# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 10-Q

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

For the quarterly period ended September 30, 2017

or

o 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 incorporation or organization) | (I.R.S. Employer Identification No.) |
| 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)

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 x No o

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 x No o

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

| | |
|---|---|
| Large accelerated filer x | Accelerated filer o |
| Non-accelerated filer o (do not check if smaller reporting company) | Smaller reporting company o |
| | Emerging growth company o |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

As of November 6, 2017, the latest practicable date, there were 59,103,274 shares of the registrant’s common stock, $0.0001 par value, outstanding.

**STEVEN MADDEN, LTD.**
**FORM 10-Q**
**QUARTERLY REPORT**
**September 30, 2017**

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## PART I. FINANCIAL INFORMATION

**Item 1. Financial Statements**
**STEVEN MADDEN, LTD. AND SUBSIDIARIES**

**Condensed Consolidated Balance Sheets**
(in thousands)

| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|
| | (unaudited) | | (unaudited) |
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | **$ 92,080** | $ 126,115 | $ 62,723 |
| Accounts receivable, net of allowances of $1,328, $1,622 and $1,180 | **49,266** | 56,790 | 40,687 |
| Factor accounts receivable, net of allowances of $24,823, $20,209 and $18,716 | **287,934** | 144,168 | 229,166 |
| Inventories | **124,117** | 119,824 | 111,952 |
| Marketable securities – available for sale | **50,976** | 39,495 | 30,301 |
| Prepaid expenses and other current assets | **26,061** | 26,351 | 25,996 |
| Prepaid taxes | **18,560** | 15,928 | 5,606 |
| Total current assets | **648,994** | 528,671 | 506,431 |
| Note receivable – related party | **2,378** | 2,644 | 2,730 |
| Property and equipment, net | **73,922** | 72,381 | 74,382 |
| Deposits and other | **4,835** | 4,710 | 4,896 |
| Marketable securities – available for sale | **33,839** | 70,559 | 90,436 |
| Deferred taxes | **1,813** | 1,813 | 594 |
| Goodwill – net | **153,974** | 135,711 | 136,522 |
| Intangibles – net | **151,648** | 144,386 | 146,398 |
| **Total Assets** | **$ 1,071,403** | $ 960,875 | $ 962,389 |
| **LIABILITIES** | | | |
| Current liabilities: | | | |
| Accounts payable | **$ 102,906** | $ 80,584 | $ 102,095 |
| Accrued expenses | **97,088** | 86,635 | 71,131 |
| Contingent payment liability – current portion | **1,889** | 7,948 | 16,682 |
| Accrued incentive compensation | **9,397** | 7,960 | 7,863 |
| Total current liabilities | **211,280** | 183,127 | 197,771 |
| Contingent payment liability | **21,161** | — | — |
| Deferred rent | **15,998** | 14,578 | 14,663 |
| Deferred taxes | **18,740** | 19,466 | 26,315 |
| Other liabilities | **1,223** | 2,632 | — |
| **Total Liabilities** | **268,402** | 219,803 | 238,749 |
| 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 – $.0001 par value, 135,000 shares authorized, 87,034, 86,417 and 86,109 shares issued, 59,066, 60,410 and 60,618 shares outstanding | **6** | 6 | 6 |
| Additional paid-in capital | **380,435** | 353,443 | 341,370 |
| Retained earnings | **1,111,105** | 1,017,753 | 989,003 |
| Accumulated other comprehensive loss | **(22,675)** | (31,751) | (28,043) |
| Treasury stock – 27,968, 26,007 and 25,491 shares at cost | **(671,810)** | (598,584) | (578,973) |
| Total Steven Madden, Ltd. stockholders' equity | **797,061** | 740,867 | 723,363 |
| Noncontrolling interest | **5,940** | 205 | 277 |
| Total stockholders' equity | **803,001** | 741,072 | 723,640 |
| **Total Liabilities and Stockholders' Equity** | **$ 1,071,403** | $ 960,875 | $ 962,389 |

*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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Net sales | **$ 441,193** | $ 408,384 | **$ 1,181,728** | $ 1,063,143 |
| Cost of sales | **275,302** | 253,876 | **743,723** | 671,388 |
| Gross profit | **165,891** | 154,508 | **438,005** | 391,755 |
| | | | | |
| Commission and licensing fee income – net | **4,746** | 5,304 | **10,838** | 10,259 |
| Operating expenses | **(105,194)** | (96,046) | **(310,725)** | (272,478) |
| Income from operations | **65,443** | 63,766 | **138,118** | 129,536 |
| Interest and other income – net | **564** | 747 | **1,956** | 1,117 |
| Income before provision for income taxes | **66,007** | 64,513 | **140,074** | 130,653 |
| Provision for income taxes | **21,181** | 20,810 | **45,703** | 38,212 |
| **Net income** | **44,826** | 43,703 | **94,371** | 92,441 |
| Net income attributable to noncontrolling interest | **596** | (64) | **1,019** | 278 |
| **Net income attributable to Steven Madden, Ltd.** | **$ 44,230** | $ 43,767 | **$ 93,352** | $ 92,163 |
| | | | | |
| **Basic net income per share** | **$ 0.81** | $ 0.77 | **$ 1.69** | $ 1.61 |
| | | | | |
| **Diluted net income per share** | **$ 0.77** | $ 0.74 | **$ 1.61** | $ 1.54 |
| | | | | |
| Basic weighted average common shares outstanding | **54,904** | 56,869 | **55,290** | 57,334 |
| Effect of dilutive securities – options/restricted stock | **2,847** | 2,460 | **2,604** | 2,438 |
| **Diluted weighted average common shares outstanding** | **57,751** | 59,329 | **57,894** | 59,772 |

*See accompanying notes to condensed consolidated financial statements - unaudited.*

**STEVEN MADDEN, LTD. AND SUBSIDIARIES**

**Condensed Consolidated Statements of Comprehensive Income**
(unaudited)
(in thousands)

| | Three Months Ended September 30, 2017 | | | Nine Months Ended September 30, 2017 | | |
|---|---|---|---|---|---|---|
| | Pre-tax amounts | Tax benefit/(expense) | After-tax amounts | Pre-tax amounts | Tax benefit/(expense) | After-tax amounts |
| Net income | | | **$ 44,826** | | | **$ 94,371** |
| Other comprehensive income (loss): | | | | | | |
| Foreign currency translation adjustment | **$ 3,708** | **$ —** | **3,708** | **$ 9,545** | **$ —** | **9,545** |
| (Loss) on cash flow hedging derivatives | **(362)** | **134** | **(228)** | **(1,102)** | **408** | **(694)** |
| Unrealized gain on marketable securities | **46** | **(17)** | **29** | **357** | **(132)** | **225** |
| Total other comprehensive income | **$ 3,392** | **$ 117** | **3,509** | **$ 8,800** | **$ 276** | **9,076** |
| Comprehensive income | | | **48,335** | | | **103,447** |
| Comprehensive income attributable to noncontrolling interests | | | **596** | | | **1,019** |
| **Comprehensive income attributable to Steven Madden, Ltd.** | | | **$ 47,739** | | | **$ 102,428** |

| | Three Months Ended September 30, 2016 | | | Nine Months Ended September 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Pre-tax amounts | Tax benefit/(expense) | After-tax amounts | Pre-tax amounts | Tax benefit/(expense) | After-tax amounts |
| Net income | | | $ 43,703 | | | $ 92,441 |
| Other comprehensive income (loss): | | | | | | |
| Foreign currency translation adjustment | $ (2,290) | $ — | (2,290) | $ 973 | $ — | 973 |
| Gain on cash flow hedging derivatives | 447 | (163) | 284 | 688 | (251) | 437 |
| Unrealized gain on marketable securities | 543 | (198) | 345 | 3,087 | (1,127) | 1,960 |
| Total other comprehensive (loss) income | $ (1,300) | $ (361) | (1,661) | $ 4,748 | $ (1,378) | 3,370 |
| Comprehensive income | | | 42,042 | | | 95,811 |
| Comprehensive (loss) income attributable to noncontrolling interests | | | (64) | | | 278 |
| **Comprehensive income attributable to Steven Madden, Ltd.** | | | $ 42,106 | | | $ 95,533 |

*See accompanying notes to condensed consolidated financial statements - unaudited.*

**STEVEN MADDEN, LTD. AND SUBSIDIARIES**

**Condensed Consolidated Statements of Cash Flows**

(unaudited)

(in thousands)

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2017** | **2016** |
| **Cash flows from operating activities:** | | |
| Net income | **$ 94,371** | $ 92,441 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Stock-based compensation | **15,680** | 14,618 |
| Depreciation and amortization | **15,688** | 16,036 |
| Loss on disposal of fixed assets | **924** | — |
| Deferred taxes | **(190)** | (698) |
| Accrued interest on note receivable - related party | **(41)** | (48) |
| Deferred rent expense | **1,420** | 2,650 |
| Realized (gain) loss on sale of marketable securities | **(52)** | 776 |
| Changes in fair value on contingent liability | **(589)** | (45) |
| Bad debt expense from bankruptcy | **7,970** | — |
| Changes, net of acquisitions, in: | | |
| Accounts receivable | **10,819** | 2,486 |
| Factor accounts receivable | **(143,766)** | (73,955) |
| Notes receivable - related party | **307** | 308 |
| Inventories | **8,405** | (9,872) |
| Prepaid expenses, prepaid taxes, deposits and other | **4,211** | 7,202 |
| Accounts payable and accrued expenses | **19,825** | 21,331 |
| Accrued incentive compensation | **1,437** | 1,722 |
| Other liabilities | **(1,409)** | (1,488) |
| Net cash provided by operating activities | **35,010** | 73,464 |
| | | |
| **Cash flows from investing activities:** | | |
| Acquisitions, net of cash acquired | **(17,396)** | — |
| Capital expenditures | **(11,710)** | (12,908) |
| Purchases of marketable securities | **(39,142)** | (24,089) |
| Repayment of notes receivable | **221** | 249 |
| Maturity/sale of marketable securities | **67,432** | 26,825 |
| Net cash used in investing activities | **(595)** | (9,923) |
| | | |
| **Cash flows from financing activities:** | | |
| Proceeds from exercise of stock options | **11,312** | 4,869 |
| Purchase of noncontrolling interest | **—** | (3,759) |
| Payment of contingent liability | **(7,359)** | (8,048) |
| Common stock purchased for treasury | **(73,226)** | (66,394) |
| Net cash used in financing activities | **(69,273)** | (73,332) |
| Effect of exchange rate changes on cash and cash equivalents | **823** | 100 |
| **Net (decrease) in cash and cash equivalents** | **(34,035)** | (9,691) |
| Cash and cash equivalents – beginning of period | **126,115** | 72,414 |
| **Cash and cash equivalents – end of period** | **$ 92,080** | $ 62,723 |

*See accompanying notes to condensed consolidated financial statements - unaudited.*

**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 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. Certain adjustments were made to prior years' amounts to conform to the 2017 presentation. The results of operations for the three and nine month periods ended September 30, 2017 are not necessarily indicative of the operating results for the full year. These financial statements should be read in conjunction with the financial statements and related disclosures for the year ended December 31, 2016 included in the Annual Report of Steven Madden, Ltd. on Form 10-K filed with the SEC on February 28, 2017.

