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Vince Holding Corp.

Third Quarter 2015 Earnings Results Conference Call

December 10, 2015

C O R P O R A T E   P A R T I C I P A N T S

Jennifer Pohland, *Vice President, Finance and Planning*

Brendan L. Hoffman, *Chief Executive Officer*

David Stefko, *Interim Chief Financial Officer and Treasurer*

C O N F E R E N C E   C A L L   P A R T I C I P A N T S

Edward Yruma, *KeyBanc Capital Markets*

Matthew Boss, *JP Morgan*

Mark Altschwager, *Robert Baird*

Richard Magnuson, *B. Riley and Co.*

Todd Cohen, *Barclays*

Lindsay Drucker Mann, *Goldman Sachs*

P R E S E N T A T I O N

Operator:

Good afternoon. My name is Chris, and I'll be your conference Operator today. At this time, I'd like to welcome everyone to the Vince Holding Corporation, Q3 2015 Earnings Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there'll be a question-and-answer session. If you would like to ask a question during this time, simply press star, then one on your telephone keypad and to withdraw your question, please press the pound key.

Thank you. Jennifer Pohland, VP of Finance, you may begin your conference.

Jennifer Pohland:

Thank you and good afternoon everyone. Welcome to our third quarter 2015 earnings conference call. I am Jennifer Pohland, Vice President of Finance. Joining me today is Brendan Hoffman, our Chief Executive Officer, and David Stefko, our Interim Chief Financial Officer and Treasurer, who will be your speakers for today's call.

Before we begin, let me remind you that certain statements made on this call may constitute forward-looking statements which are subject to risks and uncertainties that could cause actual results to differ from those that we expect. Those risks and uncertainties are described in today's press release and in the Company's SEC filings which are available on the Company's website. Investors should not assume that statements made during the call will remain operative at a later time and the Company undertakes no obligation to update any information discussed on the call.

In today's discussions, we are presenting our financial results in conformity with GAAP and on an adjusted basis. The adjusted results that we present today are non-GAAP measures. Discussions of these non-GAAP measures and reconciliation of them to their most comparable GAAP measures are included in today's press release and related schedules, which are available in the Investors Section of our website at investors.vince.com.

After our prepared comments, we will be available to take your questions for as long as time permits.

Now, I'll turn the call over to Brendan.

Brendan L. Hoffman:

Thanks Jen, and thank you all for joining us today.

Let me start by saying how excited I am to be here. I have long admired Vince as a great brand with a distinct position within the contemporary space. While the brand has maintained leading market share within the department stores, over the last year the business has become challenged. This is partially due to a difficult retail environment as well as some missteps in the business that caused the brand to stray from its DNA.

I believe there are a number of actions that we can take to get us back to the roots in which Vince was founded, to create everyday casual and luxury essentials, with modern, effortless style that speaks to multiple generations. The strategy is in place, the focus now is on execution.

I've only been on board for about seven weeks, but I've spent that time meeting with the Team in New York and LA, getting to know the business, meeting with our wholesale partners, visiting our retail stores, and learning about our customers.

Based on what I've seen, I am confident that I can leverage my background in merchandising, branding, and e-commerce, to drive improved performance in the business. One of my primary goals is to position the Company to succeed over the long-term and to create the process and cultivate the talents that are needed to ensure Vince can reach its full potential.

I am happy to say that we have taken the first step, having recently announced that Vince founders, Rea Laccone and Christopher LaPolice, have return to the Company. As part of their responsibilities, they will oversee product development, design, and merchandising, working with the creative teams to elevate both the product offering and the brand image.

We have a very strong, passionate, and highly dedicated team collaborating with Rea, Christopher, and myself, who are 100% committed to the brand and our vision.

We have already received an overwhelmingly positive response to this announcement from our wholesale partners. Given this new arrangement, we have restructured the Merchandising Team and the Senior VP of Merchandising role has changed accordingly. Therefore, Livia Lee has left the Company. We wish Livia the best in her future endeavors.

