross margin for the first quarter increased 40 basis points to 39.7 percent, versus 39.3 percent last year. This was primarily attributable to margin improvement in wholesale. Also, our retail division, which generates higher gross margin than wholesale, represented 30 percent of our total, versus 27 percent of the total in the first quarter of '03.

As we had anticipated and detailed on our last call, operating expenses were higher than last year in the comparable period. This was due primarily to a few things, including higher air freight expenses incurred in bringing fresh, time-sensitive product to market, anticipated operating expense increases associated with the support of our newer wholesale division, a continuation of high levels of mark-down and allowance activity, increased advertising expense, and increased occupancy expense. This translated into net income of 4.1 million, versus 5 million last year, and diluted earnings per share of 29 cents per share versus 36 cents per share in the same period of '03. Importantly, this met both our internal plan and the analysts' estimate.

Let's review what happened in each division during the quarter. For the Company's Wholesale division, which is comprised of seven brands, Steve Madden Women's, Steve Madden Men's, l.e.i., Stevies, Steven, Candie's and UNIONBAY, revenues were 55.1 million versus 57.6 million last year. It is important to note that in 2003's first quarter, Wholesale revenues increased 20 percent.

Net sales of Steve Madden Women's wholesale were 25.5 million versus 28.9 million in '03. As Jamie mentioned, this was primarily a result of more conservative initial spring buying patterns among our Wholesale customers, as Steve Madden established its viability in new categories. While this did result in lower sales, it also had the effect of reducing initial spring inventory positions with our wholesale customers. Against these reduced inventories and lower sales plans, Steve Madden Women's achieved strong early spring sales and improved sales-to-stock performance. In turn, this has set a strong foundation for the remainder of providing a good foundation for the remainder of spring with our product performing well, our inventories lean and reorders in the pipeline. The effect of this conservative initial buying for spring is reflected in the wholesale sales generated in the first quarter which, when taken together with retail, resulted in flat total net sales versus the first quarter last year.

Finally, I'd like to mention that we remain in excellent financial health. We ended the quarter with a solid debt free balance sheet with approximately 72.6 million in cash, cash equivalents and marketable securities, and total stockholders equity of 164 million.

spring. Our product is performing well, our inventories are lean, and reorders are in the pipeline. Successes have included pointy-toe and rounded-toe single-sole pumps and City sandals.

L.e.i. sales were 11.1 million, versus 14.9 million in '03. Two issues need to be considered in connection with this performance.

First, in 2003, l.e.i.'s net sales increased 28.4 percent over those of 2002. Second, we anticipated and planned for declines in l.e.i. because their earlier buying patterns and longer production leadtimes made it extremely challenging to redirect this brand in the midst of a fashion shift that was quickly evolving away from l.e.i.'s traditional casual base. In response, the l.e.i. team has introduced fresher, more colorful, and more dress and tailored product, as well as more ornament details, to energize the product assortment. While these product initiatives are working, we anticipate continued net sales challenges, going forward, as l.e.i. establishes its viability with customers in new categories.

Sales of Stevies, our children's brand, increased 9.6 percent to 3.3 million, versus 3 million in '03. The increase was partly anticipated as a result of the commencement of shipping of Steve Madden Kids to higher end department and better children's independent shoe stores.

We recently announced the promotion of a new President to our Children's division, and we've also invested in additional human resources in new sales and product development personnel focused exclusively on Children's products. With this direct focus, our plan is to turn our Children's business into more significant sales and profit generators in the back half, despite continued price pressure from discount channels.

The Steven Collection posted a sales increase of 114 percent to 5.2 million in the first quarter, versus sales of 2.5 million in 2003. We have now fully positioned this business under the Steven label, where we will enjoy marketing leverage as a Steve Madden division. Customers reacted well to patterns delivered late in the fourth quarter, and we were able to replenish key styles and increase door count throughout the first quarter. We also initiated Steven's open stock program this quarter, enabling customers to generate weekly reorders with improved turn and profitability.

Feminine dress shoes and color were the dominant trends for the quarter. The Steven division added Parisian to its customer roster in the first quarter, and continued to add to its independent store base. This division continues to exceed internal expectations and to help denim-friendly dress shoes. Success within the dress category was an important achievement for the brand this quarter, creating opportunity for additional new placements and wider distribution this fall. Madden Men's is being managed for a healthy season with our product performing well and our inventories lean, positioning us for a strong back-to-school in fall.

