

OXFORD INDUSTRIES INC

Form 10-Q

June 09, 2010

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## **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 MAY 1, 2010

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**

(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

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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 4, 2010
Common Stock, \$1 par value	16,525,517

OXFORD INDUSTRIES, INC.

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For the first quarter of fiscal 2010

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**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, the impact of natural or man-made disasters in any of the regions in which our retail stores or wholesale customers are concentrated, 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, access to capital and/or credit markets, 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 Part I, Item 1A. Risk Factors contained in our Annual Report on Form 10-K for fiscal 2009, 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

SEC: U.S. Securities and Exchange Commission

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

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FASB: Financial Accounting Standards Board

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

ASC: FASB Accounting Standards Codification

Fiscal 2011	52 weeks ending January 28, 2012
Fiscal 2010	52 weeks ending January 29, 2011
Fiscal 2009	52 weeks ended January 30, 2010
Fourth quarter fiscal 2010	13 weeks ending January 29, 2011
Third quarter fiscal 2010	13 weeks ending October 30, 2010
Second quarter fiscal 2010	13 weeks ending July 31, 2010
First quarter fiscal 2010	13 weeks ended May 1, 2010
Fourth quarter fiscal 2009	13 weeks ended January 30, 2010
Third quarter fiscal 2009	13 weeks ended October 31, 2009
Second quarter fiscal 2009	13 weeks ended August 1, 2009
First quarter fiscal 2009	13 weeks ended May 2, 2009

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## 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 2010	First Quarter Fiscal 2009
Net sales	\$217,750	\$216,731
Cost of goods sold	116,168	126,797
Gross profit	101,582	89,934
SG&A	83,752	78,683
Amortization of intangible assets	250	308
	84,002	78,991
Royalties and other operating income	3,841	2,469
Operating income	21,421	13,412
Interest expense, net	5,009	4,565
Earnings before income taxes	16,412	8,847
Income taxes	3,915	2,236
Net earnings	\$ 12,497	\$ 6,611
Net earnings per common share:		
Basic	\$ 0.76	\$ 0.42
Diluted	\$ 0.76	\$ 0.42
Weighted average common shares outstanding:		
Basic	16,490	15,876
Dilution	13	
Diluted	16,503	15,876
Dividends declared per common share	\$ 0.11	\$ 0.09

See accompanying notes.



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## OXFORD INDUSTRIES, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(in thousands, except par amounts)

	May 1, 2010	January 30, 2010	May 2, 2009
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 18,823	\$ 8,288	\$ 8,386
Receivables, net	94,481	74,398	93,795
Inventories, net	56,319	77,029	93,875
Prepaid expenses, net	12,286	10,713	11,629
Deferred tax assets	15,397	13,875	9,863
<b>Total current assets</b>	<b>197,306</b>	<b>184,303</b>	<b>217,548</b>
Property, plant and equipment, net	76,474	79,540	88,311
Intangible assets, net	136,033	137,490	136,454
Other non-current assets, net	23,821	23,841	19,970
<b>Total Assets</b>	<b>\$433,634</b>	<b>\$425,174</b>	<b>\$462,283</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
<b>Current Liabilities:</b>			
Trade accounts payable and other accrued expenses	\$ 69,254	\$ 81,831	\$ 70,685
Accrued compensation	17,810	11,514	9,907
Income taxes payable	6,023	2,517	2,414
Short-term debt and current maturities of long-term debt	2,856		25,479
<b>Total current liabilities</b>	<b>95,943</b>	<b>95,862</b>	<b>108,485</b>
Long-term debt, less current maturities	146,572	146,408	181,501
Other non-current liabilities	48,401	50,066	46,304
Non-current deferred income taxes	28,192	28,421	31,423
Commitments and contingencies			
<b>Shareholders Equity:</b>			
Common stock, \$1.00 par value per common share	16,526	16,461	16,057
Additional paid-in capital	93,131	91,840	89,040
Retained earnings	30,036	19,356	15,805
Accumulated other comprehensive loss	(25,167)	(23,240)	(26,332)
<b>Total shareholders equity</b>	<b>114,526</b>	<b>104,417</b>	<b>94,570</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>\$433,634</b>	<b>\$425,174</b>	<b>\$462,283</b>

See accompanying notes.