While Vince continues to be a leading contemporary fashion brand, we believe that there is room to further strengthen our market share position with our department store partners and solidify our standing with consumers. We are focused on a number of key strategies related to our product, our operational performance, and raising and enhancing our brand image to achieve this.

Our first priority is obviously the product. The sensibility of Vince has always reflected tremendous focus on fabric and great attention to the small details and finishes that go into every style in addition to exceptional fit. There was also a sense of perceived value among our customers regardless of the retail price.

These were the attributes that set Vince apart from others. The new product bearing is Vince's signature look and feel will initially be reflected in a portion of our Fall Collection which is due to hit stores in August. However, the full impact of the new line will be visible in the fourth quarter of 2016. There are already a lot of positive developments underway within the organization to get us there.

In terms of distribution as I said earlier, I've spent time with our department store partners to discuss the Vince brand, what we can do to better drive performance to stay at the channel etc. They are completely committed to Vince and incredibly excited about the changes we have made.

Turning to our direct-to-consumer segment, we are focused on building this business through both our brick-and-mortar stores and our e-commerce channel. We have opened 11 stores thus far in 2015, and continue to be pleased with the overall performance of new stores.

Online, we saw continued strength in traffic conversion and total transactions despite the shift in timing of our Friends and Family Event. We feel good about the overall channel and are excited about the re-launch of our website in 2016.

Growing internationally also continues to be a key part of our long-term strategy as we look to increase penetration in key markets and expand distribution globally. While product and distribution are key, we also need to be sure that we have a strong recognizable brand and that consumers have a clear vision of what we stand for. So, as we begin to enhance the product and strength of the brand, we are also working to bolster the Vince image worldwide through strategic marketing efforts.

Combined, these efforts should enable us to grow share with existing customers, add new customers, and expand the brand globally.

In summary, I think there is great potential for the Vince brand. While there is a lot of work ahead of us, we know what we need to do to succeed and we have begun putting plans in place to get there. I am confident that we are on the right path to deliver consistent sales and earnings growth over the long-term.

Now, I'll turn it over to Dave to review our financial performance. Dave?

David Stefko:

Thank you, Brendan.

For the third quarter, net sales decreased 21.5% to $80.9 million versus $102.9 million in the prior year period. Our wholesale channel sales were down 28.4% to $56.5 million, due primarily to a decline in our US wholesale segment as a result of lower sales and reorders in the full-price channel, as well as higher give backs to our wholesale partners and planned reductions in the off-price channel.

Our direct-to-consumer segment sales increased 1.3% to $24.4 million in the third quarter as we added nine new stores since the third quarter of last year. This was offset by a comparable store sales decline including e-commerce of 12.5%.

Our comparable store sales decline was a result of declines in our brick-and-mortar stores, offset by an increase in our e-commerce business.

The decline in the third quarter comparable store sales was partially the result of three events, a 20 day reduction in our tier promo event versus last year as we are currently working to reduce our promotional cadence, a shift in our promotional calendar of friends and families events out of Q3 and into Q4, as well as lower conversion and ADS.

Moving on to profitability. Gross profit in the third quarter was $40 million versus—or 49.5% of sales which includes a $2 million benefit from the recovery of the $14.4 million inventory write-down that was taken in the second quarter of this year. Excluding this benefit, gross profit was $38.0 million or 47% of net sales. This compares to gross profit of $50.6 million or 49.2% of sales in the third quarter of fiscal year ‘14. The adjusted gross margin decline was due to the deleverage on lower wholesale sales and increased returns and allowances.

Selling, general, and administrative expenses in the quarter were $27.7 million or 34.2% of sales compared to $25.8 million or 25.1% of sales for the third quarter of last year. SG&A included net management transition costs related to Management changes discussed in the second quarter of $0.2 million. Excluding these costs, SG&A would have been 34% of net sales in the quarter. The increase in SG&A was largely driven by store labor and occupancy costs associated with nine new store openings since the end of the third quarter of fiscal year ‘14. The increase in SG&A as a percent of sales was attributable to lower wholesale sales.