**Note B – Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant areas involving management estimates include allowances for bad debts, returns and customer chargebacks, inventory valuation, valuation of intangible assets, litigation reserves and contingent payment liabilities. The Company provides reserves on trade accounts receivables and factor receivables for future customer chargebacks and markdown allowances, discounts, returns and other miscellaneous compliance-related deductions that relate to the current period sales. The Company evaluates anticipated chargebacks by reviewing several performance indicators of its major customers. These performance indicators, which include retailers' inventory levels, sell-through rates and gross margin levels, are analyzed by management to estimate the amount of the anticipated customer allowance.

**Note C – Factor Receivable**

The Company has a collection agency agreement with Rosenthal & Rosenthal, Inc. ("Rosenthal"). The agreement can be terminated by the Company or Rosenthal at any time upon 60 days' prior written notice. Under the agreement, the Company can request advances from Rosenthal of up to 85% of aggregate receivables submitted to Rosenthal. The agreement provides the Company with a $30,000 credit facility with a $15,000 sub-limit for letters of credit at an interest rate based, at the Company's election, upon a calculation that utilizes either the prime rate minus 0.5% or LIBOR plus 2.5%. As of September 30, 2017 and 2016, no borrowings were outstanding. As of September 30, 2017 and 2016, there were open letters of credit of $447 and $0, respectively. The Company also pays Rosenthal a fee based on a percentage of the gross invoice amount submitted to Rosenthal. With respect to receivables related to our private label business, the fee is 0.14% of the gross invoice amount. With respect to all other receivables, the fee is 0.20% of the gross invoice amount. Rosenthal assumes the credit risk on a substantial portion of the receivables that the Company submits to it and, to the extent of any loans made to the Company, Rosenthal maintains a lien on the Company's receivables to secure the Company's obligations.

**Note D – Marketable Securities**

Marketable securities consist primarily of certificates of deposit and corporate bonds with maturities greater than three months and up to four years at the time of purchase. These securities, which are classified as available-for-sale, are carried at fair value, with unrealized gains and losses, net of any tax effect, reported in stockholders' equity as accumulated other comprehensive income (loss). These securities are classified as current and non-current marketable securities based upon their maturities. Amortization of premiums and discounts is included in interest income. For the three and nine months ended September 30, 2017, the amortization of bond premiums totaled $219 and $771 compared to $307 and $925 for the comparable period in 2016. The values of these securities may fluctuate as a result of changes in market interest rates and credit risk. The schedule of maturities at September 30, 2017 and December 31, 2016 are as follows:

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

**Note D – Marketable Securities (continued)**

| | Maturities as of September 30, 2017 | | Maturities as of December 31, 2016 | |
|---|---|---|---|---|
| | **1 Year or Less** | **1 to 4 Years** | **1 Year or Less** | **1 to 4 Years** |
| Corporate bonds | **$ 14,378** | **$ 33,839** | $ 11,527 | $ 70,559 |
| Certificates of deposit | **36,598** | **—** | 27,968 | — |
| Total | **$ 50,976** | **$ 33,839** | $ 39,495 | $ 70,559 |

For the three and nine months ended September 30, 2017, gains of $24 and $52 were reclassified from accumulated other comprehensive income and recognized in the income statement in interest and other income compared to gains of $3 and losses of $776 for the comparable periods in 2016. For the nine month period ended September 30, 2017, current marketable securities included unrealized gains of $4 and unrealized losses of $93 and long-term marketable securities included unrealized gains of $37 and unrealized losses of $29. For the comparable period in 2016, current marketable securities included unrealized losses of $220 while long-term marketable securities included unrealized gains of $592 and unrealized losses of $22.

**Note E – Fair Value Measurement**

The accounting guidance under Accounting Standards Codification 820-10, "Fair Value Measurements and Disclosures" ("ASC 820-10") requires the Company to make disclosures about the fair value of certain of its assets and liabilities. ASC 820-10 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. ASC 820-10 utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. A brief description of those three levels is as follows:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3: Significant unobservable inputs.

The Company's financial assets and liabilities subject to fair value measurements as of September 30, 2017 and December 31, 2016 are as follows:

| | | September 30, 2017 | | |
|---|---|---|---|---|
| | | Fair Value Measurements | | |
| | **Fair value** | **Level 1** | **Level 2** | **Level 3** |
| Assets: | | | | |
| Cash equivalents | $ 13,350 | $ 13,350 | $ — | $ — |
| Current marketable securities – available for sale | 50,976 | 50,976 | — | — |
| Long-term marketable securities – available for sale | 33,839 | 33,839 | — | — |
| Total assets | $ 98,165 | $ 98,165 | $ — | $ — |
| Liabilities: | | | | |
| Forward contracts | $ 611 | $ — | $ 611 | $ — |
| Contingent consideration | 23,050 | — | — | 23,050 |
| Total liabilities | $ 23,661 | $ — | $ 611 | $ 23,050 |

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

**Note E – Fair Value Measurement (continued)**

| | December 31, 2016 | | | |
|---|---|---|---|---|
| | | Fair Value Measurements | | |
| | **Fair value** | **Level 1** | **Level 2** | **Level 3** |
| Assets: | | | | |
| Cash equivalents | $ 3,309 | $ 3,309 | $ — | $ — |
| Current marketable securities – available for sale | 39,495 | 39,495 | — | — |
| Long-term marketable securities – available for sale | 70,559 | 70,559 | — | — |
| Forward contracts | 191 | — | 191 | — |
| Total assets | $ 113,554 | $ 113,363 | $ 191 | $ — |
| Liabilities: | | | | |
| Contingent consideration | $ 7,948 | $ — | $ — | $ 7,948 |
| Total liabilities | $ 7,948 | $ — | $ — | $ 7,948 |

Our level 3 balances consist of contingent consideration related to acquisitions. The changes in our level 3 assets and liabilities for the periods ended September 30, 2017 and December 31, 2016 are as follows:

| | Balance at January 1, | Payments | Acquisitions | Change in estimate | Balance at September 30, |
|---|---|---|---|---|---|
| **2017** | | | | | |
| Liabilities: | | | | | |
| Contingent consideration | $ 7,948 | $ (7,359) | $ 23,050 | $ (589) | $ 23,050 |

| | Balance at January 1, | Payments | Acquisitions | Change in estimate | Balance at December 31, |
|---|---|---|---|---|---|
| **2016** | | | | | |
| Liabilities: | | | | | |
| Contingent consideration | $ 24,775 | $ (16,402) | $ — | $ (425) | $ 7,948 |

Forward contracts are entered into to manage the risk associated with the volatility of future cash flows (see Note M). Fair value of these instruments is based on observable market transactions of spot and forward rates.

The Company has recorded a liability for potential contingent consideration in connection with the January 30, 2017 acquisition of all of the outstanding capital stock of each of Schwartz & Benjamin, Inc., B.D.S., Inc., Quinby Ridge Enterprises LLC and DANIELBARBARA Enterprises LLC (collectively, "Schwartz & Benjamin"). Pursuant to the terms of an earn-out agreement between the Company and the sellers of Schwartz & Benjamin, earn-out payments, if achieved, are due annually to the sellers of Schwartz & Benjamin based on the financial performance of Schwartz & Benjamin for each of the twelve-month periods ending on January 31, 2018 through 2023, inclusive. The fair value of the contingent payments was estimated using the present value of the payments based on management's projections of the financial results of Schwartz & Benjamin during the earn-out period.

The Company recorded a liability for potential contingent consideration in connection with the December 30, 2014 acquisition of all of the outstanding capital stock of Trendy Imports S.A. de C.V., Comercial Diecisiette S.A. de C.V. and Maximus Designer
Shoes S.A. de C.V. (together, "SM Mexico"). Pursuant to the terms of an earn-out agreement between the Company and the seller of SM Mexico, earn-out payments, if achieved, were due annually to the seller of SM Mexico based on the financial performance

**Note E – Fair Value Measurement (continued)**

of SM Mexico for each of the twelve-month periods ending on December 31, 2015 and 2016, inclusive. The fair value of the contingent payments was estimated using the present value of payments based on management’s projections of the financial results
of SM Mexico during the earn-out period. The first earn-out payment of $3,482 for the period ended December 31, 2015 was paid to the seller of SM Mexico in the first quarter of 2016. A partial earn-out payment of $2,580 for the period ended December 31, 2016 was paid to the seller of SM Mexico in the second quarter of this year. A payment of $2,038 which represents the remaining portion of the final earn-out payment for the period ending December 31, 2016 was paid to the seller of SM Mexico in the third quarter of this year.

The Company recorded a liability for potential contingent consideration in connection with the February 21, 2012 acquisition of SM Canada. Pursuant to the terms of an earn-out agreement between the Company and the seller of SM Canada, earn-out payments, if achieved, were due annually to the seller of SM Canada based on the financial performance of SM Canada for each of the 12-month periods ending on March 31, 2013 through 2017, inclusive. The fair value of the contingent payments was estimated using the present value of payments based on management’s projections of the financial results of SM Canada during the earn-out period. A final earn-out payment of $2,741 for the period ended March 31, 2017 was paid to the seller of SM Canada in the second quarter of this year.

The carrying value of certain financial instruments such as accounts receivable, factor accounts receivable and accounts payable approximates their fair values due to the short-term nature of their underlying terms. Fair value of the notes receivable held by the Company approximates their carrying value based upon their imputed or actual interest rate, which approximates applicable current market interest rates.

**Note F – Revenue Recognition**

The Company recognizes revenue on wholesale sales when (i) products are shipped pursuant to its standard terms, which are freight on board Company warehouse, or when products are delivered to the consolidators, or any other destination, as per the terms of the customers’ purchase order, (ii) persuasive evidence of an arrangement exists, (iii) the price is fixed and determinable and (iv) collection is reasonably assured. Sales reductions on wholesale sales for anticipated discounts, allowances and other deductions are recognized during the period when sales are recorded. With the exception of our cold weather accessories and Blondo businesses, normally we do not accept returns from our wholesale customers unless there are product quality issues, which we charge back to the vendors at cost. Sales of cold weather accessories and Blondo products to wholesale customers are recorded net of returns, which are estimated based on historical experience. Such amounts have historically not been material.

Retail sales are recognized when the payment is received from customers and are recorded net of returns. The Company generates commission income acting as a buying agent by arranging to manufacture private label shoes to the specifications of its customers. The Company’s commission revenue also includes fees charged for its design, product and development services provided to certain suppliers in connection with the Company’s private label business. Commission revenue and product and development fees are recognized as earned when title to the product transfers from the manufacturer to the customer and collections are reasonably assured and are reported on a net basis after deducting related operating expenses.

