

OXFORD INDUSTRIES INC
Form 10-Q
June 08, 2011
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

**Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

For the quarterly period ended APRIL 30, 2011

or

**Transition Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

For the transition period from _____ to _____

Commission File Number: 1-4365

OXFORD INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Georgia
(State or other jurisdiction of incorporation or organization)

58-0831862
(I.R.S. Employer Identification No.)

222 Piedmont Avenue, N.E., Atlanta, Georgia 30308

Edgar Filing: OXFORD INDUSTRIES INC - Form 10-Q

(Address of principal executive offices) (Zip Code)

(404) 659-2424

(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of each class	Number of shares outstanding as of June 3, 2011
Common Stock, \$1 par value	16,507,870

Table of Contents

OXFORD INDUSTRIES, INC.

INDEX TO FORM 10-Q

For the first quarter of fiscal 2011

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Condensed Consolidated Statements of Operations (Unaudited)</u>	4
<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	6
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	27
<u>Item 4. Controls and Procedures</u>	28
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	28
<u>Item 1A. Risk Factors</u>	28
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
<u>Item 3. Defaults Upon Senior Securities</u>	29
<u>Item 4. Reserved</u>	29
<u>Item 5. Other Information</u>	29
<u>Item 6. Exhibits</u>	29
<u>Signatures</u>	29

Table of Contents

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

Our SEC filings and public announcements may include forward-looking statements about future events. Generally, the words believe, expect, intend, estimate, anticipate, project, will and similar expressions identify forward-looking statements, which generally are not historical in nature. We intend for all forward-looking statements contained herein, in our press releases or on our website, and all subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf, to be covered by the safe harbor provisions for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (which Sections were adopted as part of the Private Securities Litigation Reform Act of 1995). Important assumptions relating to these forward-looking statements include, among others, assumptions regarding the impact of economic conditions on consumer demand and spending, demand for our products, timing of shipments requested by our wholesale customers, expected pricing levels, competitive conditions, the timing and cost of planned capital expenditures, costs of products and raw materials we purchase, costs of labor, access to capital and/or credit markets, acquisition and disposition activities, expected outcomes of pending or potential litigation and regulatory actions and disciplined execution by key management. Forward-looking statements reflect our current expectations, based on currently available information, and are not guarantees of performance. Although we believe that the expectations reflected in such forward-looking statements are reasonable, these expectations could prove inaccurate as such statements involve risks and uncertainties, many of which are beyond our ability to control or predict. Should one or more of these risks or uncertainties, or other risks or uncertainties not currently known to us or that we currently deem to be immaterial, materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Important factors relating to these risks and uncertainties include, but are not limited to, those described in Part I, Item 1A. Risk Factors contained in our Annual Report on Form 10-K for fiscal 2010, as updated by Part II, Item 1A. Risk Factors in this report and those described from time to time in our future reports filed with the SEC. We caution that one should not place undue reliance on forward-looking statements, which speak only as of the date on which they are made. We disclaim any intention, obligation or duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

DEFINITIONS

Unless the context requires otherwise, the following terms, or words of similar import, have the following meanings:

Our, us or we: Oxford Industries, Inc. and its consolidated subsidiaries

SG&A: Selling, general and administrative expenses

Discontinued operations: References to discontinued operations represent the assets and operations of our former Oxford Apparel operating group which we sold in the fourth quarter of fiscal 2010, as discussed in our Annual Report on Form 10-K for fiscal 2010.

113/8% Senior Secured Notes: Our 11.375% senior secured notes due 2015, as described in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations in this report.

Edgar Filing: OXFORD INDUSTRIES INC - Form 10-Q

SEC: U.S. Securities and Exchange Commission

Securities Exchange Act: the Securities Exchange Act of 1934, as amended

FASB: Financial Accounting Standards Board

U.S. GAAP: Generally accepted accounting principles in the United States

Fiscal 2011	52 weeks ending January 28, 2012
Fourth quarter fiscal 2011	13 weeks ending January 28, 2012
Third quarter fiscal 2011	13 weeks ending October 29, 2011
Second quarter fiscal 2011	13 weeks ending July 30, 2011
First quarter fiscal 2011	13 weeks ended April 30, 2011
Fiscal 2010	52 weeks ended January 29, 2011
Fourth quarter fiscal 2010	13 weeks ended January 29, 2011
Third quarter fiscal 2010	13 weeks ended October 30, 2010
Second quarter fiscal 2010	13 weeks ended July 31, 2010
First quarter fiscal 2010	13 weeks ended May 1, 2010

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****OXFORD INDUSTRIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)****(in thousands, except per share amounts)**

