

MOVADO GROUP INC  
Form 10-Q  
May 22, 2014

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 April 30, 2014

“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: 1-16497

MOVADO GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

New York  
(State or Other Jurisdiction

of Incorporation or Organization)

13-2595932  
(IRS Employer

Identification No.)

650 From Road, Ste. 375

Paramus, New Jersey  
(Address of Principal Executive Offices)

07652-3556  
(Zip Code)

(201) 267-8000

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(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 that past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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

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

The number of shares outstanding of the registrant's Common Stock and Class A Common Stock as of May 16, 2014 were 18,662,601 and 6,638,262, respectively.

MOVADO GROUP, INC.

Index to Quarterly Report on Form 10-Q

April 30, 2014

	Page
Part I Financial Information (Unaudited)	
Item 1. <u>Consolidated Balance Sheets at April 30, 2014, January 31, 2014 and April 30, 2013</u>	3
<u>Consolidated Statements of Operations for the three months ended April 30, 2014 and April 30, 2013</u>	4
<u>Consolidated Statements of Comprehensive Income for the three months ended April 30, 2014 and April 30, 2013</u>	5
<u>Consolidated Statements of Cash Flows for the three months ended April 30, 2014 and April 30, 2013</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	20
Item 4. <u>Controls and Procedures</u>	21
Part II <u>Other Information</u>	21
Item 1. <u>Legal Proceedings</u>	21
Item 1A. <u>Risk Factors</u>	21
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	21

Item 6. Exhibits

23

Signature

24



## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

## MOVADO GROUP, INC.

## CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

(Unaudited)

	April 30, 2014	January 31, 2014	April 30, 2013
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 137,827	\$ 157,659	\$ 141,484
Short-term investments	34,063	33,099	—
Trade receivables	77,395	68,683	66,675
Inventories	184,443	181,305	175,136
Other current assets	47,228	44,564	36,571
Total current assets	480,956	485,310	419,866
Property, plant and equipment, net	46,806	47,796	46,289
Deferred income taxes	15,058	14,891	22,434
Other non-current assets	32,064	30,613	26,790
Total assets	\$ 574,884	\$ 578,610	\$ 515,379
<b>LIABILITIES AND EQUITY</b>			
Current liabilities:			
Accounts payable	\$ 25,644	\$ 33,598	\$ 24,421
Accrued liabilities	36,854	43,573	34,358
Deferred and current income taxes payable	5,777	6,422	1,412
Total current liabilities	68,275	83,593	60,191
Deferred and non-current income taxes payable	3,792	3,518	5,689
Other non-current liabilities	27,244	25,509	22,626
Total liabilities	99,311	112,620	88,506
Commitments and contingencies (Note 8)			
Equity:			
Preferred Stock, \$0.01 par value, 5,000,000 shares authorized; no shares issued	—	—	—
Common Stock, \$0.01 par value, 100,000,000 shares authorized; 26,753,324, 26,643,108 and 26,600,097 shares issued, respectively	268	266	266

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Class A Common Stock, \$0.01 par value, 30,000,000 shares authorized; 6,638,262, 6,638,262 and 6,632,967 shares issued and outstanding, respectively	66	66	66
Capital in excess of par value	168,067	165,342	160,829
Retained earnings	321,176	316,334	279,032
Accumulated other comprehensive income	111,832	103,702	97,075
Treasury Stock, 8,081,423, 7,945,419 and 7,686,581 shares, respectively, at cost	(128,657)	(122,406)	(112,328)
Total Movado Group, Inc. shareholders' equity	472,752	463,304	424,940
Noncontrolling interests	2,821	2,686	1,933
Total equity	475,573	465,990	426,873
Total liabilities and equity	\$574,884	\$578,610	\$515,379
See Notes to Consolidated Financial Statements			

## MOVADO GROUP, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended April 30,	
	2014	2013
Net sales	\$120,921	\$110,010
Cost of sales	55,770	50,091
Gross profit	65,151	59,919
Selling, general and administrative	54,230	49,914
Operating income	10,921	10,005
Other income (Note 12)	—	1,526
Interest expense	(94 )	(65 )
Interest income	35	23
Income before income taxes	10,862	11,489
Provision for income taxes (Note 9)	3,433	3,310
Net income	7,429	8,179
Less: Net income / (loss) attributed to noncontrolling interests	64	(31 )
Net income attributed to Movado Group, Inc.	\$7,365	\$8,210
Basic income per share:		
Weighted basic average shares outstanding	25,325	25,522
Net income per share attributed to Movado Group, Inc.	\$0.29	\$0.32
Diluted income per share:		
Weighted diluted average shares outstanding	25,696	25,873
Net income per share attributed to Movado Group, Inc.	\$0.29	\$0.32
Dividends declared per share	\$0.10	\$0.05

See Notes to Consolidated Financial Statements

MOVADO GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended April 30,	
	2014	2013
Comprehensive income, net of taxes:		
Net income including noncontrolling interests	\$7,429	\$8,179
Net unrealized gain on investments, net of tax of \$39, \$0, respectively	70	1
Foreign currency translation adjustments	8,131	(5,235)
Comprehensive income including noncontrolling interests	15,630	2,945
Less: Comprehensive income / (loss) attributable to noncontrolling interests	135	(69 )
Total comprehensive income attributable to Movado Group, Inc.	\$15,495	\$3,014

See Notes to Consolidated Financial Statements



## MOVADO GROUP, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended April 30,	
	2014	2013
Cash flows from operating activities:		
Net income including noncontrolling interests	\$7,429	\$8,179
Adjustments to reconcile net income to net cash (used in) operating activities:		
Depreciation and amortization	3,022	2,756
Transactional losses	1,097	240
Write-down of inventories	302	240
Deferred income taxes	155	140
Stock-based compensation	1,180	572
Excess tax benefit from stock-based compensation	(858 )	(350 )
Gain on sale of an asset held for sale	-	(1,526 )
Changes in assets and liabilities:		
Trade receivables	(8,092 )	(5,805 )
Inventories	(1,034 )	(10,145)
Other current assets	(2,775)	(686 )
Accounts payable	(8,228)	2,555
Accrued liabilities	(5,950)	(14,726)
Income taxes payable	1,473	1,503
Other non-current assets	(1,477 )	(1,828 )
Other non-current liabilities	1,703	1,101
Net cash (used in) operating activities	(12,053)	(17,780)
Cash flows from investing activities:		
Capital expenditures	(1,523 )	(6,469 )
Trademarks		