The Company licenses its Steve Madden®, Steven by Steve Madden® and Madden Girl® trademarks for use in connection with the manufacture, marketing and sale of eyewear, outerwear, hosiery, activewear, sleepwear, jewelry, watches, hair accessories, umbrellas, bedding, luggage, and men’s leather accessories. In addition, the Company licenses the Betsey Johnson® trademark for use in connection with the manufacture, marketing and sale of women's and children's apparel, hosiery, swimwear, outerwear, sleepwear, activewear, jewelry, watches, bedding, luggage, stationery, umbrellas, and household goods. The Company licenses the Dolce Vita® trademark for use in connection with the manufacture, marketing and sale of women's and children’s outerwear and swimwear. The license agreements require the licensee to pay the Company a royalty and, in substantially all of the agreements, an advertising fee, both of which are based on the higher of a minimum or a net sales percentage as defined in the various agreements. In addition, under the terms of retail selling agreements, most of the Company’s international distributors are required to pay the Company a royalty based on a percentage of net sales, in addition to a commission and a design fee on the purchases of the Company’s products. Licensing revenue is recognized on the basis of net sales reported by the licensees, or the

**Note F – Revenue Recognition (continued)**

minimum guaranteed royalties, if higher. In substantially all of the Company's license agreements, the minimum guaranteed royalty is earned and receivable on a quarterly basis.

**Note G – Sales Deductions**

The Company supports retailers' initiatives to maximize sales of the Company's products on the retail floor by subsidizing the co-op advertising programs of such retailers, providing them with inventory markdown allowances and participating in various other marketing initiatives of its major customers. In addition, the Company accepts returns for damaged products for which the Company's costs are normally charged back to the responsible third-party factory. Such expenses are reflected in the condensed consolidated financial statements as deductions from gross sales to arrive at net sales.

**Note H – Share Repurchase Program**

The Company's Board of Directors authorized a share repurchase program (the "Share Repurchase Program"), effective as of January 1, 2004. The Share Repurchase Program does not have a fixed expiration or termination date and may be modified or terminated by the Board of Directors at any time. On several occasions the Board of Directors has increased the amount authorized for repurchase. The Share Repurchase Program permits the Company to effect repurchases from time to time through a combination of open market repurchases or in privately negotiated transactions at such prices and times as are determined to be in the best interest of the Company. On July 28, 2017, the Board of Directors approved the extension of the Share Repurchase Program
for an additional $200,000 in repurchases of the Company's common stock. During the nine months ended September 30, 2017, an aggregate of 1,898,249 shares of the Company's common stock were repurchased under the Share Repurchase Program, at an average price per share of $37.32, for an aggregate purchase price of approximately $70,841. As of September 30, 2017, approximately $194,803 remained available for future repurchases under the Share Repurchase Program.

The Steven Madden, Ltd. 2006 Stock Incentive Plan provides the Company with the right to deduct or withhold, or require employees to remit to the Company, an amount sufficient to satisfy any applicable tax withholding obligations applicable to stock-based compensation awards. To the extent permitted, employees may elect to satisfy all or part of such withholding obligations by tendering to the Company previously owned shares or by having the Company withhold shares having a fair market value equal to the minimum statutory tax withholding rate that could be imposed on the transaction. During the nine months ended September 30, 2017, an aggregate of 63,211 shares were withheld in connection with the settlement of vested restricted stock to satisfy tax withholding requirements, at an average price per share of $37.72, for an aggregate purchase price of approximately $2,384.

**Note I – Net Income Per Share of Common Stock**

Basic net income per share is based on the weighted average number of shares of common stock outstanding during the period, which does not include unvested restricted common stock subject to forfeiture of 4,218,000 and 4,230,000 shares for the three and nine months ended September 30, 2017, respectively, compared to 4,235,000 and 4,186,000 shares for the three and nine months ended September 30, 2016. Diluted net income per share reflects: (a) the potential dilution assuming shares of common stock were issued upon the exercise of outstanding in-the-money options and the proceeds thereof were used to purchase shares of the Company's common stock at the average market price during the period, and (b) the vesting of granted non-vested restricted stock awards for which the assumed proceeds upon vesting are deemed to be the amount of compensation cost not yet recognized attributable to future services using the treasury stock method, to the extent dilutive. During the third quarter of 2016, the Company adopted Accounting Standards Update 2016-09, "Improvements to Employee Share-Based Payment Accounting," which provides updated guidance relating to the treasury stock calculation of diluted shares. For the three and nine months ended September 30, 2017, options to purchase approximately 0 and 50,000 shares of common stock, respectively, have been excluded from the calculation of diluted net income per share as compared to 383,000 and 375,000 shares that were excluded for the three and nine months ended September 30, 2016, as the result would have been antidilutive. For the three and nine months ended September 30, 2017 and 2016, all unvested restricted stock awards were dilutive.

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

**Note J – Equity-Based Compensation**

In March 2006, the Company's Board of Directors approved the Steven Madden, Ltd. 2006 Stock Incentive Plan, as amended (the "Plan"), under which nonqualified stock options, stock appreciation rights, performance shares, restricted stock, other stock-based awards, and performance-based cash awards may be granted to employees, consultants and non-employee directors. The following table summarizes the number of shares of common stock authorized for issuance under the Plan, the number of stock-based awards granted (net of expired or cancelled awards) under the Plan and the number of shares of common stock available for the grant of stock-based awards under the Plan:

| | |
|---|---|
| Common stock authorized | 23,466,000 |
| Stock-based awards, including restricted stock and stock options granted, net of expired or cancelled | (21,795,000) |
| Common stock available for grant of stock-based awards as of September 30, 2017 | 1,671,000 |

Total equity-based compensation for the three and nine months ended September 30, 2017 and 2016 is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Restricted stock | **$ 3,902** | $ 4,177 | **$ 12,540** | $ 12,417 |
| Stock options | **1,005** | 805 | **3,140** | 2,201 |
| Total | **$ 4,907** | $ 4,982 | **$ 15,680** | $ 14,618 |

Equity-based compensation is included in operating expenses on the Company's Condensed Consolidated Statements of Income.

*Stock Options*

Cash proceeds and intrinsic values related to total stock options exercised during the three and nine months ended September 30, 2017 and 2016 are as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Proceeds from stock options exercised | **$ 5,663** | $ 1,162 | **$ 11,312** | $ 4,869 |
| Intrinsic value of stock options exercised | **$ 1,220** | $ 634 | **$ 4,729** | $ 11,684 |

During the three and nine months ended September 30, 2017, options to purchase approximately 56,355 shares of common stock with a weighted average exercise price of $34.72 and options to purchase approximately 349,030 shares of common stock with a weighted average exercise price of $33.35 vested, respectively. During the three and nine months ended September 30, 2016, options to purchase approximately 21,006 shares of common stock with a weighted average exercise price of $32.72 and options to purchase approximately 261,715 shares of common stock with a weighted average exercise price of $31.92 vested, respectively. As of September 30, 2017, there were unvested options relating to 1,294,680 shares of common stock outstanding with a total of $9,449 of unrecognized compensation cost and an average vesting period of 4.6 years.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of options granted, which requires several assumptions. The expected term of the options represents the estimated period of time until exercise and is based on the historical experience of similar awards. Expected volatility is based on the historical volatility of the Company's common stock. The risk
free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant. The Company historically has not paid regular cash dividends and thus the expected dividend rate is assumed to be zero. The following weighted average assumptions were used for stock options granted during the nine months ended September 30, 2017 and 2016:

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

**Note J – Equity-Based Compensation (continued)**

| | 2017 | 2016 |
|---|---|---|
| Volatility | **23.0% to 26.4%** | 22.2% to 26.2% |
| Risk free interest rate | **1.48% to 1.99%** | 0.86% to 1.73% |
| Expected life in years | **3.4 to 5.0** | 3.4 to 5.0 |
| Dividend yield | **0.00%** | 0.00% |
| Weighted average fair value | **$8.91** | $7.01 |

Activity relating to stock options granted under the Company's plans and outside the plans during the nine months ended September 30, 2017 is as follows:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at January 1, 2017 | **1,499,000** | **$ 29.72** | | |
| Granted | **1,054,000** | **37.53** | | |
| Exercised | **(405,000)** | **27.39** | | |
| Forfeited | **(8,000)** | **35.02** | | |
| Outstanding at September 30, 2017 | **2,140,000** | **$ 33.98** | **4.6 years** | **$ 19,937** |
| Exercisable at September 30, 2017 | **846,000** | **$ 29.45** | **2.5 years** | **$ 11,713** |

*Restricted Stock*

The following table summarizes restricted stock activity during the nine months ended September 30, 2017 and 2016:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Number of Shares | Weighted Average Fair Value at Grant Date | Number of Shares | Weighted Average Fair Value at Grant Date |
| Non-vested at January 1, | **4,191,000** | **$ 25.93** | 4,055,000 | $ 25.32 |
| Granted | **259,000** | **37.38** | 377,000 | 34.22 |
| Vested | **(213,000)** | **33.25** | (193,000) | 30.44 |
| Forfeited | **(34,000)** | **35.08** | — | — |
| Non-vested at September 30, | **4,203,000** | **$ 26.19** | 4,239,000 | $ 25.93 |

As of September 30, 2017, the Company had $66,808 of total unrecognized compensation cost related to restricted stock awards granted under the Plan. This cost is expected to be recognized over a weighted average of 5.6 years. The Company determines the fair value of its restricted stock awards based on the market price of its common stock on the date of grant.

On January 3, 2012, the Company and its Creative and Design Chief, Steven Madden, entered into an amendment of Mr. Madden's existing employment agreement, pursuant to which, on February 8, 2012, Mr. Madden was granted 1,463,057 restricted shares of
the Company's common stock at the then market price of $27.34, which will vest in equal annual installments over a seven-year period commencing on December 31, 2017 and, thereafter, on each December 31 through December 31, 2023, subject to Mr.

**Note J – Equity-Based Compensation (continued)**

Madden's continued employment on each such vesting date. On June 30, 2012, Mr. Madden exercised his right under his employment agreement to receive an additional restricted stock award, and, on July 3, 2012, he was granted 1,893,342 restricted shares of the Company's common stock at the then market price of $21.13, which will vest in the same manner as the aforementioned grant. On August 8, 2016, pursuant to the employment agreement, Mr. Madden was granted an option to purchase 150,000 shares
of the Company's common stock at an exercise price of $34.42 per share, which option became exercisable in equal quarterly installments commencing on November 8, 2016. On July 20, 2017, pursuant to his employment agreement, Mr. Madden was granted an option to purchase 150,000 shares of the Company's common stock at an exercise price of $40.15 per share, which option is exercisable in equal quarterly installments commencing on October 20, 2017.

**Note K – Acquisitions**

*SM Dolce Limited*

In September 2017, the Company formed a joint venture ("SM Taiwan") with Dolce Limited through its subsidiary, SM Dolce Limited. The Company is the majority interest holder in SM Taiwan and controls all of the significant participating rights of the joint venture. SM Taiwan is the exclusive distributor of the Company's products in Taiwan. As the Company controls all of the significant participating rights of the joint venture and is the majority interest holder in SM Taiwan, the assets, liabilities and results of operations of SM Taiwan are consolidated and included in the Company's Condensed Consolidated Financial Statements. The other member's interest is reflected in "Net income attributable to noncontrolling interests" in the Condensed Consolidated Statements of Income and "Noncontrolling interests" in the Condensed Consolidated Balance Sheets.