	First Quarter Fiscal 2011	First Quarter Fiscal 2010
Net sales	\$208,308	\$163,625
Cost of goods sold	90,648	73,918
Gross profit	117,660	89,707
SG&A	90,840	78,009
Amortization of intangible assets	298	240
Change in fair value of contingent consideration	600	
	91,738	78,249
Royalties and other operating income	4,791	3,513
Operating income	30,713	14,971
Interest expense, net	4,804	4,967
Earnings from continuing operations before income taxes	25,909	10,004
Income taxes	8,849	1,480
Earnings from continuing operations	17,060	8,524
Earnings from discontinued operations, net of taxes	1,040	3,973
Net earnings	\$ 18,100	\$ 12,497
Earnings from continuing operations, net of taxes per common share:		
Basic	\$ 1.03	\$ 0.52
Diluted	\$ 1.03	\$ 0.52
Earnings from discontinued operations, net of taxes per common share:		
Basic	\$ 0.06	\$ 0.24
Diluted	\$ 0.06	\$ 0.24
Net earnings per common share:		
Basic	\$ 1.10	\$ 0.76
Diluted	\$ 1.10	\$ 0.76
Weighted average common shares outstanding:		
Basic	16,515	16,491
Dilution	10	12
Diluted	16,525	16,503
Dividends declared per common share	\$ 0.13	\$ 0.11

See accompanying notes.

Table of Contents

OXFORD INDUSTRIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(in thousands, except par amounts)

	April 30, 2011	January 29, 2011	May 1, 2010
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 47,033	\$ 44,094	\$ 18,823
Receivables, net	72,263	50,177	61,423
Inventories, net	62,843	85,338	45,790
Prepaid expenses, net	10,912	12,554	12,041
Deferred tax assets	16,266	19,005	15,397
Assets related to discontinued operations, net	33,409	57,745	51,372
Total current assets	242,726	268,913	204,846
Property and equipment, net	82,899	83,895	75,404
Intangible assets, net	167,573	166,680	136,015
Goodwill	16,185	16,866	
Other non-current assets, net	21,716	22,117	17,369
Total Assets	\$531,099	\$558,471	\$433,634
LIABILITIES AND SHAREHOLDERS EQUITY			
Current Liabilities:			
Trade accounts payable and other accrued expenses	\$ 73,746	\$ 83,211	\$ 61,288
Accrued compensation	15,558	23,095	15,213
Income taxes payable	6,289		5,808
Short-term debt and current maturities of long-term debt	716		2,856
Liabilities related to discontinued operations	4,949	40,785	11,354
Total current liabilities	101,258	147,091	96,519
Long-term debt, less current maturities	147,228	147,065	146,572
Other non-current liabilities	55,048	55,441	47,825
Non-current deferred income taxes	30,231	28,846	28,192
Commitments and contingencies			
Shareholders Equity:			
Common stock, \$1.00 par value per common share	16,511	16,511	16,526
Additional paid-in capital	96,679	96,597	93,131
Retained earnings	106,700	90,739	30,036
Accumulated other comprehensive loss	(22,556)	(23,819)	(25,167)
Total shareholders equity	197,334	180,028	114,526
Total Liabilities and Shareholders Equity	\$531,099	\$558,471	\$433,634

See accompanying notes.

Table of Contents

OXFORD INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(in thousands)

	First Quarter Fiscal 2011	First Quarter Fiscal 2010
Cash Flows From Operating Activities:		
Earnings from continuing operations	\$ 17,060	\$ 8,524
Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities:		
Depreciation	4,809	4,310
Amortization of intangible assets	298	240
Change in fair value of contingent consideration	600	
Amortization/write-off of deferred financing costs and bond discount	487	488
Stock compensation expense	864	1,578
Loss on sale of property and equipment	12	2
Deferred income taxes	3,819	(1,433)
Changes in working capital:		
Receivables	(20,962)	(17,340)
Inventories	23,003	11,824
Prepaid expenses	1,110	(1,679)
Current liabilities	(13,631)	5,052
Other non-current assets	756	(309)
Other non-current liabilities	(1,009)	(1,618)
Net cash provided by operating activities	17,216	9,639
Cash Flows From Investing Activities:		
Purchases of property and equipment	(3,634)	(1,540)
Net cash used in investing activities	(3,634)	(1,540)
Cash Flows From Financing Activities:		
Repayment of revolving credit arrangements	(12,283)	(22,350)
Proceeds from revolving credit arrangements	12,978	25,233
Proceeds from issuance of common stock	939	115
Dividends on common stock	(2,142)	(1,821)
Net cash (used in) provided by financing activities	(508)	1,177
Cash Flows from Discontinued Operations:		
Net operating cash flows (used in) provided by discontinued operations	(10,413)	1,478
Net investing cash flows used in discontinued operations		(21)
Net cash (used in) provided by discontinued operations	(10,413)	1,457
Net change in cash and cash equivalents	2,661	10,733
Effect of foreign currency translation on cash and cash equivalents	278	(198)
Cash and cash equivalents at the beginning of year	44,094	8,288
Cash and cash equivalents at the end of period	\$ 47,033	\$ 18,823
Supplemental disclosure of cash flow information:		
Cash paid for interest, net, including interest paid for discontinued operations	\$ 306	\$ 286
Cash paid for income taxes, including income taxes paid for discontinued operations	\$ 27,344	\$ 3,404

See accompanying notes.