The resulting operating income for the quarter was $12.3 million. This compares to operating income of $24.8 million for the third quarter of last year. Excluding the aforementioned benefit from the recovery on the inventory write-down and net management transition costs, operating income was $10.5 million or 13% of net sales.

Net income for the third quarter was $5.9 million or $0.16 per share compared to net income of $13.3 million or $0.35 per share, in the third quarter of last year. Excluding the benefit from the recovery of the inventory write-down and net management transition costs, net income for the third quarter was $4.8 million or $0.13 per diluted share.

Now moving on to the fiscal 2015 year-to-date results. Net sales were $220.7 million, a decrease of 10.2% over the same period last year. This net sales decline was due to a 19.7% decrease in our wholesale segment sales partially offset by 22.5% increase in our direct-to-consumer segment sales.

Our comparable store sales for the year-to-date period increased 1.1% over the same period of fiscal 2014, including e-commerce sales. This comparable store sales performance was driven primarily by an increase in transactions partially offset by a decrease in transaction size.

Gross profit decreased to $91.5 million or 41.5% of sales. Adjusted gross profit for the year-to-date period was $104 million or 47.1% of net sales. This compares to gross profit of $121.1 million or 49.3% in the comparable year-to-date period. The decrease in the adjusted gross profit rate was driven primarily by the deleverage on lower wholesale sales and increased returns and allowances.

Selling, general and administrative expenses increased 13.4% to $80.6 million or 36.6% of sales versus $71.1 million or 29% of sales in the corresponding period of last year. Adjusted selling, general and administrative expenses as a percentage of sales increased 35.2% this year from 28.7% last year.

Consistent with the third quarter, the deleverage and our SG&A rates for the year-to-date period was driven primarily by the increased costs associated with the opening of nine new stores and higher depreciation cost from store and other growth investment.

Operating income was $10.9 million compared to $50 million last year. Adjusted operating income was $26.4 million compared to $50.6 million in the same period in fiscal 2014. As a percentage of sales, adjusted operating margin was 12% compared to 20.6% last year.

On a GAAP basis, the Company reported net income of $3.3 million compared to net income of $25.2 million for the year-to-date period in fiscal 2014. Diluted earnings per share was $0.09 compared to diluted earnings per share of $0.66 in fiscal 2014. On an adjusted basis, net income was $12.5 million compared to $25.5 million last year and adjusted diluted earnings per share was $0.33 compared to $0.67 earned in the same period of last year.

Now moving on to the balance sheet. Our debt decreased by $6.9 million to $77.9 million during the quarter. Our debt-to-leverage ratio at the end of the third quarter of fiscal year '15 was 2.1 times on a reported basis and 1.5 times on an adjusted basis. Our debt-to-leverage ratio at the end of the third quarter of fiscal year '14 was 1.7 times on both the reported and an adjusted basis.

At the end of third quarter, we had $29.6 million of availability remaining under our revolving credit facility.

Inventory at the end of the quarter was $43.9 million compared to $52.7 million at last year's third quarter. The year-over-year decrease was primarily driven by the increase in inventory reserves, partially offset by the addition of nine new retail stores since the third quarter of last year, and incremental handbag inventory.

Capital expenditures for the quarter totaled $3.1 million of which $2.4 million was attributable to new stores and shop-in-shop build-outs. We signed five leases for stores that we expect to open in fiscal 2016 with several other leases in various stages of negotiations.

As of today, December 10, the Company has 48 stores in the US, including 34 full-price stores and 14 outlet stores.

Now turning to our updated outlook for fiscal year '15.

