

G III APPAREL GROUP LTD /DE/

Form 10-Q

June 07, 2012

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**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 April 30, 2012

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 0-18183

**G-III APPAREL GROUP, LTD.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**41-1590959**  
(I.R.S. Employer  
Identification No.)

**512 Seventh Avenue, New York, New York**  
(Address of Principal Executive Offices)

**10018**  
(Zip Code)

**(212) 403-0500**

(Registrant's telephone number, including area code)

(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  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

As of June 1, 2012, there were 19,969,615 shares of our common stock, par value \$0.01 per share, outstanding.

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****G-III APPAREL GROUP, LTD. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

	April 30, 2012 (Unaudited)	April 30, 2011 (Unaudited)	January 31, 2012
(In thousands, except share and per share amounts)			
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 38,336	\$ 12,701	\$ 24,660
Accounts receivable, net of allowance for doubtful accounts and sales discounts of \$31,480, \$23,972 and \$34,436, respectively	176,530	128,218	162,510
Inventories	208,755	167,751	253,521
Prepaid income taxes	584	2,810	
Deferred income taxes, net	9,559	10,035	9,559
Prepaid expenses and other current assets	17,418	17,037	14,528
<b>Total current assets</b>	<b>451,182</b>	<b>338,552</b>	<b>464,778</b>
INVESTMENT IN JOINT VENTURE	2,383	1,191	2,419
PROPERTY AND EQUIPMENT, NET	33,408	24,323	33,365
DEFERRED INCOME TAXES		1,803	
OTHER ASSETS	1,779	2,150	1,830
INTANGIBLES, NET	17,421	18,243	17,611
GOODWILL	26,100	26,100	26,100
	<b>\$ 532,273</b>	<b>\$ 412,362</b>	<b>\$ 546,103</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Notes payable	\$ 83,073	\$ 35,000	\$ 30,050
Income taxes payable			6,212
Accounts payable	55,678	49,220	96,727
Accrued expenses	20,950	14,425	43,530
<b>Total current liabilities</b>	<b>159,701</b>	<b>98,645</b>	<b>176,519</b>
DEFERRED INCOME TAXES	1,289		1,289
OTHER NON-CURRENT LIABILITIES	10,811	7,625	10,323
<b>TOTAL LIABILITIES</b>	<b>171,801</b>	<b>106,270</b>	<b>188,131</b>
<b>STOCKHOLDERS EQUITY</b>			
Preferred stock; 1,000,000 shares authorized; No shares issued and outstanding			
Common stock - \$.01 par value; 80,000,000, 40,000,000 and 80,000,000 shares authorized; 20,461,840, 20,188,889 and 20,279,132 shares issued	205	202	203
Additional paid-in capital	163,445	155,479	160,102
Accumulated other comprehensive income (loss)	6	(41)	4
Retained earnings	200,715	151,422	201,562

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Common stock held in treasury, at cost	492,225, 367,225 and 492,225 shares	(3,899)	(970)	(3,899)
		360,472	306,092	357,972
		\$ 532,273	\$ 412,362	\$ 546,103

*The accompanying notes are an integral part of these statements.*

**Table of Contents****G-III APPAREL GROUP, LTD. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

	Three Months Ended April 30,	
	2012	2011
	(Unaudited)	
	(In thousands, except per share amounts)	
Net sales	\$ 229,449	\$ 196,871
Cost of goods sold	160,759	137,416
Gross profit	68,690	59,455
Selling, general and administrative expenses	66,614	57,925
Depreciation and amortization	2,053	1,524
Operating profit	23	6
Equity loss in joint venture	286	99
Interest and financing charges, net	1,104	759
Loss before income taxes	(1,367)	(852)
Income tax benefit	(520)	(332)
Net loss	\$ (847)	\$ (520)
<b>NET LOSS PER COMMON SHARE:</b>		
<u>Basic and Diluted:</u>		
Net loss per common share	\$ (0.04)	\$ (0.03)
Weighted average number of shares outstanding	19,860	19,719
Net loss	\$ (847)	\$ (520)
Other comprehensive income (loss):		
Foreign currency translation adjustments	2	(22)
Other comprehensive income (loss)	2	(22)
Comprehensive loss	\$ (845)	\$ (542)

*The accompanying notes are an integral part of these statements.*

**Table of Contents****G-III APPAREL GROUP, LTD. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Months Ended April 30, 2012                      2011 (Unaudited) (In thousands)	
<b>Cash flows from operating activities</b>		
Net loss	\$ (847)	\$ (520)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	2,053	1,524
Equity based compensation	1,511	923
Tax benefit from exercise/vesting of equity awards	730	290
Deferred financing charges	59	162
Equity loss in joint venture	286	99
Changes in operating assets and liabilities:		
Accounts receivable, net	(14,020)	10,123
Inventories	44,766	37,244
Income taxes, net	(6,796)	(2,851)
Prepaid expenses and other current assets	(2,890)	(3,751)
Other assets, net	(8)	25
Accounts payable, accrued expenses and other liabilities	(63,141)	(73,116)
<b>Net cash used in operating activities</b>	<b>(38,297)</b>	<b>(29,848)</b>
<b>Cash flows from investing activities</b>		
Investment in equity of joint venture	(250)	(1,350)
Capital expenditures	(1,906)	(3,051)
<b>Net cash used in investing activities</b>	<b>(2,156)</b>	<b>(4,401)</b>
<b>Cash flows from financing activities</b>		
Proceeds from notes payable, net	53,023	35,000
Proceeds from exercise of equity awards	158	494
Excess tax benefit from exercise/vesting of equity awards	946	1,433
<b>Net cash provided by financing activities</b>	<b>54,127</b>	<b>36,927</b>
Effect of exchange rate changes	2	(22)
<b>Net increase in cash and cash equivalents</b>	<b>13,676</b>	<b>2,656</b>
Cash and cash equivalents at beginning of period	24,660	10,045
<b>Cash and cash equivalents at end of period</b>	<b>\$ 38,336</b>	<b>\$ 12,701</b>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 989	\$ 562
Income taxes	4,419	785

*The accompanying notes are an integral part of these statements.*



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**G-III APPAREL GROUP, LTD. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 Basis of Presentation**

As used in these financial statements, the term "Company" refers to G-III Apparel Group, Ltd. and its subsidia