Table of Contents**OXFORD INDUSTRIES, INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****FIRST QUARTER OF FISCAL 2011**

1. Basis of Presentation: The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial reporting and the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP. We believe the accompanying unaudited condensed consolidated financial statements reflect all normal, recurring adjustments that are necessary for a fair presentation of our financial position and results of operations as of the dates and for the periods presented. Results of operations for the interim periods presented are not necessarily indicative of results to be expected for our full fiscal year. The accounting policies applied during the interim periods presented are consistent with the significant accounting policies described in our Annual Report on Form 10-K for fiscal 2010.

Unless indicated otherwise, all references to assets, liabilities, revenues and expenses in this report reflect continuing operations and exclude any amounts related to the discontinued operations of our former Oxford Apparel operating group, as discussed in Note 6 to our unaudited condensed consolidated financial statements included in this report and Note 15 of our consolidated financial statements in our Annual Report on Form 10-K for fiscal 2010,

In May 2011, the FASB amended ASC 820 Fair Value Measurements and Disclosures in order to clarify existing guidance in U.S. GAAP, better align ASC 820 with International Accounting Standards and require additional fair value disclosures. The amendments to ASC 820 become effective in fiscal 2012, with all amendments applied prospectively with any changes in measurements recognized in earnings in the period of adoption. We are currently assessing the impact of adopting the amendments to ASC 820.

2. Inventories: The components of inventories related to continuing operations as of the dates specified are summarized as follows (in thousands):

	April 30, 2011	January 29, 2011	May 1, 2010
Finished goods	\$ 101,150	\$ 122,159	\$ 81,790
Work in process	3,639	5,744	5,001
Fabric, trim and supplies	4,008	3,389	3,437
LIFO reserve	(45,954)	(45,954)	(44,438)
Total	\$ 62,843	\$ 85,338	\$ 45,790

3. Comprehensive Income: Other comprehensive income includes all changes in equity from non-owner sources, such as foreign currency translation adjustments and the net unrealized gain (loss) associated with forward foreign currency exchange contracts which qualify for hedge accounting. Comprehensive income, net of income taxes, is calculated as follows for the periods presented (in thousands):

Edgar Filing: OXFORD INDUSTRIES INC - Form 10-Q

	First Quarter Fiscal 2011	First Quarter Fiscal 2010
Net earnings	\$ 18,100	\$ 12,497
Gain (loss) on foreign currency translation	1,768	(1,927)
Net unrealized loss on forward foreign exchange contracts	(505)	
Comprehensive income	\$ 19,363	\$ 10,570

4. Operating Group Information: Our business is primarily operated through our four operating groups: Tommy Bahama, Lilly Pulitzer, Ben Sherman and Lanier Clothes. We identify our operating groups based on the way our management organizes the components of our business for purposes of allocating resources and assessing performance. All amounts included in this report reflect our changes in operating groups during fiscal 2010, as disclosed in our Annual Report on Form 10-K for fiscal 2010. The table below presents certain information about the continuing operations of our operating groups (in thousands).

Table of Contents

	First Quarter Fiscal 2011	First Quarter Fiscal 2010
Net Sales		
Tommy Bahama	\$ 122,903	\$ 109,105
Lilly Pulitzer	29,873	
Ben Sherman	19,421	22,154
Lanier Clothes	32,973	30,428
Corporate and Other	3,138	1,938
Total	\$ 208,308	\$ 163,625
Depreciation		
Tommy Bahama	\$ 3,381	\$ 3,274
Lilly Pulitzer	354	
Ben Sherman	525	536
Lanier Clothes	109	119
Corporate and Other	440	381
Total	\$ 4,809	\$ 4,310
Amortization of Intangible Assets		
Tommy Bahama	\$ 129	\$ 173
Lilly Pulitzer	114	
Ben Sherman	55	67
Lanier Clothes		
Corporate and Other		
Total	\$ 298	\$ 240
Operating Income (Loss)		
Tommy Bahama	\$ 23,770	\$ 17,861
Lilly Pulitzer	7,015	
Ben Sherman	(826)	522
Lanier Clothes	4,725	4,359
Corporate and Other	(3,971)	(7,771)
Total Operating Income	30,713	14,971
Interest expense, net	4,804	4,967
Earnings From Continuing Operations Before Income Taxes	\$ 25,909	\$ 10,004

	April 30, 2011	January 29, 2011	May 1, 2010
Total Assets			
Tommy Bahama	\$ 274,252	\$ 274,140	\$ 265,148
Lilly Pulitzer	81,960	79,476	
Ben Sherman	67,680	67,478	65,313
Lanier Clothes	32,283	35,530	40,712
Corporate and Other	41,515	44,102	11,089
Discontinued Operations	33,409	57,745	51,372
Total	\$ 531,099	\$ 558,471	\$ 433,634