*SM (Jiangsu) Co., Ltd.*

In September 2017, the Company formed a joint venture ("SM China") with Xuzhou C. banner Footwear, Ltd. through its subsidiary, SM (Jiangsu) Co., Ltd. The Company controls all of the significant participating rights of the joint venture. SM China is the exclusive distributor of the Company's products in China. As the Company controls all of the significant participating rights of the joint venture in SM China, the assets, liabilities and results of operations of SM China are consolidated and included in the Company's Condensed Consolidated Financial Statements. The other member's interest is reflected in "Net income attributable to noncontrolling interests" in the Condensed Consolidated Statements of Income and "Noncontrolling interests" in the Condensed Consolidated Balance Sheets.

*Schwartz & Benjamin*

In January 2017, the Company acquired all of the outstanding capital stock of each of Schwartz & Benjamin, Inc., B.D.S., Inc., Quinby Ridge Enterprises LLC and DANIELBARBARA Enterprises LLC (collectively, "Schwartz & Benjamin"). Founded in 1923, Schwartz & Benjamin specializes in the design, sourcing and sale of licensed and private label footwear and distributes its fashion footwear to wholesale customers, including department stores and specialty boutiques, as well as the retail stores of its brand partners. The total purchase price for the acquisition was approximately $40,446, which is subject to a working capital adjustment. The total purchase price includes a cash payment at closing of $17,396, plus potential earn-out payments based on the achievement of certain earnings targets for each of the twelve month periods ending on January 31, 2018 through 2023, inclusive. The fair value of the contingent payments was estimated using the present value of the payments based on management's projections of the financial results of Schwartz & Benjamin during the earn-out period. At September 30, 2017, the Company estimated the fair value of the contingent consideration to be $23,050.

The transaction was accounted for using the acquisition method required by GAAP. Accordingly, the assets and liabilities of Schwartz & Benjamin were recorded at their fair values, and the excess of the purchase price over the fair value of the assets acquired and liabilities assumed, including identified intangible assets, was recorded as goodwill. The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on management's estimates and assumptions, which are subject to change. The purchase price has been preliminarily allocated as follows:

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

**Note K – Acquisitions (continued)**

| | | |
|---|---|---|
| Inventory | $ | 12,698 |
| Accounts receivable | | 10,733 |
| Trademarks | | 4,000 |
| Customer relations | | 3,900 |
| Fixed assets | | 3,281 |
| Prepaids and other assets | | 2,694 |
| Accounts payable | | (8,544) |
| Accrued expenses | | (4,669) |
| Total fair value excluding goodwill | | 24,093 |
| Goodwill | | 16,353 |
| Net assets acquired | $ | 40,446 |

The allocation of the purchase price is based on certain preliminary valuations and analyses that have not been completed as of the date of this filing. Any changes in the estimated fair values of the assets acquired, including identifiable intangible assets, and liabilities assumed upon the finalization of more detailed analysis, within the measurement period, will change the allocation of the purchase price. Contingent consideration classified as a liability will be remeasured at fair value at each reporting date, until the contingency is resolved, with changes recognized in earnings. The goodwill related to this transaction is expected to be deductible for tax purposes over 15 years.

**Note L – Goodwill and Intangible Assets**

The following is a summary of the carrying amount of goodwill by segment as of September 30, 2017:

| | Wholesale | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Footwear | | Accessories | | Retail | | Net Carrying Amount | |
| Balance at January 1, 2017 | $ | 72,261 | $ | 49,324 | $ | 14,126 | $ | 135,711 |
| Acquisitions | | 16,353 | | — | | — | | 16,353 |
| Translation and other | | 1,213 | | — | | 697 | | 1,910 |
| Balance at September 30, 2017 | $ | 89,827 | $ | 49,324 | $ | 14,823 | $ | 153,974 |

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

**Note L – Goodwill and Intangible Assets (continued)**

The following table details identifiable intangible assets as of September 30, 2017:

| | Estimated Lives | Cost Basis | Accumulated Amortization (1) | Net Carrying Amount |
|---|---|---|---|---|
| Trade names | 6–10 years | $ 8,590 | $ 4,357 | $ 4,233 |
| Customer relationships | 10 years | 45,409 | 23,117 | 22,292 |
| License agreements | 3–6 years | 5,600 | 5,600 | — |
| Non-compete agreement | 5 years | 2,440 | 2,354 | 86 |
| Re-acquired right | 2 years | 4,200 | 4,200 | — |
| Other | 3 years | 14 | 14 | — |
| | | 66,253 | 39,642 | 26,611 |
| Re-acquired right | indefinite | 35,200 | 7,451 | 27,749 |
| Trademarks | indefinite | 97,288 | — | 97,288 |
| | | $ 198,741 | $ 47,093 | $ 151,648 |

(1) Includes the effect of foreign currency translation related primarily to the movements of the Canadian dollar and Mexican peso in relation to the U.S. dollar.

The estimated future amortization expense of purchased intangibles as of September 30, 2017 is as follows:

| | |
|---|---|
| 2017 (remaining three months) | $ 1,113 |
| 2018 | 4,454 |
| 2019 | 4,380 |
| 2020 | 3,560 |
| 2021 | 1,884 |
| Thereafter | 11,220 |
| | $ 26,611 |

**Note M – Derivative Instruments**

The Company uses derivative instruments, specifically, forward foreign exchange contracts, to manage the risk associated with the volatility of future cash flows. The foreign exchange contracts are used to mitigate the impact of exchange rate fluctuations on certain forecasted purchases of inventory and are designated as cash flow hedging instruments. As of September 30, 2017, the fair value of the Company's foreign currency derivatives, which is included on the Condensed Consolidated Balance Sheets in accrued expenses, is $611. As of September 30, 2017, $503 of losses related to cash flow hedges are recorded in accumulated other comprehensive loss, net of taxes and are expected to be recognized in earnings at the same time the hedged items affect earnings. As of September 30, 2016, $123 of gains related to cash flow hedges were recorded in accumulated other comprehensive income, net of taxes. As of September 30, 2017, the Company's hedging activities were considered effective and, thus, no ineffectiveness from hedging activities were recognized in the Condensed Consolidated Statements of Income. For the three and nine months ended September 30, 2017, gains of $17 and losses of $26 were reclassified from accumulated other comprehensive income and recognized in the income statement in cost of sales, as compared to losses of $68 and $428 for the three and nine months ended September 30, 2016.

**Note N – Commitments, Contingencies and Other**

**Legal proceedings:**

The Company has been named as a defendant in certain lawsuits in the normal course of business. In the opinion of management, after consulting with legal counsel, the liabilities, if any, resulting from these matters should not have a material effect on the Company's financial position or results of operations. It is the policy of management to disclose the amount or range of reasonably possible losses in excess of recorded amounts.

**Note O – Operating Segment Information**

The Company operates the following business segments: Wholesale Footwear, Wholesale Accessories, Retail, First Cost and Licensing. The Wholesale Footwear segment, through sales to department stores, mid-tier retailers, mass market merchants, online retailers and specialty stores, derives revenue, both domestically and internationally (via our International business), from sales of branded and private label women's, men's, girls' and children's footwear. The Wholesale Accessories segment, which includes branded and private label handbags, belts and small leather goods as well as cold weather and selected other fashion accessories, derives revenue, both domestically and worldwide (via our International business), from sales to department stores, mid-tier retailers, mass market merchants, online retailers and specialty stores. Our Wholesale Footwear and Wholesale Accessories segments, through our International business, derive revenue from territories within Asia, Albania, Austria, Belgium, Bulgaria, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Kosovo, Lithuania, Latvia, Luxembourg, Mexico, the Netherlands, Norway, Poland, Romania, Russia, Slovakia, Slovenia, Sweden, Switzerland, and Tunisia and, under special distribution arrangements in various other territories within Australia, the Middle East, India, South and Central America and New Zealand. The Retail segment, through the operation of Company-owned retail stores in the United States, Canada, Mexico, South Africa and China and the Company's websites, derives revenue from sales of branded women's, men's and children's footwear, accessories and licensed products to consumers. The First Cost segment represents activities of a subsidiary that earns commissions and design fees for serving as a buying agent of footwear products to mass-market merchandisers, mid-tier department stores and other retailers with respect to their purchase of footwear. In the Licensing segment, the Company generates revenue by licensing its Steve Madden®, Steven by Steve Madden® and Madden Girl® trademarks and other trademark rights for use in connection with the manufacture, marketing and sale of eyewear, outerwear, hosiery, activewear, sleepwear, jewelry, watches, hair accessories, umbrellas, bedding, luggage, and men's leather accessories. In addition, this segment licenses the Betsey Johnson® trademark for use in connection with the manufacture, marketing and sale of women's and children's apparel, hosiery, swimwear, outerwear, sleepwear, activewear, jewelry, watches, bedding, luggage, stationery, umbrellas, and household goods; and furthermore, licenses the Dolce Vita® trademark for use in connection with the manufacture, marketing and sale of women's and children's outerwear and swimwear.

STEVEN MADDEN, LTD. AND SUBSIDIARIES

**Notes to Condensed Consolidated Financial Statements – Unaudited**
**September 30, 2017**
**($ in thousands except share and per share data)**

### Note O – Operating Segment Information (continued)

| As of and for the three months ended, | Wholesale Footwear | Wholesale Accessories | Total Wholesale | Retail | First Cost | Licensing | Consolidated |
|---|---|---|---|---|---|---|---|
| **September 30, 2017** | | | | | | | |
| Net sales to external customers | $ 300,565 | $ 76,365 | **$ 376,930** | **$ 64,263** | **$ —** | **$ —** | **$ 441,193** |
| Gross profit | 102,891 | 24,877 | **127,768** | **38,123** | **—** | **—** | **165,891** |
| Commissions and licensing fees – net | — | — | **—** | **—** | **2,028** | **2,718** | **4,746** |
| Income from operations | 52,366 | 10,301 | **62,667** | **(1,970)** | **2,028** | **2,718** | **65,443** |
| Segment assets | $ 790,405 | $ 139,852 | **930,257** | **128,198** | **12,948** | **—** | **1,071,403** |
| Capital expenditures | | | **$ 1,348** | **$ 2,690** | **$ —** | **$ —** | **$ 4,038** |
| **September 30, 2016** | | | | | | | |
| Net sales to external customers | $ 268,159 | $ 78,448 | $ 346,607 | $ 61,777 | $ — | $ — | $ 408,384 |
| Gross profit | 90,550 | 26,937 | 117,487 | 37,021 | — | — | 154,508 |
| Commissions and licensing fees – net | — | — | — | — | 2,370 | 2,934 | 5,304 |
| Income from operations | 41,080 | 15,492 | 56,572 | 1,890 | 2,370 | 2,934 | 63,766 |
| Segment assets | $ 646,919 | $ 184,622 | 831,541 | 117,604 | 13,244 | — | 962,389 |
| Capital expenditures | | | $ 1,693 | $ 2,800 | $ — | $ — | $ 4,493 |

| As of and for the nine months ended, | Wholesale Footwear | Wholesale Accessories | Total Wholesale | Retail | First Cost | Licensing | Consolidated |
|---|---|---|---|---|---|---|---|
| **September 30, 2017** | | | | | | | |
| Net sales to external customers | $ 799,837 | $ 195,804 | **$ 995,641** | **$ 186,087** | **$ —** | **$ —** | **$ 1,181,728** |
| Gross profit | 263,368 | 62,349 | **325,717** | **112,288** | | | **438,005** |
| Commissions and licensing fees – net | — | — | **—** | — | **4,864** | **5,974** | **10,838** |
| Income (loss) from operations | 110,791 | 19,603 | **130,394** | **(3,114)** | **4,864** | **5,974** | **138,118** |
| Segment assets | $ 790,405 | $ 139,852 | **930,257** | **128,198** | **12,948** | — | **1,071,403** |
| Capital expenditures | | | **$ 3,800** | **$ 7,910** | **$ —** | **$ —** | **$ 11,710** |
| **September 30, 2016** | | | | | | | |
| Net sales to external customers | $ 692,503 | $ 192,769 | $ 885,272 | $ 177,871 | $ — | $ — | $ 1,063,143 |
| Gross profit | 221,328 | 64,064 | 285,392 | 106,363 | | | 391,755 |
| Commissions and licensing fees – net | — | — | — | — | 3,832 | 6,427 | 10,259 |
| Income from operations | 90,239 | 25,753 | 115,992 | 3,285 | 3,832 | 6,427 | 129,536 |
| Segment assets | $ 646,919 | $ 184,622 | 831,541 | 117,604 | 13,244 | — | 962,389 |
| Capital expenditures | | | $ 4,296 | $ 8,612 | $ — | $ — | $ 12,908 |