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## OXFORD INDUSTRIES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(in thousands)

	First Quarter Fiscal 2010	First Quarter Fiscal 2009
<b>Cash Flows From Operating Activities:</b>		
Net earnings	\$ 12,497	\$ 6,611
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	4,366	4,623
Amortization of intangible assets	250	308
Amortization of deferred financing costs and bond discount	488	335
Stock compensation expense	1,657	671
Loss on sale of property, plant and equipment	12	28
Deferred income taxes	(1,433)	(594)
Changes in working capital:		
Receivables	(20,690)	(14,759)
Inventories	20,144	26,196
Prepaid expenses	(1,719)	(678)
Current liabilities	(2,524)	(19,192)
Other non-current assets	(301)	(90)
Other non-current liabilities	(1,630)	(929)
<b>Net cash provided by operating activities</b>	<b>11,117</b>	<b>2,530</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of property, plant and equipment	(1,561)	(3,771)
<b>Net cash used in investing activities</b>	<b>(1,561)</b>	<b>(3,771)</b>
<b>Cash Flows From Financing Activities:</b>		
Repayment of revolving credit arrangements	(22,350)	(63,373)
Proceeds from revolving credit arrangements	25,233	70,875
Proceeds from issuance of common stock	115	137
Dividends on common stock	(1,821)	(1,430)
<b>Net cash provided by financing activities</b>	<b>1,177</b>	<b>6,209</b>
Net change in cash and cash equivalents	10,733	4,968
Effect of foreign currency translation on cash and cash equivalents	(198)	128
Cash and cash equivalents at the beginning of year	8,288	3,290
Cash and cash equivalents at the end of period	\$ 18,823	\$ 8,386
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest, net	\$ 286	\$ 514
Cash paid for income taxes	\$ 3,404	\$ 580

See accompanying notes.

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## OXFORD INDUSTRIES, INC.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FIRST QUARTER OF FISCAL 2010

**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 date 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 2009.

**2. Inventories:** The components of inventories as of the dates specified are summarized as follows (in thousands):

	May 1, 2010	January 30, 2010	May 2, 2009
Finished goods	\$ 92,288	\$108,788	\$129,597
Work in process	5,001	6,972	4,283
Fabric, trim and supplies	3,468	5,707	6,719
LIFO reserve	(44,438)	(44,438)	(46,724)
Total	\$ 56,319	\$ 77,029	\$ 93,875

**3. Comprehensive Income:** Comprehensive income, which reflects the effects of foreign currency translation adjustments, is calculated as follows for the periods presented (in thousands):

	First Quarter Fiscal 2010	First Quarter Fiscal 2009
Net earnings	\$12,497	\$6,611
Gain (loss) on foreign currency translation, net of tax	(1,927)	1,273
Comprehensive income	\$10,570	\$7,884

**4. Operating Group Information:** Our business is operated through our four operating groups: Tommy Bahama, Ben Sherman, Lanier Clothes and Oxford Apparel. 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. Corporate and Other is a reconciling category for reporting purposes and includes our corporate offices, substantially all financing activities, elimination of inter-group sales, LIFO inventory accounting adjustments and other costs that are not allocated to the operating groups.

The table below presents certain information about our operating groups (in thousands).