5. **Business Combinations:** On December 21, 2010, we acquired the Lilly Pulitzer brand and operations, as described in Note 14 of our consolidated financial statements in our Annual Report on Form 10-K for fiscal 2010. As of April 30, 2011, we have not finalized our allocation of purchase price to the fair values of the acquired assets and liabilities, and we will revise our allocation through the one year period following the closing of the transaction, as appropriate, as we obtain new information about the fair values of these assets and liabilities, including the contingent consideration. During the first quarter of fiscal 2011, we did not record any significant adjustments to the initial purchase price allocation included in Note 14 of our consolidated financial statements in our Annual Report on Form 10-K for fiscal 2010. As of April 30, 2011, the estimated fair value of the contingent consideration was approximately \$11.3 million compared to \$10.5 million as of the date of acquisition, with the change in fair value representing the passage of time from the date of acquisition as we approach the dates of the anticipated payments in the future.

Table of Contents

6. Discontinued Operations: On January 3, 2011, we sold substantially all of the assets and operations of our former Oxford Apparel operating group, as discussed in Note 15 of our consolidated financial statements in our Annual Report on Form 10-K for fiscal 2010. The results of operations and assets which were sold are reflected in discontinued operations in our consolidated financial statements. The following represents the major classes of assets and liabilities related to the discontinued operations included in our consolidated balance sheets as of the following dates (in thousands):

	April 30, 2011	January 29, 2011	May 1, 2010
Receivables, net	\$26,763	\$48,564	\$33,058
Inventories, net	6,627	9,162	10,529
Other current assets, net	19	19	245
Property and equipment, net			1,070
Other assets, net			6,470
Total assets	33,409	57,745	51,372
Total liabilities	4,949	40,785	11,354
Net assets	\$28,460	\$16,960	\$40,018

Net sales, earnings from discontinued operations before income taxes and earnings from discontinued operations, net of income taxes are shown in the table below (in thousands):

	First Quarter Fiscal 2011	First Quarter Fiscal 2010
Net sales	\$2,189	\$54,125
Earnings from discontinued operations before income taxes	\$1,577	\$ 6,408
Earnings from discontinued operations, net of income taxes	\$1,040	\$ 3,973

7. Subsequent Event: In May 2011, we repurchased, in a privately negotiated transaction, \$40.0 million in aggregate principal amount of our 113/8% Senior Secured Notes for approximately \$46.6 million, plus accrued interest, using cash on hand. The repurchase of the 113/8% Senior Secured Notes and related write-off of approximately \$1.6 million of unamortized deferred financing costs and discount resulted in a loss of approximately \$8.2 million, which will be reflected in our consolidated financial statements for the second quarter of fiscal 2011. After completion of the transaction, \$110.0 million aggregate principal amount of our 113/8% Senior Secured Notes remain outstanding.

8. Consolidating Financial Data of Subsidiary Guarantors: Our 113/8% Senior Secured Notes are guaranteed by substantially all of our wholly owned domestic subsidiaries (Subsidiary Guarantors). All guarantees are full and unconditional. For consolidated financial reporting purposes, non-guarantors consist of our subsidiaries which are organized outside the United States and certain domestic subsidiaries. We use the equity method with respect to our investment in subsidiaries included in other non-current assets in our condensed consolidating financial statements. Set forth below are our condensed consolidating balance sheets as of April 30, 2011, January 29, 2011 and May 1, 2010 (in thousands) as well as our condensed consolidating statements of operations for the first quarter of fiscal 2011 and fiscal 2010 (in thousands) and our condensed consolidating statements of cash flows for the first quarter of fiscal 2011 and fiscal 2010 (in thousands).

Table of Contents**OXFORD INDUSTRIES, INC.****UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEETS****April 30, 2011**

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
ASSETS					
Cash and cash equivalents	\$ 40,734	\$ 1,255	\$ 5,044	\$	\$ 47,033
Receivables, net	11,518	25,999	47,767	(13,021)	72,263
Inventories, net	(20,728)	75,609	8,720	(758)	62,843
Prepaid expenses and deferred tax assets	17,227	11,186	2,648	(3,883)	27,178
Assets related to discontinued operations, net	33,409				33,409
Total current assets	82,160	114,049	64,179	(17,662)	242,726
Property and equipment, net	7,017	71,578	4,304		82,899
Goodwill and intangible assets, net		158,618	25,140		183,758
Other non-current assets, net	602,112	143,219	4,153	(727,768)	21,716
Total Assets	\$691,289	\$487,464	\$97,776	\$(745,430)	\$531,099
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities related to continuing operations	\$ 15,882	\$ 59,167	\$35,838	\$ (14,578)	\$96,309
Current liabilities related to discontinued operations	4,949				4,949
Long-term debt, less current maturities	147,228				147,228
Other non-current liabilities	330,114	(314,051)	145,780	(106,795)	55,048
Non-current deferred income taxes	(4,218)	27,883	6,566		30,231
Total shareholders /invested equity	197,334	714,465	(90,408)	(624,057)	197,334
Total Liabilities and Shareholders Equity	\$691,289	\$487,464	\$97,776	\$(745,430)	\$531,099

