

ICONIX BRAND GROUP, INC.  
Form 10-Q/A  
November 27, 2015

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q/A

Amendment No.2

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Quarterly Period Ended June 30, 2015

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 1-10593

ICONIX BRAND GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	11-2481903
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
1450 Broadway, New York, NY	10018
(Address of principal executive offices)	(Zip Code)

(212) 730-0030

(Registrant's telephone number, including area code)

Edgar Filing: ICONIX BRAND GROUP, INC. - Form 10-Q/A

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 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 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.

As of November 20, 2015, 48,393,703 shares of the registrant's Common Stock, par value \$.001 per share, were outstanding.

EXPLANATORY NOTE – RESTATEMENT OF FINANCIAL INFORMATION

Iconix Brand Group, Inc. (the “Company”) is filing this Amendment No. 2 on Form 10-Q/A (the “Amended Filing”) to amend our Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, originally filed with the U.S. Securities and Exchange Commission, (“SEC”) on August 12, 2015 (the “Original Filing”), to restate our unaudited consolidated financial statements and related footnote disclosures as of June 30, 2015 and for the six month period ended June 30, 2015.

Background and Effects of the Restatement

As previously announced, a special committee (the “Special Committee”) of the Board of Directors (“Board”) of the Company conducted a review of the accounting treatment related to certain transactions. Based on the Special Committee’s review and additional review by the Audit Committee (the “Audit Committee”) of the Board and the Company’s current management team, on October 30, 2015, the Board, the Audit Committee and the Company’s current management team concluded that the Company will restate its historical financial statements in respect of (i) the fourth quarter and fiscal year of 2013, (ii) the 2014 fiscal year and each quarterly period thereof and (iii) the first and second quarters of 2015, to correct certain errors in accounting. These restatements include the correction of errors regarding (i) the classification of contractually obligated expenses, retail support and other costs as selling, general and administrative expenses, as opposed to netting such expenses against licensing or other revenue, as applicable, (ii) inadequate support for revenue recognition relating to certain license agreements, and (iii) inadequate estimation of accruals related to retail support for certain license agreements.

Items Amended in This Filing

This Amended Filing amends and restates the following items of the Company's Original Filing as of, and for the period ended June 30, 2015.

Part I - Item 1. Financial Statements

Part I - Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Part I - Item 4. Controls and Procedures

Part II - Item 6. Exhibits

Additionally, conforming changes occur throughout the document because of changes to the financial statements.

In accordance with applicable SEC rules, this Amended Filing includes certifications as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) from the Company’s Interim Principal

Edgar Filing: ICONIX BRAND GROUP, INC. - Form 10-Q/A

Executive Officer and Principal Financial Officer dated as of the date of this Amended Filing.

Except for the items noted above, no other information included in the Original Filing is being amended by this Amended Filing. The Amended Filing speaks as of the date of the Original Filing and the Company has not updated the Original Filing to reflect events occurring subsequent to the date of the Original Filing. Accordingly, this Amended Filing should be read in conjunction with Iconix's filings made with the SEC subsequent to the date of the Original Filing.

## Part I. Financial Information

## Item 1. Financial Statements

## Iconix Brand Group, Inc. and Subsidiaries

## Unaudited Condensed Consolidated Balance Sheets

(in thousands, except par value)

	June 30,	December 31,
	2015	2014
	(restated)	(restated)
	(unaudited)	
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 117,874	\$ 128,019
Restricted cash	64,923	59,560
Accounts receivable, net	126,257	115,066
Deferred income tax assets	21,436	10,328
Other assets – current	49,780	66,781
<b>Total Current Assets</b>	<b>380,270</b>	<b>379,754</b>
<b>Property and equipment:</b>		
Furniture, fixtures and equipment	23,435	22,704
Less: Accumulated depreciation	(15,839 )	(14,946 )
	7,596	7,758
<b>Other Assets:</b>		
Other assets	52,341	63,334
Trademarks and other intangibles, net	2,183,447	2,024,541
Deferred financing costs, net	17,383	19,842
Investments and joint ventures	182,760	140,910
Goodwill	238,187	231,738
	2,674,118	2,480,365
<b>Total Assets</b>	<b>\$ 3,061,984</b>	<b>\$ 2,867,877</b>
<b>Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 45,173	\$ 38,762
Deferred revenue	29,439	24,978
Current portion of long-term debt	347,918	61,123
Other liabilities – current	15,447	12,741
<b>Total current liabilities</b>	<b>437,977</b>	<b>137,604</b>
Deferred income tax liability	359,721	320,792
Long-term debt, less current maturities	1,130,667	1,332,954
Other liabilities	10,570	11,660
<b>Total Liabilities</b>	<b>1,938,935</b>	<b>1,803,010</b>
Redeemable Non-Controlling Interest	14,582	14,224
Commitments and contingencies		