	First Quarter Fiscal 2010	First Quarter Fiscal 2009
<b>Net Sales</b>		
Tommy Bahama	\$109,105	\$ 98,420
Ben Sherman	22,154	24,219
Lanier Clothes	30,428	31,507
Oxford Apparel	56,342	63,204
Corporate and Other	(279)	(619)
<b>Total</b>	<b>\$217,750</b>	<b>\$216,731</b>

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	First Quarter Fiscal 2010	First Quarter Fiscal 2009
<b>Depreciation</b>		
Tommy Bahama	\$ 3,274	\$ 3,662
Ben Sherman	536	555
Lanier Clothes	119	145
Oxford Apparel	182	204
Corporate and Other	255	57
<b>Total</b>	<b>\$ 4,366</b>	<b>\$ 4,623</b>
<b>Amortization of Intangible Assets</b>		
Tommy Bahama	\$ 173	\$ 222
Ben Sherman	67	76
Lanier Clothes		
Oxford Apparel	10	10
Corporate and Other		
<b>Total</b>	<b>\$ 250</b>	<b>\$ 308</b>
<b>Operating Income (Loss)</b>		
Tommy Bahama	\$17,861	\$12,250
Ben Sherman	522	(1,976)
Lanier Clothes	4,359	2,737
Oxford Apparel	5,971	5,193
Corporate and Other	(7,292)	(4,792)
<b>Total Operating Income</b>	<b>\$21,421</b>	<b>\$13,412</b>
Interest Expense, net	5,009	4,565
<b>Earnings Before Income Taxes</b>	<b>\$16,412</b>	<b>\$ 8,847</b>

**5. Consolidating Financial Data of Subsidiary Guarantors:** Our 113/8% Senior Secured Notes due 2015 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 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 May 1, 2010, January 30, 2010 and May 2, 2009 (in thousands) as well as our condensed consolidating statements of operations and statements of cash flows for the first quarter of fiscal 2010 and fiscal 2009 (in thousands).

**Table of Contents****OXFORD INDUSTRIES, INC.****UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEETS****May 1, 2010**

	<b>Oxford Industries (Parent)</b>	<b>Subsidiary Guarantors</b>	<b>Subsidiary Non- Guarantors</b>	<b>Consolidating Adjustments</b>	<b>Consolidated Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 13,581	\$ 562	\$ 4,680	\$	\$ 18,823
Receivables, net	44,199	16,525	41,447	(7,690)	94,481
Inventories, net	(2,025)	52,467	6,543	(666)	56,319
Prepaid expenses and deferred tax assets	19,016	7,886	4,663	(3,882)	27,683
Total current assets	74,771	77,440	57,333	(12,238)	197,306
Property, plant and equipment, net	13,543	57,660	5,271		76,474
Intangible assets, net	18	112,999	23,016		136,033
Other non-current assets, net	510,663	148,913	4,208	(639,963)	23,821
Total Assets	\$598,995	\$ 397,012	\$ 89,828	\$(652,201)	\$433,634
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>					
Current liabilities	\$ 31,017	\$ 38,651	\$ 33,948	\$ (7,673)	\$ 95,943
Long-term debt, less current portion	146,572				146,572
Non-current liabilities	311,526	(298,549)	143,954	(108,530)	48,401
Non-current deferred income taxes	(4,646)	26,258	6,580		28,192
Total shareholders /invested equity	114,526	630,652	(94,654)	(535,998)	114,526
Total Liabilities and Shareholders Equity	\$598,995	\$ 397,012	\$ 89,828	\$(652,201)	\$433,634

**OXFORD INDUSTRIES, INC.****CONDENSED CONSOLIDATING BALANCE SHEETS****January 30, 2010**

	<b>Oxford Industries (Parent)</b>	<b>Subsidiary Guarantors</b>	<b>Subsidiary Non- Guarantors</b>	<b>Consolidating Adjustments</b>	<b>Consolidated Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,954	\$ 782	\$ 1,552	\$	\$ 8,288
Receivables, net	35,943	2,412	45,958	(9,915)	74,398
Inventories	14,218	51,911	11,897	(997)	77,029
Prepaid expenses and deferred tax assets	17,292	8,111	3,103	(3,918)	24,588
Total current assets	73,407	63,216	62,510	(14,830)	184,303
Property, plant and equipment, net	13,997	59,939	5,604		79,540
Intangible assets, net	28	113,173	24,289		137,490