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

**Note O – Operating Segment Information (continued)**

Revenues by geographic area for the three and nine months ended September 30, 2017 and 2016 are as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Domestic (a) | **$ 388,350** | $ 360,400 | **$ 1,061,867** | $ 956,967 |
| International | **52,843** | 47,984 | **119,861** | 106,176 |
| Total | **$ 441,193** | $ 408,384 | **$ 1,181,728** | $ 1,063,143 |

(a) Includes revenues of $87,662 and $258,603 for the three and nine months ended September 30, 2017, respectively, and $86,584 and $252,599 for the comparable periods in 2016 related to sales to U.S. customers where the title is transferred outside the U.S. and the sale is recorded by our international business.

**Note P – Recent Accounting Pronouncements**

*Recently Adopted*

In January 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update 2017-04 ("ASU 2017-04"), "Simplifying the Test for Goodwill Impairment." ASU 2017-04 changes the methodology of applying the quantitative approach during interim or annual impairment testing. The guidance is effective in fiscal years beginning after December 15, 2020. The Company adopted the provisions of ASU 2017-04 in the second quarter of 2017; the adoption did not have a material impact on the Company's financial statements.

In July 2015, the FASB issued Accounting Standards Update 2015-11 ("ASU 2015-11"), "Inventory (Topic 330): Simplifying the Measurement of Inventory", which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value.  ASU 2015-11 defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Company adopted the provisions of ASU 2015-11 in the first quarter of 2017; the adoption did not have a material impact on the Company's financial statements.

In November 2015, the FASB issued Accounting Standards Update 2015-17 ("ASU 2015-17"), "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes." ASU 2015-17 simplifies current guidance and requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet. The Company adopted the provisions of ASU 2015-17 in the first quarter of 2017 under the retrospective approach and, as such, the Company reclassified $13,985 and $14,573 of deferred taxes from current to non-current on our balance sheets as of December 31, 2016 and September 30, 2017, respectively.

*Not Yet Adopted*

In August 2017, the FASB issued Accounting Standards Update 2017-12 ("ASU 2017-12"), "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." ASU 2017-12 changes the recognition and presentation requirements of hedge accounting. The guidance provides new alternatives for applying hedge accounting to additional hedging strategies and measuring the hedged item in fair value hedges of interest rate risk, as well as applies new alternatives for reducing the cost and complexity of applying hedge accounting by easing the requirements for effectiveness testing, hedge documentation and application of the critical terms match method, and reducing the risk of material error correction if a company applies the shortcut method inappropriately. The guidance is effective for annual and interim periods in fiscal years beginning after December 15, 2018 and early adoption is permitted any time after the issuance of the ASU, including in an interim period. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures.

In March 2017, the FASB issued Accounting Standards Update 2017-08 ("ASU 2017-08"), "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities." ASU 2017-08 will amend the amortization period for certain purchased callable debt securities held at a premium. Under current GAAP, entities generally amortize the premium as an adjustment of yield over the contractual life of the instrument. ASU 2017-08 will shorten the amortization

**Note P - Recent Accounting Pronouncements (continued)**

period for the premium to the earliest call date. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the effect, if any, that the new guidance will have
on its financial statements and related disclosures.

In August 2016, the FASB issued Accounting Standards Update 2016-15 ("ASU 2016-15"), "Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 clarifies how certain cash receipts and payments should be presented in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years with early adoption permitted. We will adopt the guidance when it becomes effective in the first quarter of 2018; the guidance is not expected to have a material impact on our financial statements.

In June 2016, the FASB issued Accounting Standards Update 2016-13 ("ASU 2016-13"), "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently evaluating the
effect that the new guidance will have on its financial statements and related disclosures.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 ("ASU 2016-02"), "Leases," which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018 with early adoption permitted. Under ASU 2016-02, lessees will be required to recognize for all leases with terms longer than 12 months, at the commencement date of the lease, a lease liability, which is a lessee's obligation to make lease payments arising from a lease measured on a discounted basis, and a right-to-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease term. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures and, while we have not completed the analysis, we expect it will have a material impact on our financial statements.

In January 2016, the FASB issued Accounting Standards Update 2016-01 ("ASU 2016-01"), "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." ASU 2016-01 generally requires companies to measure investments in equity securities, except those accounted for under the equity method, at fair value and recognize any changes in fair value in net income. The new guidance must be applied using a modified-retrospective approach and is effective for periods beginning after December 15, 2017 and early adoption is not permitted. We will adopt the guidance when it becomes effective in the first quarter of 2018; the guidance is not expected to have a material impact on our financial statements.

In May 2014, the FASB issued new accounting guidance, Accounting Standards Update No. 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers," on revenue recognition. The new standard provides for a single five-step model to be applied to
all revenue contracts with customers as well as requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2017, and the Company plans to adopt the provisions of the new standard in the first quarter of 2018. The Company is utilizing a comprehensive approach to assess the impact of the guidance on each of our operating segments' revenue streams, including assessment of our performance obligations, principal versus agent considerations and variable consideration. Additionally, the Company is evaluating the impact of the new guidance on disclosures, as well as the impact on controls to support the recognition. Based on the foregoing, at the current time the Company does not expect the adoption to have a material impact on its consolidated financial statements.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion of our financial condition and results of operations should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.

All references in this Quarterly Report to "we," "our," "us" and the "Company," refer to Steven Madden, Ltd. and its subsidiaries unless the context indicates otherwise.

This Quarterly Report contains certain "forward-looking statements" as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Quarterly Report may not occur. Generally, forward-looking statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words "may", "will", "expect", "believe", "anticipate", "project", "plan", "intend", "estimate", and "continue", and their opposites and similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, that may influence the accuracy of the statements and the projections upon which the statements are based. Factors that may affect our results include, but are not limited to, the risks and uncertainties discussed in our Annual Report on Form 10-K for the year ended December 31, 2016. Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

**Overview:**
**($ in thousands, except retail sales data per square foot and per share data)**

Steven Madden, Ltd. and its subsidiaries (collectively, the “Company”) design, source, market and sell fashion-forward name brand and private label footwear for women, men and children and name brand and private label fashion handbags and accessories. We also license our trademarks for use in connection with the manufacture, marketing and sale of various products by our licensees. Our products are marketed through our retail stores and our e-commerce websites, as well as better department stores, major department stores, mid-tier department stores, specialty stores, luxury retailers, value priced retailers, national chains, mass market merchants and catalog retailers throughout the United States, Canada, Mexico and Asia, as well as Albania, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Kosovo, Lithuania, Latvia, Luxembourg, the Netherlands, Norway, Poland, Romania, Russia, Slovakia, Slovenia, South Africa, Sweden, Switzerland, and Tunisia. In addition, we have special distribution arrangements for the marketing and sale of our products in various other territories within Australia, India, the Middle East, South and Central America and New Zealand. We offer a broad range of updated styles designed to establish or complement and capitalize on market trends. We have established a reputation for design creativity and our ability to offer quality products in popular styles at affordable prices, delivered in an efficient manner and time frame.

*Key Performance Indicators and Statistics*

The following measurements are among the key business indicators reviewed by various members of management to measure consolidated and segment results of the Company:

- net sales
- gross profit margin
- operating expenses
- income from operations
- adjusted EBITDA
- adjusted EBIT
- same store sales
- inventory turnover
- accounts receivable average collection days
- cash flow and liquidity determined by the Company’s working capital and free cash flow
- store metrics such as sales per square foot, average unit retail, conversion, average units per transaction, and contribution margin.

While not all of these metrics are disclosed due to the proprietary nature of the information, many of these metrics are disclosed and discussed in this Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Non-GAAP Measures

The Company’s reported results are presented in accordance with generally accepted accounting principles in the United States of America ("GAAP"). The Company uses adjusted earnings before interest and taxes ("Adjusted EBIT") and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), as calculated in the table below, as non-GAAP measures, in internal management reporting and planning processes as well as in evaluating the performance of the Company. Management believes these measures are useful to investors in evaluating the Company’s ongoing operating and financial results. By providing these non-GAAP measures, as a supplement to GAAP information, we believe we are enhancing investors’ understanding of our business and our results of operations. The non-GAAP financial measures are limited in their usefulness and should be considered in addition to, and not in lieu of, GAAP financial measures. Further, these non-GAAP measures may be unique to the Company, as they may be different from non-GAAP measures used by other companies.

The table below reconciles these metrics to net income as presented in the condensed consolidated statements of income.

| | Year-To-Date Period Ended ($ in thousands) | | |
|---|---|---|---|
| | September 30, 2017 | December 31, 2016 | September 30, 2016 |
| Net Income | $ 94,371 | $ 121,274 | $ 92,441 |
| Add back: | | | |
| Provision for income taxes | 45,703 | 49,726 | 38,212 |
| Bad debt expense from bankruptcy | 7,500 | — | — |
| Schwartz & Benjamin inventory fair value adjustment | 1,654 | — | — |
| Schwartz & Benjamin one-time integration costs | 1,255 | — | — |
| Deduct: | | | |
| Other Income (Loss)* | 52 | (664) | (778) |
| Interest, net | 1,904 | 2,488 | 1,895 |
| Adjusted EBIT | 148,527 | 169,176 | 129,536 |
| Add back: | | | |
| Depreciation and amortization | 14,917 | 19,868 | 15,113 |
| Loss on disposal of fixed assets | 924 | 652 | — |
| Adjusted EBITDA | $ 164,368 | $ 189,696 | $ 144,649 |

(*) Consists of realized (losses) gains on marketable securities and foreign exchange (losses) gains.

*Executive Summary*

Net sales for the quarter ended September 30, 2017 increased 8.0% to $441,193 from $408,384 in the same period of last year. Net income attributable to Steven Madden, Ltd. increased 1.1% to $44,230 in the third quarter of 2017 compared to $43,767 in the same period of last year. The effective tax rate for the third quarter of 2017 slightly decreased to 32.1% compared to 32.3% in the third quarter of last year. Diluted earnings per share increased to $0.77 per share on 57,751 diluted weighted average shares outstanding compared to $0.74 per share on 59,329 diluted weighted average shares outstanding in the third quarter of last year.