As announced last month, we've also hired a new President of Madden Men's to lead the division into the back half and the years ahead.

Net sales of UNIONBAY, our license for young men's footwear, were 49,000 in the quarter. Disappointing fall '03 performance, together with a change in product direction and the division's executive management team in the fourth quarter of '03, led us to bypass shipments of spring UNIONBAY product. While prospects for fall '04 are somewhat-improved, we're cautious in our outlook for contribution from UNIONBAY for the remainder of '04.

Candie's, our newest division, was fully rolled out during the quarter and generated net sales of 3.2 million. Major department and specialty store customers included select locations at Belk, Macy's West, Rich's, Bon Marche, Robinsons, Filene's, Carson's and Nordstrom. Candie's achieved some very strong sell-throughs across the board from closed-up shoes to casual sandals to novel foot-bed thongs.

Moving onto our Retail division, as of March 31, 2004, there were 83 stores in operation, including our Internet store. Revenues increased 12.3 percent to 23.7 million, versus 21.1 million in 2003. We are very pleased with these results, in light of the fact that we did not open any new stores in the first quarter. We do have two stores planned for opening in the current quarter.

During the quarter, Retail was 30 percent of the total business, versus 27 percent of the total last year. At the end of the quarter, there were 79 comp-stores, versus 71 last year. Same-store sales rose 8 percent, a performance we are extremely pleased with. This increase was achieved through our immediate reaction to at-once demand for boots late in the fourth quarter and early into the first quarter. Fashion boot and dress classifications accounted for over 45 percent of our total business this quarter, representing a significant shift away from the casual closed-up shoes and booties that represented about the same proportion of our business last year.

At the same time as generating strong total and comp-store sales gains, this year, we planned and executed the liquidation of most of our underperforming fall retail inventory through our own stores instead of jobbing this product out at lower prices sustain this momentum, we've recently invested in stronger sales management by promoting a sales manager for the division and hiring sales executives to represent the line in both the Midwest and the West Coast.

Sale of Madden Men's were 6.6 million versus 8.3 million in 2003. As we communicated on our February call, the men's business was planned down for spring, and we also elected to cut back on door count this season to focus on more productive doors. This had the anticipated effect of reducing our net sales, but our customers' inventories are now down dramatically and their sales have been exceeding plan. Our current performance, supported by open-stock replenishment of newer goods, has enabled us to introduce new product during the first quarter. This has included a very strong sport casual item, new casuals that match dressier uppers with casual bottoms, and

as we had in 2003. We also timed our transition to spring later this year in our Northeast and Midwest stores to more closely reflect seasonal weather patterns that saw very cold weather persist throughout the first quarter in those regions.

Our retail stores remain among the industry leaders in productivity, generating $650 in sales per square foot for the twelve months trailing March 31, '04.

Moving to our Other Income line, in the first quarter, the Company's Other Income line was 1.4 million versus 1.7 million during the same period last year. This includes the commission income from our private-label division, Adesso-Madden, and trademark royalties earned from our licenses.

Private-label income was 896,000, versus 1.1 million last year. The decrease was a result of the shift in receipts by private-label customers into their second quarter and the migration of certain businesses from a direct-from-factory to a landed-purchasing format.

Licensing income was 520,000, versus 572,000 for the same period last year, due to a our termination of our handbag license. We are in negotiations with a strong player to replace this important accessory category, and we're committed to broadening our brand beyond the footwear classification and to finding suitable transactions and arrangements that will serve to leverage our unique identity into broader product categories.

Turning to the operations side, early in the quarter, we moved to a larger, modernized third-party distribution facility in Southern California, adopting a proven warehouse operating system and assembling a full organization of warehouse professionals to service our specific needs. These upgrades make use of the latest available technologies, prepare us for handling our anticipated future growth and provide us with superior inventory management capabilities.

Finally, from a marketing perspective, it was a strong quarter for brand reinforcement, recognition and visibility. We enjoyed terrific editorial coverage and product placement in the first quarter. We embarked on an expanded mall advertising campaign. Millions across from Macy's Herald Square on 34th Street and Seventh Avenue viewed our provocative Steven Billboard, and we continue to display our Steve Madden Billboard on Houston Street in Soho before some of the most concentrated retail foot traffic in the world.