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Other non-current assets, net	499,389	148,932	4,216	(628,696)	23,841
Total Assets	\$586,821	\$ 385,260	\$ 96,619	\$ (643,526)	\$ 425,174
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>					
Current liabilities	39,507	27,319	38,686	(9,650)	95,862
Long-term debt, less current portion	146,408				146,408
Non-current liabilities	300,896	(288,230)	145,195	(107,795)	50,066
Deferred income taxes	(4,407)	27,000	6,794	(966)	28,421
Total shareholders /invested equity	104,417	619,171	(94,056)	(525,115)	104,417
Total Liabilities and Shareholders Equity	\$586,821	\$ 385,260	\$ 96,619	\$ (643,526)	\$ 425,174

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

May 2, 2009

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments	Consolidated Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,034	\$ 2,070	\$ 4,282	\$	\$ 8,386
Receivables, net	45,608	22,950	33,594	(8,357)	93,795
Inventories	17,971	67,411	10,471	(1,978)	93,875
Prepaid expenses and deferred tax assets	8,832	8,121	4,691	(152)	21,492
Total current assets	74,445	100,552	53,038	(10,487)	217,548
Property, plant and equipment, net	9,486	72,953	5,872		88,311
Intangible assets, net	57	113,838	22,559		136,454
Other non-current assets, net	461,904	145,896	35,271	(623,101)	19,970
Total Assets	\$ 545,892	\$ 433,239	\$116,740	\$(633,588)	\$462,283
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>					
Current liabilities	\$ 49,416	\$ 32,550	\$ 34,877	\$ (8,358)	\$108,485
Long-term debt, less current portion	181,501				181,501
Non-current liabilities	223,892	(176,134)	107,701	(109,155)	46,304
Non-current deferred income taxes	(3,487)	28,563	6,347		31,423
Total shareholders /invested equity	94,570	548,260	(32,185)	(516,075)	94,570
Total Liabilities and Shareholders Equity	\$ 545,892	\$ 433,239	\$116,740	\$(633,588)	\$462,283



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

	<b>Oxford Industries (Parent)</b>	<b>Subsidiary Guarantors</b>	<b>Subsidiary Non- Guarantors</b>	<b>Consolidating Adjustments</b>	<b>Consolidated Total</b>
Net sales	\$ 92,676	\$ 110,957	\$ 22,332	\$ (8,215)	\$ 217,750
Cost of goods sold	68,620	42,738	8,483	(3,673)	116,168
Gross profit	24,056	68,219	13,849	(4,542)	101,582
SG&A including amortization of intangible assets	22,691	54,642	12,897	(6,228)	84,002
Royalties and other operating income	37	2,930	1,568	(694)	3,841
Operating income	1,402	16,507	2,520	992	21,421
Interest (income) expense, net	4,965	(1,041)	682	403	5,009
Income from equity investment	12,810			(12,810)	
Earnings before income taxes	9,247	17,548	1,838	(12,221)	16,412
Income taxes (benefit)	(2,866)	6,066	509	206	3,915
Net earnings	\$ 12,113	\$ 11,482	\$ 1,329	\$ (12,427)	\$ 12,497

**OXFORD INDUSTRIES, INC.****UNAUDITED CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS****First Quarter Fiscal 2009**