January 29, 2011

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
ASSETS					
Cash and cash equivalents	\$ 41,130	\$ 809	\$ 2,155	\$	\$ 44,094
Receivables, net	10,969	3,431	44,897	(9,120)	50,177
Inventories, net	(13,234)	86,747	11,889	(64)	85,338
	19,756	12,671	3,018	(3,886)	31,559

Edgar Filing: OXFORD INDUSTRIES INC - Form 10-Q

Prepaid expenses and deferred tax assets					
Assets related to discontinued operations, net	46,418	324	11,003		57,745
Total current assets	105,039	103,982	72,962	(13,070)	268,913
Property and equipment, net	7,182	72,323	4,390		83,895
Goodwill and intangible assets, net		159,543	24,003		183,546
Other non-current assets, net	579,130	143,459	4,101	(704,573)	22,117
Total Assets	\$691,351	\$479,307	\$105,456	\$(717,643)	\$558,471

LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities related to continuing operations	\$ 13,978	\$ 59,255	\$ 41,170	\$ (8,097)	\$106,306
Current liabilities related to discontinued operations	32,379		8,406		40,785
Long-term debt, less current maturities	147,065				147,065
Other non-current liabilities	322,237	(301,271)	143,113	(108,638)	55,441
Non-current deferred income taxes	(4,336)	26,944	6,332	(94)	28,846
Total shareholders /invested equity	180,028	694,379	(93,565)	(600,814)	180,028
Total Liabilities and Shareholders Equity	\$691,351	\$479,307	\$105,456	\$(717,643)	\$558,471

Table of Contents**OXFORD INDUSTRIES, INC.****UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEETS**

May 1, 2010

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
ASSETS					
Cash and cash equivalents	\$ 13,558	\$ 577	\$ 4,688	\$	\$ 18,823
Receivables, net	14,756	17,815	36,542	(7,690)	61,423
Inventories, net	(16,456)	56,400	6,512	(666)	45,790
Prepaid expenses and deferred tax assets, net	18,118	8,578	4,625	(3,883)	27,438
Assets related to discontinued operations, net	39,560	6,649	5,163		51,372
Total current assets	69,536	90,019	57,530	(12,239)	204,846
Property and equipment, net	8,143	62,007	5,254		75,404
Goodwill and intangible assets, net		112,708	23,307		136,015
Other non-current assets, net	500,030	142,826	4,048	(629,535)	17,369
Total Assets	\$577,709	\$407,560	\$90,139	\$(641,774)	\$433,634
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities related to continuing operations	\$ 25,263	\$ 39,008	\$28,567	\$ (7,673)	\$ 85,165
Current liabilities related to discontinued operations	5,972		5,382		11,354
Long-term debt, less current maturities	146,572				146,572
Other non-current liabilities	289,627	(277,231)	143,959	(108,530)	47,825
Non-current deferred income taxes	(4,251)	25,863	6,580		28,192
Total shareholders /invested equity	114,526	619,920	(94,349)	(525,571)	114,526
Total Liabilities and Shareholders Equity	\$577,709	\$407,560	\$90,139	\$(641,774)	\$433,634

OXFORD INDUSTRIES, INC.**CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS**

First Quarter Fiscal 2011

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Net sales	\$ 35,721	\$ 159,001	\$ 21,692	\$ (8,106)	\$ 208,308

Edgar Filing: OXFORD INDUSTRIES INC - Form 10-Q

Cost of goods sold	24,435	62,641	8,269	(4,697)	90,648
Gross profit	11,286	96,360	13,423	(3,409)	117,660
SG&A including amortization of intangible assets and change in fair value of contingent consideration	10,314	73,189	12,478	(4,243)	91,738
Royalties and other operating income	53	2,913	1,882	(57)	4,791
Operating income	1,025	26,084	2,827	777	30,713
Interest (income) expense, net	4,427	(1,197)	759	815	4,804
Income from equity investment	21,901			(21,901)	
Earnings from continuing operations before income taxes	18,499	27,281	2,068	(21,939)	25,909
Income taxes (benefit)	1,273	7,336	254	(14)	8,849
Earnings from continuing operations	17,226	19,945	1,814	(21,925)	17,060
Earnings from discontinued operations, net of taxes	897	143			1,040
Net earnings	\$ 18,123	\$ 20,088	\$ 1,814	\$ (21,925)	\$ 18,100

Table of Contents**OXFORD INDUSTRIES, INC.****CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS****First Quarter Fiscal 2010**