Our spring print campaign, more and more strongly that the association, with this music icons and her promotion of Steve Madden through radio and print media as well as other tie-ins around the country, is exceeding our expectations for success.

With respect to our overall financial condition, we maintained a pristine balance sheet, which speaks volumes to the health and viability of our company. As of March 31, 2004, our cash, cash equivalents and investment securities was 72.6 million. Inventories were at 26 million, up from 24 million last year. The reasons for the increase in inventory included two new stores coming on in the second quarter, our retail ramping up in response to very strong first-quarter sales, the carry-forward of some fall '03 patterns in to fall '04, mostly boots, seasonal boots, and on the wholesale side, our need to support our new Candie's division. These inventory levels, while somewhat elevated, are not outside normal parameters, all factors considered, including current business trend, backorder and growth plan.

Our inventory turn was eight times for the trailing 12-month period.

Accounts Receivable were 47.4 million.

Working capital was at 96.2 million.

Total shareholders equity was at 164 million. Cash per share was $5.45 cents. Book value was $12.31.

We have no long or short-term debt.

Diluted shares outstanding were 14,374,000 shares.

Now, let me turn the call back to Jamie, who will provide some closing remarks.

Jamie Karson - Steven Madden - CEO

Thank you, Richard. We are encouraged by the progress made during the first quarter and are well positioned to execute the strategies outlined at the outset of the year. That said, we believe we are on track to achieving our growth and profitability objectives for 2004 and are therefore comfortable with the outlook previously provided.

We continue to anticipate net sales will increase in the low single digits over 2003 and expect diluted earnings per share to be in the range of $1.35 to $1.40.

Overall, we have a great foundation on which to build and are optimistic as we move forward. We are confident that the core elements of our business, significant brand equity, a flexible business model and a healthy balance sheet, will help us continue to generate industry-leading performance. Our plan for future growth envisions a appearing in April books that were delivered in March, included ads for Steve Madden in Cosmo Girl, Lucky, Seventeen, Teen People and YM, and Steven ads appeared in Gotham, In Style, Cosmo and Marie Claire, among others.

From a highlight standpoint, during the Super Bowl in Houston, we hosted a meet-and-greet in our store with NFL stores that brought greater awareness toward men's brand. We were also prominently featured and mentioned in the hit TV show, "America's Next Top Model". Finally, we sponsored Beyonce in the Ladies First Tour, which began its first leg in March with Alicia Keyes and Missy Elliott. As the tour continues, we feel coordinated, methodical approach to expanding and further diversifying the business and leveraging the strength of our brands, all in an effort to evolve into a true lifestyle brand and experience for our customers.

As stated before, we are considering new licensing opportunities. We will focus on expanding our retail base, and we will considers strategic acquisitions. However, we're carefully weighing our options, mindful of the importance of selecting the right partners and developing the right strategic opportunities in order to be successful in this endeavor.

Above all, we aim to deliver enhanced shareholder value over the long-term and believe we're taking the right steps to do so.

I hope that this call has been informative. Thank you for your time and your interest. Now, we will turn the call back to the operator to take any of your business questions.

QUESTION AND ANSWER

Operator

Thank you. (OPERATOR INSTRUCTIONS). Scott Krasik from C.L. King.

Scott Krasik - C.L. King & Assoc. - Analyst

Hi, guys. Good morning. Can you give an idea of what of this 8 percent comp -- how much of that was the fur-lined ug-type boot? I know you don't really give comp guidance, but do you see positive comps for the rest of the year? I mean, you have some fairly easier comparisons in the back half.

Richard Olicker - Steven Madden - President, COO

A fair amount was involved in what we will call the fashion boot category, where it took on dramatic growth in January and I would say the first three weeks in February. But I wouldn't say that that was it because starting with the third week in February, we started to pick up dramatically in our dress category and sandal category, closed-up dress leading. So, it was a combination really, I would say, Scott, of fashion boots and the coming-on of closed-up dress and then opened-up sandals late in the quarter.

Scott Krasik - C.L. King & Assoc. - Analyst

Do you expect the comps to be positive for the rest of the year?

Richard Olicker - Steven Madden - President, COO

Well, as you said, we don't comment on our monthly comps. We are encouraged by early April results, and we're moving forward with our store-opening strategy.