	<b>Oxford Industries (Parent)</b>	<b>Subsidiary Guarantors</b>	<b>Subsidiary Non- Guarantors</b>	<b>Consolidating Adjustments</b>	<b>Consolidated Total</b>
Net sales	\$ 92,793	\$ 108,065	\$ 25,285	\$ (9,412)	\$ 216,731
Cost of goods sold	74,506	45,964	10,788	(4,461)	126,797
Gross profit	18,287	62,101	14,497	(4,951)	89,934
SG&A including amortization of intangible assets	13,987	57,034	13,979	(6,009)	78,991
Royalties and other operating income	13	2,219	980	(743)	2,469
Operating income	4,313	7,286	1,498	315	13,412
Interest (income) expense, net	4,956	(1,347)	956		4,565
Income from equity investment	6,956			(6,956)	
Earnings before income taxes	6,313	8,633	542	(6,641)	8,847
Income taxes (benefit)	(95)	2,263	(42)	110	2,236
Net earnings	\$ 6,408	\$ 6,370	\$ 584	\$ (6,751)	\$ 6,611

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

	<b>Oxford Industries (Parent)</b>	<b>Subsidiary Guarantors</b>	<b>Subsidiary Non-Guarantors</b>	<b>Consolidating Adjustments</b>	<b>Consolidated Total</b>
<b>Cash Flows From Operating Activities:</b>					
Net cash (used in) provided by operating activities	\$ (1,963)	\$ 11,166	\$ 1,914	\$	\$11,117
<b>Cash Flows from Investing Activities:</b>					
Net cash used in investing activities	(287)	(983)	(291)		(1,561)
<b>Cash Flows from Financing Activities:</b>					
Change in debt			2,883		2,883
Proceeds from issuance of common stock	115				115
Change in intercompany payable	11,583	(10,403)	(1,180)		
Dividends on common stock	(1,821)				(1,821)
Net cash (used in) provided by financing activities	9,877	(10,403)	1,703		1,177
Net change in cash and cash equivalents	7,627	(220)	3,326		10,733
Effect of foreign currency translation			(198)		(198)
Cash and cash equivalents at the beginning of period	5,954	782	1,552		8,288
Cash and cash equivalents at the end of period	\$ 13,581	\$ 562	\$ 4,680	\$	\$18,823

**OXFORD INDUSTRIES, INC.****UNAUDITED CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS****First Quarter Fiscal 2009**

	<b>Oxford Industries (Parent)</b>	<b>Subsidiary Guarantors</b>	<b>Subsidiary Non- Guarantors</b>	<b>Consolidating Adjustments</b>	<b>Consolidated Total</b>
<b>Cash Flows From Operating Activities:</b>					
Net cash (used in) provided by operating activities	\$ (11,894)	\$ 12,187	\$ 2,241	\$ (4)	\$ 2,530
<b>Cash Flows from Investing Activities:</b>					
Net cash used in investing activities	(835)	(2,007)	(929)		(3,771)
<b>Cash Flows from Financing Activities:</b>					
Change in debt	7,793		(291)		7,502
Proceeds from issuance of common stock	137				137
Change in intercompany payable	6,736	(8,214)	1,474	4	
Dividends on common stock	(1,430)				(1,430)
Net cash (used in) provided by financing activities	13,236	(8,214)	1,183	4	6,209
Net change in cash and cash equivalents	507	1,966	2,495		4,968
Effect of foreign currency translation			128		128
Cash and cash equivalents at the beginning of period	1,527	104	1,659		3,290

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Cash and cash equivalents at the end of period	\$ 2,034	\$ 2,070	\$4,282	\$	\$ 8,386
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**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 2009.

**OVERVIEW**

We generate revenues and cash flow primarily through the design, production, sale and distribution of branded and private label consumer apparel for men and women 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 the majority of our products through our wholesale customers, which include chain stores, department stores, specialty stores, specialty catalog retailers, mass merchants and Internet retailers. Our products for certain owned brands are also sold through our owned and licensed retail stores and e-commerce websites.

