

G III APPAREL GROUP LTD /DE/  
Form 10-Q  
June 09, 2008

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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, 2008

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

41-1590959 (State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

512

Seventh Avenue, New York, New York 10018 (Address of Principal Executive Offices) (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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large

accelerated filer Accelerated filer Non-accelerated filer

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, 2008, there were 16,512,277 shares of our common stock, par value \$0.01 per share, outstanding.

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements.

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

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

April 30,

2008 April 30,

2007 January 31,

2008	(unaudited)	(unaudited)	ASSETS	CURRENT ASSETS			Cash and cash equivalents		
\$ 2,566	\$ 58,771	\$ 38,341	Accounts receivable, net of allowance for doubtful accounts and sales discounts of \$19,193, \$13,974 and \$22,724, respectively	49,460	25,613	66,944	Inventories, net	57,642	
31,182	59,934	Prepaid income taxes	5,460	7,301	—	Deferred income taxes	15,616	5,279	
10,046	Prepaid expenses and other current assets	13,993	13,651	8,500	Total current assets	144,737			
141,797	183,765	PROPERTY, PLANT AND EQUIPMENT, NET	7,425	5,566	5,261	DEFERRED INCOME TAXES	3,941	2,800	3,944
		GOODWILL	51,109	24,758	31,746	OTHER INTANGIBLES, NET	27,228	11,142	11,143
		OTHER ASSETS	2,143	1,474	1,839	\$ 236,583	\$ 187,537	\$ 237,698	LIABILITIES AND STOCKHOLDERS' EQUITY
									CURRENT LIABILITIES
		Notes payable	\$ 26,177	\$ 8,147	\$ 13,060	Current maturities of obligations under capital leases	—	195	—
		Income taxes payable	—	—	4,348	Accounts payable	17,989	9,286	24,290
		Contingent purchase price payable	1,440	—	4,894	Accrued expenses	14,686	9,186	15,461
		Deferred income taxes	1,298	—	1,298	Total current liabilities	61,590	26,814	63,351
		DEFERRED INCOME TAXES	7,086	—	—	OTHER NON-CURRENT LIABILITIES	473	433	473
		TOTAL LIABILITIES	69,149	38,691	63,824	COMMITMENTS AND CONTINGENCIES			
		STOCKHOLDERS' EQUITY				Preferred stock, 1,000,000 shares authorized; issued and outstanding in all periods			No shares
						Common stock – \$.01 par value; 40,000,000 shares authorized; 16,873,502, 16,734,404 and 16,839,004 shares issued, respectively	169	167	168
		Additional paid-in capital	97,552	96,016	97,105	Retained earnings	70,683	53,633	77,571
		Common stock held in treasury – 367,225 shares at cost	(970)	(970)	(970)		168,404	149,816	174,844
			167,434	148,846	173,874	\$ 236,583	\$ 187,537	\$ 237,698	

The accompanying notes are an integral part of these statements.

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G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share amounts)

THREE MONTHS

ENDED APRIL 30, (Unaudited)	2008	2007	Net sales	\$ 75,396	\$ 35,088	Cost of goods sold	57,859	27,759	Gross profit	17,537	7,329	Selling, general and administrative expenses	27,165	16,493
Depreciation and amortization	1,580	1,594	Operating loss	(11,208)	(10,758)	Interest and financing charges, net	566	265	Loss before income taxes	(11,774)	(11,023)	Income tax benefit	(4,886)	(4,575)
Net loss	\$ (6,888)	\$ (6,448)	LOSS PER COMMON SHARE:			Basic and Diluted:								
Net loss per common share	\$ (0.42)	\$ (0.42)	Weighted average number of shares outstanding	16,482,000	15,252,000									

The accompanying notes are an integral part of these statements.

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

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

## Three Months

Ended April 30, (Unaudited)	2008	2007	Cash flows from operating activities	Net loss	\$ (6,888 )
	\$ (6,448 )		Adjustments to reconcile net income to net cash(used in) provided by operating activities, net of assets and liabilities acquired:		
			Depreciation and amortization	1,570	1,594
			Non-cash stock based compensation		
	217	128	Deferred financing charges	174	174
			Changes in operating assets and liabilities:		
			Accounts receivable, net	22,858	35,347
			Inventories, net	9,597	6,929
			Income taxes, net	(9,808 )	(9,808 )
			Prepaid expenses and other current assets	(5,199 )	(3,898 )
			Other assets, net	(230 )	335
			Accounts payable, accrued expenses and other liabilities	(14,300 )	(8,062 )
			Net cash (used in) provided by operating activities	(2,009 )	16,485
			Cash flows from investing activities		
			Capital expenditures	(697 )	(690 )
			Acquisition of Andrew Marc, net of cash acquired	(42,963 )	—
			Contingent purchase price paid	(3,454 )	(3,741 )
			Net cash used in investing activities	(47,114 )	(4,431 )
			Cash flows from financing activities		
			Increase in notes payable, net	26,177	—
			Repayment of notes payable	—	(788 )
			Repayment of term loan	(13,060 )	(3,706 )
			Payments for capital lease obligations	—	(39 )
			Proceeds from sale of common stock, net	—	36,547
			Proceeds from exercise of stock options	67	838
			Tax benefit from exercise of stock options	164	1,839
			Net cash provided by financing activities	13,348	34,691
			Net (decrease) increase in cash and cash equivalents	(35,775 )	46,745
			Cash and cash equivalents at beginning of period	38,341	12,026
			Cash and cash equivalents at end of period	\$ 2,566	\$ 58,771
			Supplemental disclosures of cash flow information:		
			Cash paid during the period for:		
			Interest	\$ 466	\$ 204
			Income taxes	4,714	3,190
			Detail of acquisition:		
			Acquired intangibles	\$ 36,483	
			Fair value of other assets acquired, net	20,867	