Scott Krasik - C.L. King & Assoc. - Analyst

Okay. Maybe if you give us an idea of what sort of sales level you have to get to for UNIONBAY and Candie's to get positive expense leverage and maybe when will you get there, especially in Candie's? Will you get there in '04, or is it an '05 thing?

Richard Olicker - Steven Madden - President, COO

We really don't comment to that level of specificity. We do have detailed plants, which roll out to a profitability model as quickly as reasonable. We are falling a little bit behind that model as it relates

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to UNIONBAY, obviously, and we believe we can reach model as it relates to Candie's.

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Scott Krasik - C.L. King & Assoc. - - Analyst

Okay. I'm sure on beating somebody to the punch, but anything in the next quarter or two that you can comment on on the licensing front?

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Jamie Karson - Steven Madden - CEO

Well, we're working on several initiatives. Whether they happen in this quarter or the following quarter or the fourth quarter, we are working very hard on several different things to expand our brand into other categories, whether they be licenses or acquisitions.

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Scott Krasik - C.L. King & Assoc. - - Analyst

Are you saying that something is going to happen in 2004, then?

- ---------------------------------
Jamie Karson - Steven Madden - CEO

You know, I can't say with certainty. All I can tell you is that we are optimistic and we're working on it.

- ---------------------------------
Scott Krasik - C.L. King & Assoc. - - Analyst

Okay, thanks, guys.

- ---------------------------------
Operator

Sam Poser (ph) from Mosaic Research.

- ---------------------------------
Sam Poser - Mosaic Research - Analyst

Good morning. Going back to -- in shopping around, it sounds like your momentum at retail -- can you talk about the momentum through the quarter? You mentioned briefly, you mentioned it into April -- and then talk all about your wholesale momentum through the quarter?

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Richard Olicker - Steven Madden - President, COO

Well, as we stated on the call, the retail -- you can look at retail in our business as kind of a leading indicator. Momentum

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Sam Poser - Mosaic Research - Analyst

Your gross margin improvement of the 40 basis points, is that something that will continue -- you expect to continue to improve throughout the year?

Richard Olicker - Steven Madden - President, COO

Well as you know, gross margin is a focus, but we have to say that it's a focus within the context of a heightened markdown and allowance demand at wholesale. Also, as I referenced, as we self-liquidate inventories as opposed to job (ph) them out at retail, that will have gross margin effects on our Retail gross margins.

Sam Poser - Mosaic Research - Analyst

Right. Then are you looking to do any share buybacks with the cash?

Jamie Karson - Steven Madden - CEO

As we've previously stated, Sam, we have the Board authorization to do that, and we are constantly weighing that as an option. As you know, there are many competing areas for our allocation of cash, and we will continue to evaluate that as a possibility.

Sam Poser - Mosaic Research - Analyst

One last question, just on -- excuse me, on your Steven line and on Men's and l.e.i. -- Stevens was very, very strong, but the l.e.i. and Men's have been tough. Do you think that Steven is gaining momentum and the other two are going to not quite be as bad, going forward, or are we looking at the same -- do you think we're looking at similar kinds of numbers throughout the rest of the year?

Richard Olicker - Steven Madden - President, COO

Well, I think that there are two questions, really. One is, is the momentum turning in a business like Men's? I believe the answer to that question is yes, although we are up against comps that we can't really say for sure what we -- although we have a plan -- where we will end up as against comps to last year.

The good news is that, on much lower sales plans and much lower inventory in the marketplace, our sales-to-stock performance is strong enough to warrant not only reorder business but the placement of an open stock program in new products. Also, the traction, if you will, in our dress product in Men's bodes well for the future for a broader assortment within Men's and also toward started early and is continuing. We're starting to see that momentum, or have seen that momentum picked up against lower sales plan and lower inventory levels at wholesale. So, I would say that the chase is on and the reorder chase to the wholesale channel -- we're in the midst of that right now.

the trend that is working today, namely dress-type shoes in men's and dress-uppers on casual bottoms in particular.

So, we're feeling good about the worm turning as it relates to Men's. I see it really a continued challenge throughout the rest of the year but improving as we move through the back half.

As to l.e.i. I really believe that we will start to see some of the benefits from having redefined that brand away from its casual roots towards a dressier model. But I don't see that happening in terms of really performance and sales until, again, the back half. Back-to-school is going to be a real challenge there because there was a lot of volume and a lot of basic casual-type footwear that is going to need to be partially replaced and not fully replaceable with dress-type shoes, more tailored-type shoes and casual shoes that are going to be planned down as much as 40 to 50 percent.