Note that the updated 2015 guidance reflects changes primarily related to the engagement of new personnel and consulting services for product development, design, and merchandising, and revised expectations for the D-to-C business as well as an increase in marketing investments and updates to our liquidity outlook.

We are now forecasting total sales for the year of $285 million to $290 million with the total comp projection in the low single digit range. We now expect gross margin to decrease by 220 to 270 basis points as compared to last year due primarily to increased markdowns across segments and expected assistance to wholesale partners. This excludes the $12.5 million net inventory write-down in the first nine months of 2015.

Adjusted selling, general, and administrative expenses are expected to increase by $18.5 million to $19.5 million as compared to last year. This includes the aforementioned costs associated with new personnel and consulting services that were not included in the prior guidance. This excludes the impact of ongoing net executive transition costs of approximately $3 million in the current year which we reported in the nine-month fiscal period and $600,000 for secondary offering cost incurred in prior year. As a result, we now expect diluted earnings per share for the year to be between $0.17 and $0.21 per share excluding the aforementioned adjustments.

We continue to expect our capital expenditures to be in the $18 million to $19 million range for fiscal year '15.

Finally liquidity. During fiscal 2015, we have made strategic investments for the future growth of the Vince brand including costs associated with the write-down of excess inventory, consulting agreements with our Co-Founders and the reorganization of our Management Team.

We believe these significant investments are essential to our commitment to developing a strong foundation from which we can drive consistent profitable growth for the long-term.

We have also undertaken steps to enhance our liquidity position and yesterday the Company received a Rights Offering Commitment letter from Sun Capital that commits Sun Capital to provide the Company with up to $65 million of cash proceeds in the event that the Company conducts a right offering for its common stock through all of its Stockholders. Proceeds committed to us under the Rights Offering Commitment letter from Sun Capital will provide the Company with additional liquidity that will allow us to continue with strategic investments, maintain a net debt balance sufficient to comply with any covenants under our borrowing facilities, and provide additional cash for use in our operations.

This concludes my comments regarding our third quarter financial performance and outlook for the remainder of fiscal year 2015. I'll now turn it back to Brendan for some closing remarks.

Brendan L. Hoffman:

Thanks Dave. We are extremely excited to see the work that is underway unfold and we have the balance sheet in place to enable us to execute our initiatives. We are pleased to have the continued support and partnership from Sun Capital, as we work to drive the business forward.

That said, I want to reiterate that it won't be until the fourth quarter of 2016 before we see these efforts meaningfully bear fruit. I look forward to our call this time next year when the long-term vision of the brand will be fully reflected throughout our Company.

With that, we will now be happy to take your questions.

Operator:

At this time, we'll just remind everyone that if you would like to ask a question, please press star, then one on your telephone keypad.

The first question is from Eddy Yruma with KeyBanc Capital Markets. Your line is open.

Edward Yruma:

Hi. Thanks very much for taking my question and welcome to Vince, Brendan.

Brendan L. Hoffman:

Thanks, Ed.

Edward Yruma:

Just a couple of quick ones. I guess first on the potential for the rights offering. Just help us understand really is it something that you are intending to do, and I guess why was this done kind of preemptively I guess ahead of a rights offering?

Brendan L. Hoffman:

Well just—the Company is looking at all the options to enhance its liquidity. So, while this a binding commitment from Sun, it is an option if we would elect to use it. As far as why we did it, as we begin our projections into next year and we look at investments that we want to make, the depth of those investments, the potential results of those investments and the timeframe we would take to get return on those investments, we just thought it was best to get this in place at this point in time.

David Stefko:

I mean Ed, I wanted to have the flexibility to do what's right for the business in 2016 as we prepare for what I think is long-term growth and this just gives us the flexibility to be able to do that.

Edward Yruma:

Got it. You mentioned that you've been in discussions with your wholesale partners. Clearly there is a little bit of pressure on that business given the excess inventory levels and just challenged times. I guess if you zoom out a little bit, I guess how would you assess the health of your wholesale business from a channel perspective? Are there partners that you're trying to exit, and I guess what's the feedback been from these the better wholesale partners?