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Net sales	\$ 32,579	\$ 116,929	\$ 20,821	\$ (6,704)	\$ 163,625
Cost of goods sold	22,299	46,884	8,483	(3,748)	73,918
Gross profit	10,280	70,045	12,338	(2,956)	89,707
SG&A including amortization of intangible assets and change in fair value of contingent consideration	13,056	58,013	11,312	(4,132)	78,249
Royalties and other operating income	23	2,100	1,574	(184)	3,513
Operating income	(2,753)	14,132	2,600	992	14,971
Interest (income) expense, net	4,923	(1,041)	682	403	4,967
Income from equity investment	11,260			(11,260)	
Earnings from continuing operations before income taxes	3,584	15,173	1,918	(10,671)	10,004
Income taxes (benefit)	(5,310)	6,066	518	206	1,480
Earnings from continuing operations	8,894	9,107	1,400	(10,877)	8,524
Earnings from discontinued operations, net of taxes	3,222	817	(66)		3,973
Net earnings	\$ 12,116	\$ 9,924	\$ 1,334	\$ (10,877)	\$ 12,497

OXFORD INDUSTRIES, INC.**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS****First Quarter Fiscal 2011**

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Cash Flows From Operating Activities:					
Net cash provided by (used in) operating activities	\$ 6,304	\$ 15,681	\$ (3,269)	\$ (1,500)	\$ 17,216
Cash Flows from Investing Activities:					
Net cash used in investing activities	(408)	(3,203)	(23)		(3,634)
Cash Flows from Financing Activities:					
Change in debt			695		695
Proceeds from issuance of common stock	939				939
Change in intercompany payable	8,245	(12,356)	2,611	1,500	
Dividends on common stock	(2,142)				(2,142)
Net cash provided by (used in) financing activities	7,042	(12,356)	3,306	1,500	(508)

Edgar Filing: OXFORD INDUSTRIES INC - Form 10-Q

Cash Flows from Discontinued Operations:							
Net cash provided by (used in) discontinued operations	(13,334)	324	2,597	(10,413)			
Net change in Cash and Cash Equivalents	(396)	446	2,611	2,661			
Effect of foreign currency translation			278	278			
Cash and Cash Equivalents at the Beginning of Period	41,130	809	2,155	44,094			
Cash and Cash Equivalents at the End of Period	\$ 40,734	\$ 1,255	\$ 5,044	\$ 47,033			

Table of Contents**OXFORD INDUSTRIES, INC.****CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS****First Quarter Fiscal 2010**

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Cash Flows From Operating Activities:					
Net cash provided by (used in) operating activities	\$ (2,788)	\$ 10,081	\$ 2,346		\$ 9,639
Cash Flows from Investing Activities:					
Net cash used in investing activities	(242)	(1,028)	(270)		(1,540)
Cash Flows from Financing Activities:					
Change in debt			2,883		2,883
Proceeds from issuance of common stock	115				115
Change in intercompany payable	10,463	(8,997)	(1,466)		
Dividends on common stock	(1,821)				(1,821)
Net cash provided by (used in) financing activities	8,757	(8,997)	1,417		1,177
Cash Flows from Discontinued Operations:					
Net cash provided by (used in) discontinued operations	1,898	18	(459)		1,457
Net change in Cash and Cash Equivalents	7,625	74	3,034		10,733
Effect of foreign currency translation			(198)		(198)
Cash and Cash Equivalents at the Beginning of Period	5,933	503	1,852		8,288
Cash and Cash Equivalents at the End of Period	\$ 13,558	\$ 577	\$ 4,688	\$	\$ 18,823

Table of Contents

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

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and the notes to the unaudited condensed consolidated financial statements contained in this report and the consolidated financial statements, notes to consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for fiscal 2010.

OVERVIEW

We generate revenues and cash flow primarily through the design, production, sale and distribution of branded consumer apparel for men, women and children and the licensing of company owned trademarks. Our principal markets and customers are located in the United States and, to a lesser extent, the United Kingdom. We source substantially all of our products through third party manufacturers located outside of the United States and United Kingdom. We distribute our products through our direct to consumer channels, including our retail stores, e-commerce websites and restaurants, as well as through our wholesale distribution channels, which include department stores, specialty stores, national chains, specialty catalogs, mass merchants and Internet retailers.

We believe the weak global economic conditions, which began in fiscal 2008, continue to impact our business and the apparel industry as a whole, although not as severely as in fiscal 2010. While we continue to focus on minimizing inventory markdown risk and promotional pressure, we have been more aggressive in our inventory purchases for fiscal 2011 than we were in the prior year. We anticipate continuing to purchase inventory more aggressively if the economic conditions continue to show improvement. Also, we believe that fiscal 2011 will be impacted by pricing pressures on raw materials, fuel, transportation and other costs necessary for the production and sourcing of apparel products, particularly in our Lanier Clothes and Ben Sherman businesses.

We continue to believe it is important to focus on maintaining a strong balance sheet and ample liquidity. We believe that the measures we have taken in recent years have significantly enhanced our balance sheet and liquidity, while allowing us to acquire the Lilly Pulitzer brand and operations and continue to operate our businesses appropriately. We believe our strong balance sheet and liquidity will allow us to aggressively develop our lifestyle brands and maintain the financial flexibility to opportunistically enhance our capital structure and pursue desirable acquisitions, if any meet our investment criteria.