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Sam Poser - Mosaic Research - Analyst

Just one follow-up on your comment about the gross margins and the markdown allowances and so on -- with you playing catch-up and your inventories being in so much better position than they were, or in very good position, and you are chasing down business, wouldn't that reduce the necessity of the markdown allowances and so on?

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Richard Olicker - Steven Madden - President, COO

In theory, yes, but you've got to have your inventories very well-managed and you have got to make sure you don't deliver too much, too late, so that you would have sufficient time at sufficiently high retail to have a high enough sell-through as to not generate a late markdown. That's why I'm saying that the spotlight remains on; hot product delivered to deliver to sell-through at full retail is a challenge. So, it's a challenge of quantity and scale.

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Sam Poser - Mosaic Research - Analyst

Great, thanks.

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Operator

Richard Olicker - Steven Madden - President, COO

I have the inventory and Arvind will give you the CapEx. It was 26 million this year versus 24 last year.

Unidentified Speaker

That was the inventory?

Richard Olicker - Steven Madden - President, COO

Yes.

Arvind Dharia - Steven Madden - CFO

(indiscernible) back in the first quarter '04 2 million.

Unidentified Speaker

That's the operating -- I'm sorry, the CapEx. What was the operating cash flow?

Arvind Dharia - Steven Madden - CFO

Operating cash flow is decreased 11 million.

Unidentified Speaker

Eleven million, okay, great. Then with regards to the women's business, it seems like you have some pretty positive momentum and gaining traction in some of the new styles out there. Is it a fair assumption that, during the next quarter and throughout the rest of the year, performance in that division may exceed on both the sales and the margin component, compared to last year?

Richard Olicker - Steven Madden - President, COO

I think that it would be very aggressive to say that, because we're looking at a 2003 net sales numbers (sic) that were built on a very aggressive and successful '02, so -- and then, in fact, if I could do it all over again, I would have delivered a lot less in fall '03 than we actually did. So part of the challenge is the comp.

What I think we're focused on doing now, what I know we are focused on doing is delivering the right product at the right time, not too much of the wrong product.

So, we have a plan; it is an aggressive plan but it's not really aimed at blowing the cover off the ball; it's getting as much product out there as is right and can be absorbed through the retail channel.

(indiscernible) Kearny (ph) from Royal Capital.

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Unidentified Speaker

Good morning. A couple of quick questions -- one, I'm sorry, I couldn't hear on the inventory numbers. Could you just give me the inventory number again? Also, if you have them, the operating cash flow and the CapEx for the quarter?

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Unidentified Speaker

Great, thanks very much.

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Operator

Ezra Fallowman (ph) from J.L. Advisors (ph).

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Ezra Fallowman - J.L. Advisors (ph) - Analyst

Hi, guys. Good quarter. I just wanted to follow-up on in terms of the free cash flow guidance for the year, what was that number again? Can you remind me?

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Arvind Dharia - Steven Madden - CFO

Thirteen million.

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Ezra Fallowman - J.L. Advisors (ph) - Analyst

Thirteen million? Great. So, as you think about the cash balance and expecting another 13 million or so of free cash flow incoming this year -- and this is kind of a follow-up on an earlier question -- you guys had said on the last call that you take a more aggressive look at some of the options for use of cash, including buybacks. Can you kind of update us on what's happened since the last call and when should we expect a decision to be made on the use of cash?

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Jamie Karson - Steven Madden - CEO

Well, as we said earlier, you know, we have our Board authorization in place to buy back shares, and a strong cash position, as you know, is critical to our business, and it allows us to do certain things and pursue certain opportunities, which we are doing. It's hard to say for sure; I can't say to you today that we are aggressively in the market buying back shares. We are weighing that as an opportunity. We are certainly opportunistic there. We're going to be opening up stores this year; that's going to take up some of our money, and we are always pursuing strategic acquisitions.

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Ezra Fallowman - J.L. Advisors (ph) - Analyst

Okay, great. Thanks, guys.

(OPERATOR INSTRUCTIONS). John Shanley, Wells Fargo Securities.

John Shanley - Wells Fargo Securities - Analyst

Good morning. Richard, I wonder if you can give us an indication whether there has been a significant shift during the spring selling season in terms of the channels of distribution you are selling in most of your wholesale product, from what you may have done in the spring of '03. What's the indication that you have in terms of channel fill for the back half of the year, based on whatever orders you may have gotten in from WSA or from Fanny or some of the other trade shows?