Brendan L. Hoffman:

Well obviously, we've spoken to the results in our wholesale channel so it's been disappointing. Nothing we are looking to exit. I mean, we are just looking to regain the volume that we've lost. We're still number one and number two on the floor and ladies—women's ready to wear with all of our majors. The reaction has been unbelievably positive. I mean, they were happy when I joined. They are thrilled now that Rea and Christopher have joined us as consultants to partner with me, and so they've spoken directly with Rea and Christopher. They've spoken through me and they like us, can't wait to see the product in the back half of the year.

Edward Yruma:

Got it, and the final question, in terms of overall inventory level, I know right you've incorporated kind of continued liquidation pressure. I guess at one point, (inaudible) affects the buy so that the inventory levels and sales levels are more aligned ahead of some of the new product coming out in the fourth quarter of next year? Thank you.

Brendan L. Hoffman:

Well, yes. No Ed, I mean that work was done prior to me getting here during the transition. So, we feel we're quite lean and well prepared from an inventory level as we enter the New Year. Obviously, the product we hope will perform well but it's still the old design and team so until get Rea and Christopher's product on the floor, we are still dealing with the legacy product, but from an overall level we feel like we have rightsized it with a very conservative set of lenses on.

Edward Yruma:

Super. Best of luck for the remainder of holiday.

Brendan L. Hoffman:

Thanks, Ed.

Operator:

The next question is from Matthew Boss with JP Morgan. Your line is open.

Matthew Boss:

Hey. Congrats on the new role Brendan and looking forward to us working together again.

Brendan L. Hoffman:

Thanks, Matt. Same here.

Matthew Boss:

So larger picture, I guess if you could just help us, what was it that attracted you to Vince, and like you said, you're only seven weeks or so under your belt. How would you rank priorities as best as you can as you're kind of taking the helm and what you see as the top opportunity?

Brendan L. Hoffman:

Well, what's attracted me was it's a brand I was very familiar with from my Neiman Marcus days having worked with Christopher and the team back then. So, I have known the brand a long time, known it's been a little bit bruised and a little bit off track but saw it had great potential and huge upside, and when I arrived, it took about 24 hours to realize that I needed to get the right partners in here to relaunch product and kind of bring this back to the future as we've being saying around here, and so I think we've done that as we've talked about and we'll take some time to get that product on the floor.

But then we have so many different levers we can pull in terms of getting the existing product right, new product offerings, retail expansion, international expansion. I mean, I think there is just so many different things we can—levers we can pull but we got to get the product right first. So, when you say what's the priority, the priority is absolutely get the core product back on track.

Matthew Boss:

Got it and then just a follow-up. As you think about the mix of business today advanced between wholesale and retail, any structural changes you think necessary over time? I guess, just how you are thinking about the channel mix longer term once you do have the product back under control?

Brendan L. Hoffman:

Well, I don't think it's—an mix of change is necessary. I mean, I think it's likely to happen just as the business evolves and grows. Clearly where the business had been, wholesale was far more mature than our domestic retail or our international business. So, you could say just on the surface that as we regain the wholesale volume we've lost, we're also going to grow these other channels as well.

But then on the line I think that there are ways to grow wholesale as well through line extensions, brand extensions, different categories we can get into. That, you know I want to reiterate, is not our focus right now because we don't want to take our eye off the ball and what's important. But certainly as we look a few years out, we think it has that potential which will continue to allow us to grow the wholesale channel while we grow our direct-to-consumer and international.

Matthew Boss:

That's great. Best of luck.

Brendan L. Hoffman:

Thanks.

Operator:

The next question is from Mark Altschwager with Robert Baird. Your line is open.

Mark Altschwager:

Good afternoon and thanks for taking the question. Brendan welcome.

Brendan L. Hoffman:

Thank you.