Our inventory turnover (calculated on a trailing twelve-month average) for the quarter ended September 30, 2017 and 2016 was 8.2 times and 8.7 times, respectively. Our total company accounts receivable average collection increased to 63 days in the third quarter of 2017 compared to 56 days in the third quarter of 2016 primarily due to changes in payment terms with certain customers. As of September 30, 2017, we had $176,895 in cash, cash equivalents and marketable securities, no long-term debt and total stockholders' equity of $803,001. Working capital increased to $437,714 as of September 30, 2017, compared to $308,660 on September 30, 2016.

The following tables set forth information on operations for the periods indicated:

**Selected Financial Information**
**Three Months Ended September 30,**
**($ in thousands)**

| | 2017 | | 2016 | |
|---|---|---|---|---|
| **CONSOLIDATED:** | | | | |
| Net sales | **$ 441,193** | **100.0 %** | $ 408,384 | 100.0% |
| Cost of sales | **275,302** | **62.4 %** | 253,876 | 62.2% |
| Gross profit | **165,891** | **37.6 %** | 154,508 | 37.8% |
| Commission and licensing fee income – net of expenses | **4,746** | **1.1 %** | 5,304 | 1.3% |
| Operating expenses | **105,194** | **23.8 %** | 96,046 | 23.5% |
| Income from operations | **65,443** | **14.8 %** | 63,766 | 15.6% |
| Interest and other income – net | **564** | **0.1 %** | 747 | 0.2% |
| Income before income taxes | **66,007** | **15.0 %** | 64,513 | 15.8% |
| Net income attributable to Steven Madden, Ltd. | **44,230** | **10.0 %** | 43,767 | 10.7% |
| | | | | |
| By Segment: | | | | |
| **WHOLESALE FOOTWEAR SEGMENT:** | | | | |
| Net sales | **$ 300,565** | **100.0 %** | $ 268,159 | 100.0% |
| Cost of sales | **197,674** | **65.8 %** | 177,609 | 66.2% |
| Gross profit | **102,891** | **34.2 %** | 90,550 | 33.8% |
| Operating expenses | **50,525** | **16.8 %** | 49,470 | 18.4% |
| Income from operations | **52,366** | **17.4 %** | 41,080 | 15.3% |
| | | | | |
| **WHOLESALE ACCESSORIES SEGMENT:** | | | | |
| Net sales | **$ 76,365** | **100.0 %** | $ 78,448 | 100.0% |
| Cost of sales | **51,488** | **67.4 %** | 51,511 | 65.7% |
| Gross profit | **24,877** | **32.6 %** | 26,937 | 34.3% |
| Operating expenses | **14,576** | **19.1 %** | 11,445 | 14.6% |
| Income from operations | **10,301** | **13.5 %** | 15,492 | 19.7% |
| | | | | |
| **RETAIL SEGMENT:** | | | | |
| Net sales | **$ 64,263** | **100.0 %** | $ 61,777 | 100.0% |
| Cost of sales | **26,140** | **40.7 %** | 24,756 | 40.1% |
| Gross profit | **38,123** | **59.3 %** | 37,021 | 59.9% |
| Operating expenses | **40,093** | **62.4 %** | 35,131 | 56.9% |
| (Loss) income from operations | **(1,970)** | **(3.1)%** | 1,890 | 3.1% |
| Number of stores | **202** | | 186 | |
| | | | | |
| **FIRST COST SEGMENT:** | | | | |
| Other commission income – net of expenses | **$ 2,028** | **100.0 %** | $ 2,370 | 100.0% |
| | | | | |
| **LICENSING SEGMENT:** | | | | |
| Licensing income – net of expenses | **$ 2,718** | **100.0 %** | $ 2,934 | 100.0% |

**Selected Financial Information**
**Nine Months Ended September 30,**
**($ in thousands)**

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| **CONSOLIDATED:** | | | | | | |
| Net sales | **$** | **1,181,728** | **100.0 %** | $ | 1,063,143 | 100.0% |
| Cost of sales | | **743,723** | **62.9 %** | | 671,388 | 63.2% |
| Gross profit | | **438,005** | **37.1 %** | | 391,755 | 36.8% |
| Commission and licensing fee income – net of expenses | | **10,838** | **0.9 %** | | 10,259 | 1.0% |
| Operating expenses | | **310,725** | **26.3 %** | | 272,478 | 25.6% |
| Income from operations | | **138,118** | **11.7 %** | | 129,536 | 12.2% |
| Interest and other income – net | | **1,956** | **0.2 %** | | 1,117 | 0.1% |
| Income before income taxes | | **140,074** | **11.9 %** | | 130,653 | 12.3% |
| Net income attributable to Steven Madden, Ltd. | | **93,352** | **7.9 %** | | 92,163 | 8.7% |
| | | | | | | |
| By Segment: | | | | | | |
| **WHOLESALE FOOTWEAR SEGMENT:** | | | | | | |
| Net sales | **$** | **799,837** | **100.0 %** | $ | 692,503 | 100.0% |
| Cost of sales | | **536,469** | **67.1 %** | | 471,175 | 68.0% |
| Gross profit | | **263,368** | **32.9 %** | | 221,328 | 32.0% |
| Operating expenses | | **152,577** | **19.1 %** | | 131,089 | 18.9% |
| Income from operations | | **110,791** | **13.9 %** | | 90,239 | 13.0% |
| | | | | | | |
| **WHOLESALE ACCESSORIES SEGMENT:** | | | | | | |
| Net sales | **$** | **195,804** | **100.0 %** | $ | 192,769 | 100.0% |
| Cost of sales | | **133,455** | **68.2 %** | | 128,705 | 66.8% |
| Gross profit | | **62,349** | **31.8 %** | | 64,064 | 33.2% |
| Operating expenses | | **42,746** | **21.8 %** | | 38,311 | 19.9% |
| Income from operations | | **19,603** | **10.0 %** | | 25,753 | 13.4% |
| | | | | | | |
| **RETAIL SEGMENT:** | | | | | | |
| Net sales | **$** | **186,087** | **100.0 %** | $ | 177,871 | 100.0% |
| Cost of sales | | **73,799** | **39.7 %** | | 71,508 | 40.2% |
| Gross profit | | **112,288** | **60.3 %** | | 106,363 | 59.8% |
| Operating expenses | | **115,402** | **62.0 %** | | 103,078 | 58.0% |
| (Loss) income from operations | | **(3,114)** | **(1.7)%** | | 3,285 | 1.8% |
| Number of stores | | **202** | | | 186 | |
| | | | | | | |
| **FIRST COST SEGMENT:** | | | | | | |
| Other commission income – net of expenses | **$** | **4,864** | **100.0 %** | $ | 3,832 | 100.0% |
| | | | | | | |
| **LICENSING SEGMENT:** | | | | | | |
| Licensing income – net of expenses | **$** | **5,974** | **100.0 %** | $ | 6,427 | 100.0% |

**RESULTS OF OPERATIONS**
($ in thousands)

### Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

**Consolidated**:

Net sales for the three months ended September 30, 2017 increased 8.0% to $441,193 compared to $408,384 in the same period of last year. Gross margin slightly decreased to 37.6% from 37.8% in the prior year period. Operating expenses increased in the third quarter of this year to $105,194 from $96,046 in the third quarter of last year primarily due to the impact of our Schwartz & Benjamin acquisition (see Note K to the Condensed Consolidated Financial Statements contained in this Quarterly Report) and the net addition of 16 new retail locations over the last twelve months. Excluding the impact of expenses incurred in connection with the integration of the Schwartz & Benjamin acquisition of $488, operating expenses as a percentage of sales slightly increased to 23.7% for the third quarter of 2017 compared to 23.5% in the third quarter of 2016. Commission and licensing fee income for the third quarter of 2017 decreased to $4,746 compared to $5,304 achieved in the third quarter of 2016. The effective tax rate for the third quarter of 2017 slightly decreased to 32.1% compared to 32.3% in the third quarter of last year. Net income attributable to Steven Madden, Ltd. for the third quarter of 2017 increased to $44,230 compared to net income for the third quarter of 2016 of $43,767. Excluding one-time expenses related to the Schwartz & Benjamin acquisition, net income attributable to Steven Madden, Ltd. for the three months ended September 30, 2017 increased to $44,537.

**Wholesale Footwear Segment**:

Net sales from the Wholesale Footwear segment accounted for $300,565, or 68.1%, and $268,159, or 65.7%, of our total net sales for the third quarter of 2017 and 2016, respectively, an increase of 12.1%. Excluding net sales of $24,892 related to the Schwartz & Benjamin acquisition, net sales increased 2.8%. The increase in net sales is primarily driven by growth in our Steve Madden Women's, Steve Madden Men's and Madden Girl brands, as well as growth in the Company's joint venture Steve Madden Europe B.V. (the "SM Europe joint venture").

Gross profit margin in the Wholesale Footwear segment was 34.2% for the third quarter of 2017 compared to 33.8% for the third quarter of 2016. Excluding the impact from the Schwartz & Benjamin acquisition, gross profit margin was 36.0%. The increase in gross profit margin primarily resulted from strong margin improvement in the Steve Madden Women's, Madden Girl and Steve Madden Men's brands resulting from higher initial margins and reduced closeouts, as well as a sales mix shift between our branded and private label businesses. Operating expenses increased to $50,525 in the third quarter of 2017 from $49,470 in the same period of last year primarily due to the impact of the Schwartz & Benjamin acquisition. Excluding the impact of the one-time expenses related to the integration of the Schwartz & Benjamin acquisition, operating expenses as a percentage of net sales decreased to 16.6% in the third quarter of 2017 compared to 18.4% in the same period of 2016 primarily due to the quarter-over-quarter impact of charges related to an increase in contingent liabilities related to the Dolce Vita acquisition in the third quarter of 2016, partially offset by the impact of the Schwartz & Benjamin acquisition in 2017.

**Wholesale Accessories Segment**:

Net sales generated by the Wholesale Accessories segment accounted for $76,365, or 17.3%, and $78,448, or 19.2%, of total net sales for the Company in the third quarter of 2017 and 2016, respectively, reflecting a decline in our cold weather accessories business partially offset by growth in our branded handbag business.

Gross profit margin in the Wholesale Accessories segment decreased to 32.6% in the third quarter of this year from 34.3% in the same period in 2016, primarily due to lower margins in our cold weather business driven by prior season inventory closeouts. In the third quarter of 2017, operating expenses increased to $14,576 compared to $11,445 in the same period of last year. As a percentage of net sales, operating expenses increased to 19.1% in the third quarter of 2017 compared to 14.6% in the same period of 2016. The increase is primarily related to the impact of the quarter-over-quarter benefit received for the reversal of contingent liabilities related to the Cejon acquisition in the third quarter of 2016. Income from operations for the Wholesale Accessories segment decreased 33.5% to $10,301 for the third quarter of 2017 compared to $15,492 for the same period of last year.