As a result of the weak global economic conditions, fiscal 2009 was a particularly challenging year for each of our operating groups. While we have seen some signs of recovery, we believe these challenging economic conditions will continue to persist and impact each of our operating groups in fiscal 2010. Thus, we have purchased inventory for fiscal 2010 at levels which we believe will mitigate inventory markdown risk and promotional pressure, but also may limit our growth opportunities. In the current economic environment, we also believe it is important to continue to focus on maintaining a strong balance sheet and ample liquidity. We believe that the measures we have taken to reduce working capital requirements, moderate capital expenditures for retail stores, reduce our overhead and refinance our significant debt agreements have significantly enhanced our balance sheet and liquidity.

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 would 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 2010 compared to the first quarter of fiscal 2009:

	First Quarter		\$ Change
	Fiscal 2010	Fiscal 2009	
Net sales	\$217,750	\$216,731	\$1,019
Net earnings	\$ 12,497	\$ 6,611	\$5,886
Diluted net earnings per common share	\$ 0.76	\$ 0.42	\$ 0.34
Weighted average common shares outstanding diluted	16,503	15,876	

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The primary reasons for the improvement in net earnings were:

- Improved gross margins in each operating group in the first quarter of fiscal 2010 primarily due to product mix within each group and the lack of sales related to certain exited businesses in the first quarter of fiscal 2010.
- A change in our consolidated net sales mix, with Tommy Bahama sales, which generally have higher gross margins than our other operating groups, representing a higher proportion of consolidated net sales during the first quarter of fiscal 2010.
- Increased royalty income in both Tommy Bahama and Ben Sherman resulting from increased sales during the first quarter of fiscal 2010 by existing licensees, as well as the addition of new licensees.

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These items were partially offset by increased SG&A primarily due to increased incentive compensation amounts resulting from the resumption of our incentive compensation program which was suspended in fiscal 2009 and is tied to our financial performance.

**OPERATING GROUPS**

Our business is operated through our four operating groups: Tommy Bahama, Ben Sherman, Lanier Clothes and Oxford Apparel. 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 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 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.

Ben Sherman is a London-based designer, marketer and distributor of branded sportswear and related products. Ben Sherman® was established in 1963 as an edgy, young men's, Mod -inspired shirt brand and has evolved into a British lifestyle brand of apparel targeted at youthful-thinking men age 19 to 35 throughout the world. We offer a Ben Sherman men's sportswear collection as well as tailored clothing and accessories. Our Ben Sherman products can be found in certain department stores and a variety of independent specialty stores and in our owned and licensed Ben Sherman retail stores as well as on our 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 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®. We also offer branded tailored clothing products under our Billy London® and Arnold Brant® trademarks. In addition to our branded businesses, we design and source certain private label tailored clothing products. Significant private label brands include Stafford®, Lands End® and Alfani®. Our Lanier Clothes products are sold to national chains, department stores, mass merchants, specialty stores, specialty catalog retailers and discount retailers throughout the United States.

Oxford Apparel produces branded and private label dress shirts, suit separates, sport shirts, casual slacks, outerwear, sweaters, jeans, swimwear, westernwear and golf apparel. We design and source certain private label programs for several customers, including programs for Costco, Lands End, Target, Macy's and Sears. Significant owned brands of Oxford Apparel include Oxford Golf®, Ely®, Cattleman® and Cumberland Outfitters®. Oxford Apparel also owns a two-thirds interest in the entity that owns the Hathaway® trademark in the United States and several other countries. Additionally, Oxford Apparel licenses from third parties the right to use certain trademarks including Dockers and United States Polo Association® for certain apparel products. Our Oxford Apparel products are sold to a variety of department stores, mass merchants, specialty catalog retailers, discount retailers, specialty stores, green grass golf merchants and Internet 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 and other costs that are not allocated to the 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.

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 2009.

## RESULTS OF OPERATIONS

### FIRST QUARTER OF FISCAL 2010 COMPARED TO FIRST QUARTER OF FISCAL 2009

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. Individual line items of our

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consolidated statements of operations may not be directly comparable to those of our competitors, as classification of certain expenses may vary by company.

