

TIFFANY & CO
Form 10-Q
November 26, 2014
Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2014

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: 1-9494

TIFFANY & CO.

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

13-3228013

(I.R.S. Employer Identification No.)

727 Fifth Avenue, New York, NY

(Address of principal executive offices)

10022

(Zip Code)

Registrant's telephone number, including area code: (212) 755-8000

Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: Common Stock, \$.01 par value, 129,353,842 shares outstanding at the close of business on October 31, 2014.

Table of Contents

TIFFANY & CO. AND SUBSIDIARIES
 INDEX TO FORM 10-Q
 FOR THE QUARTER ENDED OCTOBER 31, 2014

| | Page |
|--|-----------|
| <u>PART I – FINANCIAL INFORMATION</u> | |
| Item 1. <u>Financial Statements</u> | |
| <u>Condensed Consolidated Balance Sheets – October 31, 2014, January 31, 2014 and October 31, 2013 (Unaudited)</u> | <u>3</u> |
| <u>Condensed Consolidated Statements of Earnings – for the three and nine months ended October 31, 2014 and 2013 (Unaudited)</u> | <u>4</u> |
| <u>Condensed Consolidated Statements of Comprehensive Earnings – for the three and nine months ended October 31, 2014 and 2013 (Unaudited)</u> | <u>5</u> |
| <u>Condensed Consolidated Statement of Stockholders' Equity – for the nine months ended October 31, 2014 (Unaudited)</u> | <u>6</u> |
| <u>Condensed Consolidated Statements of Cash Flows – for the nine months ended October 31, 2014 and 2013 (Unaudited)</u> | <u>7</u> |
| <u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u> | <u>8</u> |
| Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>25</u> |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | <u>38</u> |
| Item 4. <u>Controls and Procedures</u> | <u>38</u> |
| <u>PART II – OTHER INFORMATION</u> | |
| Item 1. <u>Legal Proceedings</u> | <u>39</u> |
| Item 1A. <u>Risk Factors</u> | <u>40</u> |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>40</u> |
| Item 6. <u>Exhibits</u> | <u>41</u> |
| (a) Exhibits | |

Table of Contents

PART I. Financial Information

Item 1. Financial Statements

TIFFANY & CO. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except per share amounts)

| | October 31, 2014 | January 31, 2014 | October 31, 2013 |
|--|------------------|------------------|------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$349,301 | \$345,778 | \$521,200 |
| Short-term investments | 34,112 | 21,257 | 121 |
| Accounts receivable, less allowances of \$10,467, \$10,337 and \$10,456 | 177,290 | 188,814 | 165,862 |
| Inventories, net | 2,560,369 | 2,326,580 | 2,418,710 |
| Deferred income taxes | 104,708 | 101,012 | 78,020 |
| Prepaid expenses and other current assets | 284,597 | 244,947 | 178,589 |
| Total current assets | 3,510,377 | 3,228,388 | 3,362,502 |
| Property, plant and equipment, net | 888,103 | 855,095 | 836,062 |
| Deferred income taxes | 246,643 | 278,390 | 315,398 |
| Other assets, net | 351,866 | 390,478 | 365,539 |
| | \$4,996,989 | \$4,752,351 | \$4,879,501 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Short-term borrowings | \$196,878 | \$252,365 | \$252,016 |
| Accounts payable and accrued liabilities | 344,292 | 342,090 | 309,798 |
| Income taxes payable | 25,657 | 31,976 | 16,190 |
| Merchandise and other customer credits | 67,709 | 70,309 | 66,110 |
| Total current liabilities | 634,536 | 696,740 | 644,114 |
| Long-term debt | 889,505 | 751,154 | 755,724 |
| Pension/postretirement benefit obligations | 284,371 | 268,112 | 348,561 |
| Deferred gains on sale-leasebacks | 71,340 | 81,865 | 85,464 |
| Other long-term liabilities | 208,547 | 220,512 | 223,684 |
| Commitments and contingencies | | | |
| Stockholders' equity: | | | |
| Preferred Stock, \$0.01 par value; authorized 2,000 shares, none issued and outstanding | — | — | — |
| Common Stock, \$0.01 par value; authorized 240,000 shares, issued and outstanding 129,354, 128,312 and 128,048 | 1,293 | 1,283 | 1,280 |
| Additional paid-in capital | 1,168,116 | 1,095,304 | 1,074,522 |
| Retained earnings | 1,807,966 | 1,682,398 | 1,829,591 |
| Accumulated other comprehensive loss, net of tax | (83,103 |) (58,548 |) (96,177 |
| Total Tiffany & Co. stockholders' equity | 2,894,272 | 2,720,437 | 2,809,216 |
| Non-controlling interests | 14,418 | 13,531 | 12,738 |
| Total stockholders' equity | 2,908,690 | 2,733,968 | 2,821,954 |
| | \$4,996,989 | \$4,752,351 | \$4,879,501 |

See notes to condensed consolidated financial statements.

Table of Contents

TIFFANY & CO. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
 (Unaudited)

(in thousands, except per share amounts)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------|-------------------|-------------|
| | October 31, | | October 31, | |
| | 2014 | 2013 | 2014 | 2013 |
| Net sales | \$959,589 | \$911,478 | \$2,964,651 | \$2,732,846 |
| Cost of sales | 388,718 | 391,997 | 1,209,091 | 1,178,012 |
| Gross profit | 570,871 | 519,481 | 1,755,560 | 1,554,834 |
| Selling, general and administrative expenses | 402,380 | 365,863 | | |