Richard Olicker - Steven Madden - President, COO

For the most part, there hasn't been a dramatic shift in channels by division. As you know, we really organize ourselves vertically by brand, directing distribution by retail channel.

John Shanley - Wells Fargo Securities - Analyst

If you looked at all of the brands collectively, Richard, has there been more movement into department stores, less into the specialty guys like Kearney's and some of the other guys that you do a lot of business with?

Richard Olicker - Steven Madden - President, COO

I would say, you know, with the addition of Candie's, which was predominantly a department store launch, and with some of the reduction in l.e.i. coming from the department stores, it's kind of awash from an overall wholesale standpoint. But I would say that we are still pretty much equally distributed in the specialty channels and department store channels.

John Shanley - Wells Fargo Securities - Analyst

Okay, and that's likely to be the case in the back half as well?

Richard Olicker - Steven Madden - President, COO

Yes.

John Shanley - Wells Fargo Securities - Analyst

Okay, great. Just on the store portion of your business, can you give us a store count at the end of Q1 and

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Operator

also what your expectations are in terms of number of stores you'll have open at the end of the fiscal year?

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Richard Olicker - Steven Madden - President, COO

We had 83 at the end of -- total store count, John?

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John Shanley - Wells Fargo Securities - Analyst

Yes, total store count.

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Richard Olicker - Steven Madden - President, COO

Total stores were 83 at the end of the first quarter.

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John Shanley - Wells Fargo Securities - Analyst

Do you have a break-out between the outlet and the in-line stores?

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Richard Olicker - Steven Madden - President, COO

Yes, I do; let me grab it. We have 76 Steve Madden retail concept shops, one outlet, one Steven store, four Shoe-Biz stores, which we count inside our outlets, and one Internet store.

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John Shanley - Wells Fargo Securities - Analyst

Great. Expectations for the end of the fiscal year?

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Jamie Karson - Steven Madden - CEO

For the second quarter, we're going to open up four stores, Pentagon City, Bay Terrace, Christiana Mall in Delaware, and Sterling Heights in Michigan. The third quarter, we're planning to open four more stores in Riverchase, Birmingham, Oak Park, Kansas City, North Point in Atlanta and South Park in Charlotte. For fourth quarter, we will have to get that to you; I don't have that handy.

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John Shanley - Wells Fargo Securities - Analyst

Jamie, are those all anticipated being concept shops?

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Jamie Karson - Steven Madden - CEO

Yes.

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Richard Olicker - Steven Madden - President, COO

Primarily option-related.

Operator

Scott Krasik, C.L. King.

Scott Krasik - C.L. King & Assoc. - Analyst

Yes, just a quick follow-up on the store opening -- do you have any leases signed for the fourth quarter, or letters of intent for new stores?

Richard Olicker - Steven Madden - President, COO

Let's just see, hold on.

Scott Krasik - C.L. King & Assoc. - Analyst

Not necessarily locations, but --?

Richard Olicker - Steven Madden - President, COO

We have two leases signed -- (Multiple Speakers) -- the fourth quarter.

Jamie Karson - Steven Madden - CEO

Right.

Scott Krasik - C.L. King & Assoc. - Analyst

Okay. Just sort of and how you would rake the licensing opportunities? Obviously finding a handbag partner is a priority, but can you just sort of list out ranking in terms of priorities of what licensing deals you'd like to get involved with maybe?

Richard Olicker - Steven Madden - President, COO

Our first interest is in replacing natural accessory item to footwear, which is handbags. We're working on that as we speak. We see some other accessory product categories as ripe and strong opportunities for us, namely in the areas, for example such as winter accessory items, scarves, ear muffs, hats, things like that. So, those are two areas that we're working on now.

Scott Krasik - C.L. King & Assoc. - Analyst

John Shanley - Wells Fargo Securities - Analyst

Okay, fine. The last question I had is the amount of diluted shares outstanding was up about 0.5 million. Was that option-related or was there something else going on?

Okay. Then, you know, probably not this year, but then you could see watches and belts and -- (multiple speakers).

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Jamie Karson - Steven Madden - CEO

I think the more meaningful category would be apparel, and there's no timetable on that but we are pursuing several opportunities.