**Retail Segment**:

In the third quarter of 2017, net sales from the Retail segment accounted for $64,263, or 14.6%, of our total net sales compared to $61,777, or 15.1%, of our total net sales in the same period last year, which represents a $2,486, or 4.0%, increase. The increase in net sales reflects the net addition of 16 new stores from the prior year period partially offset by a 3.8% decrease in comparable store sales driven by a decline in average unit retail due to a sales mix shift. We added 18 new stores and closed two stores during the twelve months ended September 30, 2017. As a result, we had 202 retail stores as of September 30, 2017 compared to 186 stores as of September 30, 2016. The 202 stores currently in operation include 135 Steve Madden® stores, 59 Steve Madden® outlet stores, three Steven® stores, one Superga® store and four e-commerce websites. In addition, in the third quarter of 2017, we opened 15 concessions in Asia through our China and Taiwan joint ventures, and ended the quarter with 32 company-operated concessions in international markets. Comparable store sales (sales of those stores, including the e-commerce websites, that were open throughout the third quarter of 2017 and 2016) decreased 3.8% on a constant currency basis when compared to the prior year period. The Company excludes new locations from the comparable store base for the first twelve months of operations. Stores that are closed for renovations are removed from the comparable store base. In the third quarter of 2017, gross margin slightly decreased to 59.3% from 59.9% in the same period of 2016 due to deeper discounts on sale and clearance product versus the prior year period. In the third quarter of 2017, operating expenses increased to $40,093, or 62.4% of net sales, compared to $35,131, or 56.9% of net sales, in the third quarter of last year primarily due to the new store openings. The increase as a percentage of net sales was primarily caused by the decrease in comparable store sales. Losses from operations for the Retail segment were $1,970 in the third quarter of this year compared to income from operations of $1,890 in the same period of last year.

**First Cost Segment:**

The First Cost segment, which includes net commission income and fees, decreased to $2,028 for the third quarter of 2017 compared to $2,370 for the comparable period of 2016 due to decreases in business with certain private label footwear customers.

**Licensing Segment:**

Net licensing income decreased to $2,718 for the third quarter of 2017 compared to $2,934 for the comparable period of 2016.

### Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

**Consolidated:**

Net sales for the nine months ended September 30, 2017 increased 11.2% to $1,181,728 compared to $1,063,143 in the same period of last year. Gross margin slightly increased to 37.1% from 36.8% in the prior year period. Excluding the impact of a non-cash expense of $1,654 associated with the purchase accounting fair value adjustment of inventory acquired in connection with the Schwartz & Benjamin acquisition, gross margin increased to 37.2% in the current year period. Operating expenses for the nine months ended September 30, 2017 increased to $310,725 from $272,478 in the same period last year primarily due to the impact of our Schwartz & Benjamin acquisition, a one-time charge related to bad debt expense in connection with the Payless ShoeSource bankruptcy filing in April 2017, as well as operating expenses associated with new stores. Excluding the impact of one-time expenses related to the Payless ShoeSource bankruptcy of $7,500 and the integration of the Schwartz & Benjamin acquisition of $1,255, operating expenses as a percentage of sales were 25.6% for the nine months ended September 30, 2017, which were flat to the same period of 2016. Commission and licensing fee income for the nine months ended September 30, 2017 increased to $10,838 compared to $10,259 achieved in the same period of 2016. The effective tax rate for the first nine months of 2017 increased to 32.6% compared to 29.2% in the same period last year. The increase is primarily due to a benefit in the prior year resulting from the exercising and vesting of share based awards and a shift in profitability to jurisdictions with higher tax rates in the the current year. Net income attributable to Steven Madden, Ltd. for the nine months ended September 30, 2017 increased to $93,352 compared to $92,163 in the same period last year. Excluding one-time expenses related to the Payless ShoeSource bankruptcy and the Schwartz & Benjamin acquisition, net income attributable to Steven Madden, Ltd. for the nine months ended September 30, 2017 increased to $101,753.

**Wholesale Footwear Segment:**

Net sales from the Wholesale Footwear segment accounted for $799,837, or 67.7%, and $692,503, or 65.1%, of our total net sales for the nine months ended September 30, 2017 and 2016, respectively. Included in the first nine months of 2017 are net sales of $59,727 related to our Schwartz & Benjamin acquisition. Excluding net sales related to the Schwartz & Benjamin acquisition, net sales increased 6.9%. The increase in net sales is primarily related to strong growth in our branded business primarily driven by our core Steve Madden Women's brand, as well as our Madden Girl and Steve Madden Men's brands and the SM Europe joint venture.

Gross profit margin in the Wholesale Footwear segment was 32.9% for the nine months ended September 30, 2017 compared to 32.0% for the comparable period in 2016. Excluding the impact from the Schwartz & Benjamin acquisition, gross profit margin was 34.1%. The increase in gross profit margin primarily resulted from strong margin improvement in the Steve Madden Women's, Madden Girl and Steve Madden Men's brands resulting from higher initial margins and reduced closeouts, as well as a sales mix shift between our branded and private label businesses. Operating expenses increased to $152,577 in the first nine months of 2017 from $131,089 in the same period of last year primarily due to the impact of the Schwartz & Benjamin acquisition as well as a one-time charge related to bad debt expense in connection with the Payless ShoeSource bankruptcy filing. Excluding the impact of one-time expenses related to the Payless ShoeSource bankruptcy of $7,500 and the integration of the Schwartz & Benjamin acquisition of $1,255, operating expenses as a percentage of net sales decreased to 18.0% in the nine months ended September 30, 2017 compared to 18.9% in the same period of 2016 primarily due to the year-over-year impact of charges related to an increase in contingent liabilities related to the Dolce Vita acquisition in the third quarter of 2016.

**Wholesale Accessories Segment:**

Net sales generated by the Wholesale Accessories segment accounted for $195,804, or 16.6%, and $192,769, or 18.1%, of total net sales for the Company in the nine months ended September 30, 2017 and 2016, respectively. The increase in net sales is attributable to growth in our handbag business.

Gross profit margin in the Wholesale Accessories segment decreased to 31.8% in the first nine months of this year from 33.2% in the same period in 2016, primarily due to lower margins in our cold weather business driven by increased closeouts related to prior season merchandise. In the nine months ended September 30, 2017, operating expenses increased to $42,746 compared to $38,311 in the same period of last year. As a percentage of net sales, operating expenses increased to 21.8% in the first nine months of 2017 compared to 19.9% in the same period of 2016. The increase is primarily related to the impact of the benefit received for the reversal of contingent liabilities related to the Cejon acquisition in the third quarter of 2016. Income from operations for the Wholesale Accessories segment decreased 23.9% to $19,603 for the nine months ended September 30, 2017 compared to $25,753 for the same period of last year.

**Retail Segment:**

In the nine months ended September 30, 2017, net sales from the Retail segment accounted for $186,087, or 15.7%, of our total net sales compared to $177,871, or 16.7%, of our total net sales in the same period last year, which represents a $8,216, or 4.6%, increase. The increase in net sales reflects the net addition of 16 new stores from the prior year period partially offset by a 2.3% decrease in comparable store sales. We added 18 new stores and closed two stores during the twelve months ended September 30, 2017. As a result, we had 202 retail stores as of September 30, 2017 compared to 186 stores as of September 30, 2016. The 202 stores currently in operation include 135 Steve Madden® stores, 59 Steve Madden® outlet stores, three Steven® stores, one Superga® store and four e-commerce websites. In addition, we opened 15 concessions in the third quarter of 2017 in Asia through our China and Taiwan joint ventures, and ended the quarter with 32 company-operated concessions in international markets. Comparable store sales (sales of those stores, including the e-commerce websites, that were open throughout the first nine months of 2017 and 2016) decreased 2.3% on a constant currency basis when compared to the prior year period. The Company excludes new locations from the comparable store base for the first twelve months of operations. Stores that are closed for renovations are removed from the comparable store base. In the first nine months of 2017, gross margin increased to 60.3% from 59.8% in the same period of 2016 primarily due to lower promotional activity in the first quarter of 2017. In the nine months ended September 30, 2017, operating expenses increased to $115,402, or 62.0% of net sales, compared to $103,078, or 58.0% of net sales, in the same period of last year primarily due to new store openings. The increase as a percentage of net sales was primarily caused by the decrease in comparable store sales. Losses from operations for the Retail segment were $3,114 in the first nine months of this year compared to income of $3,285 in the same period of last year.

**First Cost Segment:**

The First Cost segment, which includes net commission income and fees, increased to $4,864 for the nine months ended September 30, 2017 compared to $3,832 for the comparable period of 2016 due to increases in business with certain private label footwear customers.

**Licensing Segment:**

Net licensing income decreased to $5,974 for the first nine months of 2017 compared to $6,427 for the comparable period of 2016 primarily due to decreases in royalties in connection with the licensing of our Betsey Johnson trademark.

**LIQUIDITY AND CAPITAL RESOURCES**
**($ in thousands)**

Our primary source of liquidity is cash flows generated from our operations. Our primary use of this liquidity is to fund our ongoing cash requirements, including working capital requirements, share repurchases, acquisitions, system enhancements and retail store expansion and remodeling.

Cash, cash equivalents and short-term investments totaled $143,056 and $165,610 at September 30, 2017 and December 31, 2016, respectively. Of the total cash, cash equivalents and short-term investments at September 30, 2017, $91,576, or approximately 64%, was held in our foreign subsidiaries and of the total cash, cash equivalents and short-term investments at December 31, 2016, $70,450, or approximately 43%, was held in our foreign subsidiaries. To date, deferred taxes have been estimated and accrued for foreign subsidiary earnings that have not been determined to be indefinitely reinvested. As of September 30, 2017, the cumulative total amount of earnings considered to be indefinitely reinvested of our foreign subsidiaries was $134,249. If such amounts were not indefinitely reinvested, the Company would incur approximately $26,615 in cumulative taxes that were not previously provided for. Management believes that our existing domestic and international cash, cash equivalents, short-term investments and cash flows from operations, which are not considered to be indefinitely reinvested, continue to be sufficient to fund our operating activities. Therefore, we do not intend, nor do we foresee a need, to repatriate foreign earnings of $134,249 as of September 30, 2017, that were considered to be indefinitely reinvested and we do not believe there are any material implications or restrictions on our liquidity as a result of having a significant portion of our cash, cash equivalents and short-term investments held by our foreign subsidiaries.

The Company has a collection agency agreement with Rosenthal & Rosenthal, Inc. (“Rosenthal”). The agreement can be terminated by the Company or Rosenthal at any time upon 60 days' prior written notice. Under the agreement, the Company can request advances from Rosenthal of up to 85% of the aggregate receivables submitted to Rosenthal. The agreement provides the Company with a $30,000 credit facility with a $15,000 sub-limit for letters of credit at an interest rate based, at the Company’s election, upon a calculation that utilizes either the prime rate or LIBOR. The Company also pays Rosenthal a fee based on a percentage of the gross invoice amount submitted to Rosenthal. With respect to receivables related to our First Cost segment and private label business, the fee is 0.14% of the gross invoice amount. For all other receivables, the fee is 0.20% of the gross invoice amount. Rosenthal assumes the credit risk on a substantial portion of the receivables that the Company submits to it. To the extent of any loans made to the Company, Rosenthal maintains a lien on the Company’s receivables to secure the Company’s obligations.