Mark Altschwager:

First I guess I just wanted to follow-up on what your comment that you just made. I guess when I think of kind of recapturing the DNA, the original focus of the Company, it really was wholesale brand focused on women's tops and as you look to recapture that essence, do you believe the Company needs to pull back on some of the category expansion goals near-term in order to refocus on the core, or do you think you can simultaneously pursue these brand expansions while fixing the core products?

Brendan L. Hoffman:

Yes. So to be clear, when I say the core product, that's the contemporary ladies ready-to-wear, men's wear, men's and women's shoes, and handbags, and that I consider our core product right now. You know I'm talk—we pulled back on kids which I think is a opportunity in the future and I think there are other categories we've never been in that that can be an opportunity under the Vince Halo, but right now our focus is on the categories that we've been in over the last few years and getting those back on track.

Mark Altschwager:

Thank you, and then understand that it's really going to be Q4 of '16 before we start to see the impact of some of your plans. But just any guidepost on how we should be thinking about early to mid part of 2016 as we build our model, you know the trend in the back half for '15 a fair way to think about the early part of the year or just any help there would be great?

Brendan L. Hoffman:

I mean, I don't think we're going to be able to give much help. I'll turn it over David in a sec. I mean, we are pleased, relatively pleased with the way November shaped out from the new product checking in the stores, but of course there is a long to go through the rest of the season and the holiday season, so as we go into spring Dave, anything you want to elaborate on?

David Stefko:

We haven't published any guidance yet and we're still similar to where that—what we have said last quarter, that we expect the first half of the year to be difficult and those we expect to still see pressure on gross margins first half of the year.

Mark Altschwager:

Thank you and best of luck.

Brendan L. Hoffman:

Thank you.

Operator:

The next question is from Jeff Van Sinderen with B. Riley and Co. Your line is open.

Richard Magnuson:

Hello, this is Richard Magnuson in for Jeff Van Sinderen. Thanks for taking my question. Could you give us a better sense of how the consulting arrangement with the founders will work, and can you update us further on where you stand on speeding up the design cycle supply chain implications, and then maybe more on what direction of thought you're taking the merchandise content?

Brendan L. Hoffman:

Sure. I mean, the arrangements as we laid out last week, is formally for about two years in change but that's just a starting point. I mean, Rea and Christopher have been very clear to me that they're going to be here as long as they are having fun and as Rea said to me the first year will be toughest part. So after that it's going to get a lot more fun. So, I think right now the arrangement's going great. The three of us are getting along fabulously, having a lot of fun. They are extremely committed and involved and so it's certainly my hope that and I think their hope that they are here longer than what the contract is there for.

Their focus has been to regain the brand identity of what Vince has always stood for. You know that has gotten slightly off the rails over the last few years and it starts with great product, great quality, great fabrics, great fit, and that's what they are feverously working at bringing back and it's remarkable to be in the showroom in LA and see the results and just see people walk into the showroom, employees and say wow, that's what Vince is supposed to be. So, just in a short period of time, they have been able to get that across internally.

I think we'll also for sure we'll also be able to shorten the lifecycle. I mean, one thing that was apparent to me was we have too many cooks in the kitchen. I mean, there were so many people involved in making product decisions that that just confused and lengthened the process and now we have one singular voice, and you know Rea is in charge and that by its very nature will shorten this cycle, has shortened the cycle, also allows her as she did back when she was here before, to react as she sees changes in trends and changes in what's retailing and be much closer to the time of when the product needs to be delivered.

So, we think their involvement has so many positive ripple effects that we are already starting to see internally, unfortunately it just takes that much time to it until it hits the retail floor.

Richard Magnuson:

Okay and then—oh, alright well. Thank you very much. It is very helpful.

Brendan L. Hoffman:

Sure.

Operator:

The next question is from Joan Payson with Barclays. Your line is open.