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Scott Krasik - C.L. King & Assoc. - - Analyst

Just two more quick ones -- at what price level does it -- is it still accretive for you to buy back shares at 21, 20 -- in that range?

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Jamie Karson - Steven Madden - CEO

Yes.

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Scott Krasik - C.L. King & Assoc. - - Analyst

Okay. Are there any areas of distribution or maybe changing for your kid's business that you are either getting into this year or moving away from?

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Richard Olicker - Steven Madden - President, COO

As I said on the call, we've hired a new President of the Children's division, and we are really organizing ourselves along a similar branding strategy for all of our brands in Children's, as we have in our other divisions. So, for example, one of the areas of new distribution is higher-end for Steve Madden Children's product, meaning Steve Madden in the sock label distributed at better department stores and higher-end specialty independent shoe stores, of which it's a small business but we want the best product -- leather uppers, leather linings -- for Steve Madden-branded products in the high-end -- Stevies and Candie's taking lower distribution channels, although Candie's mimicking the distribution channels of Candie's women's product in department stores below, say, a Nordstrom level.

We think that by tiering the distribution channel within Children's, we're going to absorb more marketshare. With the hiring of specific product-development okay. Then talking about the opportunities for some of the other brands in, like, the Famous Footwears of the world -- I mean, would you see a correlation, a pick-up, as (indiscernible) Famous Footwear, for example, has just gone positive, that comps -- I mean, does that --?

Richard Olicker - Steven Madden - President, COO

As it relates to Children's?

Scott Krasik - C.L. King & Assoc. - Analyst

Yes.

Richard Olicker - Steven Madden - President, COO

Yes.

Operator

One final question from Mark Cooper (ph), Wells Capital.

Mark Cooper - Wells Capital - Analyst

Good morning. I'm looking at the fully diluted share count. Somebody mentioned this a minute ago. It looks like, in the last three years, it's gone up about 20 percent, and cash has also continued to rise. I look at your industry and it just seems to me it's pretty mature. I don't see how you can deploy that capital. It's hard for me to contemplate what sort of strategic decisions you could make that would eat up the cash balance that you have and why that shouldn't be deployed to buying in the dilution that's been put on the Company through options in the last couple of years. It's hard for me to contemplate, with your free cash flow and the cash on the balance sheet, what in the world could Steve Madden possibly do that would require that cash?

Richard Olicker - Steven Madden - President, COO

I think the best answer, Mark, is that we could do some of a lot of things. One could be a share repurchase; another could be an intelligent, accretive acquisition; another could be a more aggressive expansion strategy as it relates to our own retail stores; another could be the opening of our own business, outside of footwear, or an acquisition outside of juniors in footwear.

So, I disagree with you in your assumption that there's nothing that we can find to do with our cash.

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people for the Children's product, we're going to be incorporating more fit and comfort features within the product itself, so we're really focused a little bit more directly into the Children's businesses from a distribution, from a sales and from a product development standpoint. We believe that that should pay dividends over the next year.

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Scott Krasik - C.L. King & Assoc. - - Analyst

Mark Cooper - Wells Capital - Analyst

I didn't say that there was nothing; I was saying it is hard for me to contemplate because certainly, in the last three to four years as a company, you haven't done anything with it; you've continued to accumulate capital and not be a net spender of capital. So, it's basically a drain on the return on the equity of the Company. That's just reading straight from the numbers that you publish. So, I think the industry is not growing enough for you to make those kinds of things - -those decisions you're talking about. I think that we've diluted the EPS by issuing the shares and the options, which I'm fine for, but the Company could easily use its capital right now to rein in that dilution.

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Jamie Karson - Steven Madden - CEO

You are correct.

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Arvind Dharia - Steven Madden - CFO

Let me let you know, in 2001, we bought back 900,000 shares -- (Multiple Speakers) -- right now, Company-owned 1.2 million treasury stocks. If we bought back -- not like the last four years, (indiscernible) last two years, we are (indiscernible).

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Mark Cooper - Wells Capital - Analyst

Okay.

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Operator

At this time, it appears there are no further questions. Please continue with any closing comments.

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Jamie Karson - Steven Madden - CEO

Well, we thank you for participating in the call, and we look forward to speaking with you on the next call. Thank you.

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Operator

Ladies and gentlemen, that does conclude our conference call for today. You may all disconnect and thank you for participating.