The apparel and retail industry is cyclical and dependent upon the overall level of discretionary consumer spending, which changes as regional, domestic and international economic conditions change. The impact of negative economic conditions may have a longer and more severe impact on the apparel and retail industry than the same conditions have on other industries. Therefore, even if conditions improve in the general economy, the negative impact on the apparel and retail industry may continue.

The following table sets forth our consolidated operating results (in thousands, except per share amounts) for the first quarter of fiscal 2011 compared to the first quarter of fiscal 2010:

Edgar Filing: OXFORD INDUSTRIES INC - Form 10-Q

	First Quarter Fiscal 2011	First Quarter Fiscal 2010	\$ Change	% Change
Net sales	\$208,308	\$163,625	\$ 44,683	27.3%
Operating income	\$ 30,713	\$ 14,971	\$ 15,742	105.1%
Earnings from continuing operations	\$ 17,060	\$ 8,524	\$ 8,536	100.1%
Earnings from continuing operations per diluted common share	\$ 1.03	\$ 0.52	\$ 0.51	98.1%
Earnings from discontinued operations, net of taxes	\$ 1,040	\$ 3,973	\$ (2,933)	(73.8)%
Earnings from discontinued operations per diluted common share	\$ 0.06	\$ 0.24	\$ (0.18)	(75.0)%
Net earnings	\$ 18,100	\$ 12,497	\$ 5,603	NM
Net earnings per diluted common share	\$ 1.10	\$ 0.76	\$ 0.34	NM
Weighted average common shares outstanding diluted	16,525	16,503	22	0.1%

Table of Contents

The primary reasons for the improvement in earnings from continuing operations were:

- An increase in net sales driven by the \$29.9 million of net sales related to Lilly Pulitzer, which we acquired on December 21, 2010, and an increase in the direct to consumer channel of distribution at Tommy Bahama.
- Improved gross margins, which benefitted from the inclusion of Lilly Pulitzer and our other operating groups either increasing or maintaining gross margins. Gross margins were impacted in the first quarter of fiscal 2011 by LIFO accounting credits of \$0.6 million compared to LIFO accounting charges of \$0.7 million in the first quarter of fiscal 2010. Additionally, gross margins were negatively impacted by approximately \$1.0 million of charges to cost of goods sold in Lilly Pulitzer resulting from the write-up of acquired inventory to fair value pursuant to the purchase method of accounting in connection with the sale of acquired inventory during the first quarter of fiscal 2011. We do not anticipate that there will be any such charges to cost of goods sold in future periods.
- Increased royalty income in Tommy Bahama and Ben Sherman resulting from increased sales during the first quarter of fiscal 2011 by existing licensees as well as the inclusion of royalty income associated with the Lilly Pulitzer business in the first quarter of fiscal 2011.

These items were partially offset by:

- The increase in SG&A which was primarily due to (1) the inclusion of \$10.0 million of SG&A associated with the Lilly Pulitzer operations during the first quarter of fiscal 2011 and (2) the increased retail store operating costs as a result of the opening of additional Tommy Bahama retail stores subsequent to the first day of fiscal 2010.
- A \$0.6 million charge related to the change in fair value of contingent consideration associated with the acquisition of the Lilly Pulitzer brand and operations.

Earnings from discontinued operations reflect substantially all of the operations related to our former Oxford Apparel operating group, which we sold in the fourth quarter of fiscal 2010. The operating results of the discontinued operations reflect substantially all of the normal operating activities of our former Oxford Apparel operating group in the first quarter of fiscal 2010, but only reflect certain wind-down and transition activities in the first quarter of fiscal 2011. We do not anticipate significant earnings or losses from our discontinued operations after the first half of fiscal 2011. Operations of our former Oxford Apparel operating group which were not sold are included in Corporate and Other.

SUBSEQUENT EVENT REPURCHASE OF 11 3/8% SENIOR SECURED NOTES

Edgar Filing: OXFORD INDUSTRIES INC - Form 10-Q

In May 2011, we repurchased, in a privately negotiated transaction, \$40.0 million in aggregate principal amount of our 113/8% Senior Secured Notes for approximately \$46.6 million, plus accrued interest, using cash on hand. The repurchase of the 113/8% Senior Secured Notes and related write-off of approximately \$1.6 million of unamortized deferred financing costs and discount resulted in a loss of approximately \$8.2 million, which will be reflected in our consolidated financial statements for the second quarter of fiscal 2011. After completion of the transaction, \$110.0 million aggregate principal amount of our 113/8% Senior Secured Notes remain outstanding.

OPERATING GROUPS

Our business is primarily operated through our four operating groups: Tommy Bahama, Lilly Pulitzer, Ben Sherman and Lanier Clothes. We identify our operating groups based on the way our management organizes the components of our business for purposes of allocating resources and assessing performance.