	First Quarter		Fiscal 2009		\$ Change	% Change
	Fiscal 2010					
Net sales	\$217,750	100.0%	\$216,731	100.0%	\$ 1,019	0.5%
Cost of goods sold	116,168	53.3%	126,797	58.5%	(10,629)	(8.4%)
Gross profit	101,582	46.7%	89,934	41.5%	11,648	13.0%
SG&A	83,752	38.5%	78,683	36.3%	5,069	6.4%
Amortization of intangible assets	250	0.1%	308	0.1%	(58)	(18.8%)
Royalties and other operating income	3,841	1.8%	2,469	1.1%	1,372	55.6%
Operating income	21,421	9.8%	13,412	6.2%	8,009	59.7%
Interest expense, net	5,009	2.3%	4,565	2.1%	444	9.7%
Earnings before income taxes	16,412	7.5%	8,847	4.1%	7,565	85.5%
Income taxes	3,915	1.8%	2,236	1.0%	1,679	75.1%
Net earnings	\$ 12,497	5.7%	\$ 6,611	3.1%	\$ 5,886	89.0%

The discussion and tables below compare certain line items included in our statements of operations for the first quarter of fiscal 2010 to the first quarter of fiscal 2009. Each dollar and percentage change provided reflects the change between these periods unless indicated otherwise. Each dollar and share amount included in the tables is in thousands except for per share amounts.

**Net Sales**

	First Quarter		\$ Change	% Change
	Fiscal 2010	Fiscal 2009		
Tommy Bahama	\$109,105	\$ 98,420	\$10,685	10.9%
Ben Sherman	22,154	24,219	(2,065)	(8.5%)
Lanier Clothes	30,428	31,507	(1,079)	(3.4%)
Oxford Apparel	56,342	63,204	(6,862)	(10.9%)
Corporate and Other	(279)	(619)	340	54.9%
Total net sales	\$217,750	\$216,731	\$ 1,019	0.5%

Consolidated net sales increased \$1.0 million, or 0.5%, in the first quarter of fiscal 2010 compared to the first quarter of fiscal 2009 primarily as a result of the improved retail environment, resulting in certain customers requesting the shipment of product in the first quarter of fiscal 2010 which we had planned to ship in the second quarter of fiscal 2010 and the other changes in each operating group discussed below.

**Tommy Bahama:**

The increase in net sales for Tommy Bahama was due to increases in both the direct to consumer and wholesale channels of distribution as the retail environment improved. Apparel unit sales increased 19.5% while the average selling price per unit for apparel decreased by 5.9%. As of



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May 1, 2010 and May 2, 2009, we operated 84 Tommy Bahama retail stores.

### *Ben Sherman:*

The decrease in net sales for Ben Sherman was primarily due to an 8.9% reduction in unit sales primarily resulting from our exit and subsequent licensing of our footwear and kids' businesses and the exit from the women's operations. The decrease was partially offset by a 5.6% increase in the average exchange rate of the British pound sterling versus the United States dollar during the first quarter of fiscal 2010 compared to the average exchange rate during the first quarter of fiscal 2009 and higher sales at our own retail stores. The average selling price per unit for Ben Sherman remained relatively flat compared to the first quarter of fiscal 2009.

### *Lanier Clothes:*

The decrease in net sales for Lanier Clothes was primarily due to our exit from certain businesses as the first quarter of fiscal 2009 included close-out sales associated with these businesses. This decrease in net sales was partially offset by higher sales levels in our owned and licensed branded businesses primarily resulting from the improved retail environment. Unit sales declined 1.4% and the average selling price per unit decreased 2.0%.

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*Oxford Apparel:*

The decrease in net sales for Oxford Apparel was primarily due to the first quarter of fiscal 2009 including close-out sales related to certain businesses that we previously exited, partially offset by the positive impact of the improved retail environment. Unit sales declined 11.2% and the average selling price per unit was relatively flat between the two periods.

***Gross Profit***