Todd Cohen:

Hi, good afternoon everyone. This is Todd Cohen on for Joan Payson today. Thanks for taking my question. I wanted to touch a little bit online here especially as it becomes a larger part of your business, I was hoping that you could just provide us with an update on that the margin structure differences between online and traditional brick-and-mortar?

Brendan L. Hoffman:

No we are not going to break that out. I'll just tell you, we're very pleased with direction of the e-commerce business. We're relaunching the platform in 2016 which we think is just going to increase our ability to service the customer. Also as we get the, you know, the brand identity back, that's going to really impact all our touch points. We are going to be much more brand right with all the way we reach out to our customer and I think e-commerce is going to be a big benefit of that as well.

Todd Cohen:

Okay, thank you and then just kind of switching gears here to brick-and-mortar, during 3Q did you notice I guess any meaningful delta between out and full-price in terms traffic conversion. Is that impacting your plans moving forward?

Brendan L. Hoffman:

Nothing is impacting our plans moving forward.

Todd Cohen:

Okay, great. Thank you so much.

Brendan L. Hoffman:

Sure.

Operator:

Again, I'll just remind everyone, that it's star, one to ask a question. The next question is from Lindsay Drucker Mann with Goldman Sachs. Your line is open.

Lindsay Drucker Mann:

Thanks. Good evening, everyone. I just wanted to ask a question on the contemporary category which has been such a great growth category with Vince and a number of other brands really benefiting from the development, increased focus from department stores and sitting in that sweet spot of trade-up from premium and trade-down from luxury. A number of brands in contemporary have slowed or it feels like the category broadly a soft. Curious if you could maybe opine on where you think the significance of the category, whether the consumers changed and how you think about its position in broader ready-to-wear overtime?

Brendan L. Hoffman:

Yes, I mean quite frankly, I think for us specific to Vince, our wounds have been self-inflicted. So, I think the category is still very vibrant, very important when I speak to the—to our partners and we have every reason to believe that we can regain the volume we lost if the product's right. So, I think the platform is there for us and it's just about getting the product right.

Lindsay Drucker Mann:

How about philosophically, how do you think about handling promotions, selling to off-price, allowing the customer to buy you at a discount, any changes in the promotional strategy going forward?

Brendan L. Hoffman:

You know, I—listen all those different channel mixes will be part of our future, but I do think that we all hope that we can reduce the level of promotion going on at full-price retail, both in our own stores where we've pulled back, already started to pull back in some of the tier promotions and with our wholesale partners and quite frankly they want that as well. I mean, one of them made the comment that when we get the product back on track, they hope that there will be less need for everyone to promote because it was always a regular price brand and so we're anxious to get back to that positioning as well, and again not to sound like a broken record, but it's all about getting the product right.

Lindsay Drucker Mann:

I think off-price is about 20% of the business, is that a fair target going forward?

David Stefko:

Twenty to 25%.

Brendan L. Hoffman:

Is where it is now, I don't know.

David Stefko:

It's targeted in the past. That's what we strive for.

Lindsay Drucker Mann:

Okay and one last one, are there any big systems investments you think that the business needs in order to get on the right track, anything we should be thinking about for 2016?

Brendan L. Hoffman:

I am sorry, what was the question again?

Lindsay Drucker Mann:

Any big systems or other investments you think that the business will need for 2016.

Brendan L. Hoffman:

You know, we have our ongoing conversion from Kellwood that we have discussed in the past that is going forward. We also have the launching of a new e-commerce platform in line with that and that is a project that's started in 2015 and we're planning to finishing that in 2016.

Lindsay Drucker Mann:

Great. Thank you so much.

Operator:

There are no further questions at this time. We'll turn the call back over to our presenters.

Brendan L. Hoffman:

Okay. Well, thank you very much. We appreciate all the questions and we look forward to continuing to communicate with you in the near future. Thanks.

Operator:

Ladies and gentlemen this concludes today's conference call. You may now disconnect.