Tommy Bahama designs, sources and markets collections of men's and women's sportswear and related products. The target consumers of Tommy Bahama are primarily affluent men and women age 35 and older who embrace a relaxed and casual approach to daily living. Tommy Bahama® products can be found in our owned and licensed Tommy Bahama retail stores and on our Tommy Bahama e-commerce website, as well as in certain department stores and independent specialty stores throughout the United States. We also license the Tommy Bahama name for various product categories and operate Tommy Bahama restaurants.

Table of Contents

Lilly Pulitzer designs, sources and distributes upscale collections of women's and girls' dresses, sportswear and other products. Lilly Pulitzer® was originally created in the late 1950's and is an affluent brand with heritage and aesthetic based on the Palm Beach resort lifestyle. The brand is somewhat unique among women's brands in that it has demonstrated multi-generational appeal, including: young women in college or recently graduated from college; young mothers with their daughters; and women who are not tied to the academic calendar. Lilly Pulitzer products can be found in our owned Lilly Pulitzer stores, in Lilly Pulitzer Signature Stores and on our Lilly Pulitzer website, as well as in certain department stores and a variety of independent specialty stores. We also license the Lilly Pulitzer name for various product categories.

Ben Sherman is a London-based designer, marketer and distributor of men's branded sportswear and related products. Ben Sherman® was established in 1963 as an edgy, Mod -inspired shirt brand and has evolved into a British lifestyle brand of apparel targeted at style conscious men ages 25 to 40 in multiple markets throughout the world. Ben Sherman products can be found in certain department stores, a variety of independent specialty stores and our owned and licensed Ben Sherman retail stores, as well as on Ben Sherman e-commerce websites. We also license the Ben Sherman name for various product categories.

Lanier Clothes designs and markets branded and private label men's tailored clothing including suits, sportcoats, suit separates and dress slacks across a wide range of price points. Certain Lanier Clothes products are sold using trademarks licensed to us by third parties, including Kenneth Cole®, Dockers®, and Geoffrey Beene®. Lanier Clothes also offers branded products under our Billy London® and Arnold Brant® trademarks. In addition to the branded businesses, Lanier Clothes designs and sources private label products for certain customers. Significant private label brands include Stafford, Lands' End, Alfani, Structure and Kenneth Roberts. Our Lanier Clothes products are sold to national chains, department stores, specialty stores, specialty catalog retailers and discount retailers throughout the United States.

Corporate and Other is a reconciling category for reporting purposes and includes our corporate office, substantially all financing activities, elimination of inter-segment sales, LIFO inventory accounting adjustments, other costs that are not allocated to the operating groups and operations of our other businesses which are not included in our four operating groups. LIFO inventory calculations are made on a legal entity basis which does not correspond to our operating group definitions; therefore, LIFO inventory accounting adjustments are not allocated to operating groups. The operations of businesses that are included in Corporate and Other include our Oxford Golf business and our Lyons, Georgia distribution center operations that were previously allocated to our former Oxford Apparel operating group.

For further information regarding our operating groups, see Note 4 to our unaudited condensed consolidated financial statements included in this report and Part I, Item 1. Business in our Annual Report on Form 10-K for fiscal 2010.

RESULTS OF OPERATIONS

FIRST QUARTER OF FISCAL 2011 COMPARED TO FIRST QUARTER OF FISCAL 2010

The following table sets forth the specified line items in our unaudited condensed consolidated statements of operations both in dollars (in thousands) and as a percentage of net sales. The table also sets forth the dollar change and the percentage change of the data as compared to the same period of the prior year. We have calculated all percentages based on actual data, but percentage columns may not add due to rounding. For purposes of the tables below, NM means not meaningful. Individual line items of our consolidated statements of operations may not be directly comparable to those of our competitors, as classification of certain expenses may vary by company. In accordance with U.S. GAAP, net

Edgar Filing: OXFORD INDUSTRIES INC - Form 10-Q

sales, cost of goods sold, gross profit, SG&A, amortization of intangible assets, change in fair value of contingent consideration, royalties and other operating income, operating income, interest expense, net, earnings from continuing operations before income taxes, income taxes and earnings from continuing operations reflect continuing operations only, and all discontinued operations are reflected in earnings from discontinued operations, net.

Table of Contents

	First Quarter					
	Fiscal 2011		Fiscal 2010		\$ Change	% Change
Net sales	\$208,308	100.0%	\$163,625	100.0%	\$44,683	27.3%
Cost of goods sold	90,648	43.5%	73,918	45.2%	16,730	22.6%
Gross profit	117,660	56.5%	89,707	54.8%	27,953	31.2%
SG&A	90,840	43.6%	78,009	47.7%	12,831	16.4%
Amortization of intangible assets	298	0.1%	240	0.1%	58	24.2%
Change in fair value of contingent consideration	600	0.3%			600	NM
Royalties and other operating income	4,791					