On May 18, 2017, Steve Madden Europe B.V., a joint venture entity which is consolidated by the Company, entered into a 2,500,000 EUR credit facility agreement with Cooperatieve Rabobank U.A. The facility allows Steve Madden Europe B.V. to request short-term borrowings to finance its seasonal working capital requirements based on 1 month EURIBOR or 1 month LIBOR + 2.95%. The facility expires on February 28, 2018, at which time it may be extended for one year. Any borrowings under the facility are secured by the inventory and receivables of Steve Madden Europe B.V. At September 30, 2017 there were no borrowings outstanding under the facility.

As of September 30, 2017, we had working capital of $437,714, cash and cash equivalents of $92,080 and investments in marketable securities of $84,815.

We believe that based upon our current financial position and available cash, cash equivalents and marketable securities, the Company will meet all of its financial commitments and operating needs for at least the next twelve months.

**OPERATING ACTIVITIES**
**($ in thousands)**

Cash provided by operations was $35,010 for the nine months of 2017 compared to cash provided by operations of $73,464 in the same period of last year. The primary uses of cash were related to an increase in factor accounts receivable, which was partially offset by net income of $94,371 and a decrease in inventory along with increases in accounts payable and accrued expenses.

**INVESTING ACTIVITIES**
**($ in thousands)**

During the nine months ended September 30, 2017, we invested $39,142 in marketable securities and received $67,432 from the maturities and sales of marketable securities. We also made capital expenditures of $11,710, principally for new stores and improvements to existing stores, systems enhancements and leasehold improvements to office space. Lastly, we made a payment in the amount of $17,396 for the acquisition of Schwartz & Benjamin.

**FINANCING ACTIVITIES**
**($ in thousands)**

During the nine months ended September 30, 2017, net cash used for financing activities was $69,273, which consisted of the repurchase of shares of common stock for an aggregate purchase price of approximately $73,226 (see Note H to the Condensed Consolidated Financial Statements contained in this Quarterly Report) coupled with payments of contingent liabilities which totaled $7,359 partially offset by proceeds from the exercise of stock options of $11,312.

**CONTRACTUAL OBLIGATIONS**
**($ in thousands)**

Our contractual obligations as of September 30, 2017 were as follows:

| | Payment due by period | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **Remainder of 2017** | **2018-2019** | **2020-2021** | **2022 and after** |
| Operating lease obligations | $ 256,997 | $ 11,532 | $ 83,727 | $ 69,297 | $ 92,441 |
| Purchase obligations | 157,263 | 123,748 | 33,515 | — | — |
| Contingent payment liabilities | 23,050 | — | 4,266 | 6,118 | 12,666 |
| Other long-term liabilities (future minimum royalty payments) | 6,068 | 1,068 | 2,000 | 2,000 | 1,000 |
| **Total** | $ 443,378 | $ 136,348 | $ 123,508 | $ 77,415 | $ 106,107 |

At September 30, 2017, we had open letters of credit for the purchase of inventory of approximately $447.

On January 3, 2012, the Company and its Creative and Design Chief, Steven Madden, entered into an amendment, dated as of December 31, 2011, to Mr. Madden’s then existing employment agreement with the Company. The amended agreement, which extends the term of Mr. Madden's employment through December 31, 2023, provides to Mr. Madden a base salary of approximately $7,026 per annum for the period between January 1, 2016 through the expiration of the employment agreement on December 31, 2023.

The Company has employment agreements with certain executive officers, which provide for the payment of compensation aggregating approximately $923 in the remainder of 2017, $3,217 in 2018, $1,978 in 2019 and $148 in 2020. In addition, some of these employment agreements provide for discretionary bonuses and some provide for incentive compensation based on various performance criteria as well as other benefits including stock options.

In connection with our acquisition of all of the outstanding capital stock of Trendy Imports S.A. de C.V., Comercial Diecisiette S.A. de C.V. and Maximus Designer Shoes S.A. de C.V. (together, "SM Mexico") on December 30, 2014, we were subject to potential earn-out payments to the seller of SM Mexico based on the annual performance of SM Mexico for each of the twelve-month periods ending on December 31, 2015 and 2016. The first earn-out payment of $3,482 was paid to the seller of SM Mexico in the first quarter of 2016. A partial earn-out payment in the amount of $2,580 was paid to the seller of SM Mexico in the second quarter of this year. A payment of $2,038, which represents the remaining portion of the final earn-out payment for the period ending December 31, 2016, was paid to the seller of SM Mexico in the third quarter of this year.

In connection with our acquisition of Schwartz & Benjamin on January 30, 2017, we are subject to potential earn-out payments to the sellers of Schwartz & Benjamin based on the annual performance of Schwartz & Benjamin for each of the twelve-month periods ending on January 31, 2018 through 2023.

Virtually all of our products are manufactured at overseas locations, the majority of which are located in China, with a small but growing percentage located in Mexico in addition to smaller amounts produced in Brazil, Italy and India. We have not entered into any long-term manufacturing or supply contracts with any of these foreign manufacturers. We believe that a sufficient number of alternative sources exist outside of the United States for the manufacture of our products. Purchases are made primarily in United States dollars.

**INFLATION**

We do not believe that inflation had a significant effect on our sales or profitability in the three months ended September 30, 2017. Historically, we have minimized the impact of product cost increases by increasing prices, changing suppliers and by improving operating efficiencies. However, no assurance can be given that we will be able to offset any such inflationary cost increases in the future.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

**CRITICAL ACCOUNTING POLICIES AND THE USE OF ESTIMATES**

There have been no material changes to our critical accounting policies and the use of estimates from the disclosures for the year ended December 31, 2016 included in our Annual Report on Form 10-K filed with the SEC on February 28, 2017.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**
**($ in thousands)**

We do not engage in the trading of market risk sensitive instruments in the normal course of business. Our financing arrangements are subject to variable interest rates, primarily based on the prime rate and LIBOR. The terms of our collection agency agreements with Rosenthal & Rosenthal, Inc. can be found in the Liquidity and Capital Resources section of Item 2 and in Note C to the Condensed Consolidated Financial Statements included in this Quarterly Report.

As of September 30, 2017, we held marketable securities valued at $84,815, which consist primarily of certificates of deposit and corporate bonds. The values of these securities may fluctuate as a result of changes in equity values, market interest rates and credit risk. We have the ability to hold these investments until maturity. In addition, any decline in interest rates would be expected to reduce our interest income.

We face market risk to the extent that our U.S. or foreign operations involve the transaction of business in foreign currencies. Also, our inventory purchases are primarily done in foreign jurisdictions and inventory purchases may be impacted by fluctuations in the exchange rates between the U.S. dollar and the local currencies of our contract manufacturers, which could have the effect of increasing the cost of goods sold in the future. We manage these risks primarily by denominating these purchases in U.S. dollars. To mitigate the risk of purchases that are denominated in foreign currencies we may enter into forward foreign exchange contracts for terms of no more than two years. A description of our accounting policies for derivative financial instruments is included in Note M to the Condensed Consolidated Financial Statements.

In the third quarter of 2017, the Company entered into forward foreign exchange contracts. We performed a sensitivity analysis based on a model that measures the impact of a hypothetical change in foreign currency exchange rate to determine the effects that market risk exposures may have on the fair values of our forward foreign exchange contracts that were outstanding as of the quarter ended September 30, 2017. As of September 30, 2017, a 10% appreciation or depreciation of the U.S. dollar against the exchange rates for foreign currencies under forward foreign exchange contracts would result in a net increase or decrease, respectively, in the fair value of our derivatives portfolio of approximately $61.

In addition, we are exposed to translation risk in connection with our foreign operations in Canada, Mexico, Europe and South Africa because our subsidiaries and joint ventures in these countries utilize the local currency as their functional currency and those financial results must be translated into U.S. dollars. As currency exchange rates fluctuate, foreign currency exchange rate translation adjustments reflected in our financial statements with respect to our foreign operations affects the comparability of financial results between years.

**ITEM 4. CONTROLS AND PROCEDURES**

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934 (the “Exchange Act”), our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter covered by this Quarterly Report. Based on that evaluation, the Chief Executive Officer and Chief

Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were, as of the end of the fiscal quarter covered by this Quarterly Report, effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(d) under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated our internal controls over financial reporting to determine whether any changes occurred during the quarter covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there has been no such change during the quarter covered by this Quarterly Report.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS
**($ in thousands)**

The Company has been named as a defendant in certain lawsuits in the normal course of business. In the opinion of management, after consulting with legal counsel, the liabilities, if any, resulting from these matters should not have a material effect on the Company's financial position or results of operations. It is the policy of management to disclose the amount or range of reasonably possible losses in excess of recorded amounts.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents the total number of shares of the Company's common stock, $.0001 par value, purchased by the Company in the three months ended September 30, 2017, the average price paid per share and the approximate dollar value of shares that still could have been purchased at the end of the fiscal period, pursuant to the Company's Share Repurchase Program. See also Note H to the Condensed Consolidated Financial Statements. During the three months ended September 30, 2017, there were no sales by the Company of unregistered shares of the Company's common stock.

| Period | Total Number of Shares Purchased (a) | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Dollar Amount of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) |
|---|---|---|---|---|
| 7/1/2017 - 7/31/2017 | 104,433 | $ 37.91 | 97,208 | $ 200,000 |
| 8/1/2017 - 8/31/2017 | — | — | — | 200,000 |
| 9/1/2017 - 9/30/2017 | 124,129 | 42.18 | 123,228 | 194,803 |
| Total | 228,562 | $ 40.62 | 220,436 | $ 194,803 |

(a) The Steven Madden, Ltd. 2006 Stock Incentive Plan provides the Company with the right to deduct or withhold, or require employees to remit to the Company, an amount sufficient to satisfy all or part of such withholding obligations applicable to stock-based compensation awards. To the extent permitted, employees may elect to satisfy all or part of such withholding obligations by tendering to the Company previously owned shares or by having the Company withhold shares having a fair market value equal to the minimum statutory tax withholding rate that could be imposed on the transaction. Included in this table are shares withheld during the third quarter ended September 30, 2017 in connection with the settlement of vested restricted stock to satisfy tax withholding requirements.

**ITEM 6. EXHIBITS**

| | |
|---|---|
| 3.1 | Amended and Restated By-laws of the Company, as further amended on July 31, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended June 30, 2017 filed with the SEC on August 4, 2017) |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 101 | The following materials from Steven Madden, Ltd.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text* |

* This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any filing, except to the extent the Company specifically incorporates it by reference.

## Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: November 8, 2017

STEVEN MADDEN, LTD.

/s/ EDWARD R. ROSENFELD

Edward R. Rosenfeld
Chairman and Chief Executive Officer

/s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer and Chief Accounting Officer

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| | |
|---|---|
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Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Edward R. Rosenfeld, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Steven Madden, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ EDWARD R. ROSENFELD

Edward R. Rosenfeld
Chairman and Chief Executive Officer
November 8, 2017

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Arvind Dharia, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Steven Madden, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer and Chief Accounting Officer
November 8, 2017

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Steven Madden, Ltd. (the “Company”) on Form 10-Q for the quarter ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Edward R. Rosenfeld, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ EDWARD R. ROSENFELD

Edward R. Rosenfeld
Chairman and Chief Executive Officer
November 8, 2017

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Steven Madden, Ltd. (the “Company”) on Form 10-Q for the quarter ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Arvind Dharia, Chief Financial Officer and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer and Chief Accounting Officer
November 8, 2017