Stockholders' Equity:

Common stock, \$.001 par value shares authorized 150,000; shares issued 80,339 and 79,263, respectively	80	79
Additional paid-in capital	970,000	948,714
Retained earnings	883,997	805,526
Accumulated other comprehensive loss	(55,003 )	(24,186 )
Less: Treasury stock – 31,997 and 31,310 shares at cost, respectively	(836,256 )	(812,429 )
Total Iconix Brand Group, Inc. Stockholders' Equity	962,818	917,704
Non-controlling interest	145,649	132,939
Total Stockholders' Equity	1,108,467	1,050,643
Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity	\$3,061,984	\$2,867,877

See Notes to Unaudited Condensed Consolidated Financial Statements.

## Unaudited Condensed Consolidated Income Statements

(in thousands, except earnings per share data)

## Iconix Brand Group, Inc. and Subsidiaries

## Unaudited Condensed Consolidated Statements of Income

(in thousands, except earnings per share data)

	Three Months		Six Months Ended	
	Ended June 30, 2015 (restated)	2014 (restated)	June 30, 2015 (restated)	2014 (restated)
Licensing revenue	\$96,221	\$96,071	\$190,018	\$207,723
Other revenue	—	16,038	—	20,009
<b>Total Revenue</b>	<b>96,221</b>	<b>112,109</b>	<b>190,018</b>	<b>227,732</b>
Selling, general and administrative expenses	46,656	43,855	87,864	91,619
<b>Operating income</b>	<b>49,565</b>	<b>68,254</b>	<b>102,154</b>	<b>136,113</b>
Other expenses (income):				
Interest expense	21,401	21,247	42,697	42,403
Interest income	(1,016 )	(482 )	(1,773 )	(1,083 )
Other income	(790 )	—	(48,155 )	(37,893 )
Foreign currency translation loss (gain)	2,006	—	(8,494 )	—
Equity earnings on joint ventures	(3,618 )	(5,675 )	(6,820 )	(8,797 )
Other expenses (income) – net	17,983	15,090	(22,545 )	(5,370 )
<b>Income before income taxes</b>	<b>31,582</b>	<b>53,164</b>	<b>124,699</b>	<b>141,483</b>
Provision for income taxes	12,193	18,539	38,558	44,066
<b>Net income</b>	<b>\$19,389</b>	<b>\$34,625</b>	<b>\$86,141</b>	<b>\$97,417</b>
Less: Net income attributable to non-controlling interest	\$4,603	\$3,463	\$7,670	\$6,537
<b>Net income attributable to Iconix Brand Group, Inc.</b>	<b>\$14,786</b>	<b>\$31,162</b>	<b>\$78,471</b>	<b>\$90,880</b>
Earnings per share:				
Basic	\$0.31	\$0.64	\$1.63	\$1.85
Diluted	\$0.30	\$0.53	\$1.55	\$1.56
Weighted average number of common shares outstanding:				
Basic	48,243	48,551	48,201	49,034
Diluted	49,595	58,595	50,752	58,237

See Notes to Unaudited Condensed Consolidated Financial Statements.

## Iconix Brand Group, Inc. and Subsidiaries

## Unaudited Condensed Consolidated Statements of Comprehensive Income

(in thousands)

	Three Months		Six Months Ended	
	Ended June 30,		June 30,	
	2015	2014	2015	2014
	(restated)	(restated)	(restated)	(restated)
Net income	\$19,389	\$ 34,625	\$86,141	\$ 97,417
Other comprehensive income:				
Foreign currency translation gain (loss)	7,123	(2,332 )	(31,116)	(2,620 )
Change in fair value of available for sale securities	299	—	299	—
Total other comprehensive income	7,422	(2,332 )	(30,817)	(2,620 )
Comprehensive income	\$26,811	\$ 32,293	\$55,324	\$ 94,797
Less: comprehensive income attributable to non-controlling				
interest	4,603	3,463	7,670	6,537
Comprehensive income attributable to Iconix Brand Group, Inc.	\$22,208	\$ 28,830	\$47,654	\$ 88,260

See Notes to Unaudited Condensed Consolidated Financial Statements.



## Iconix Brand Group, Inc. and Subsidiaries

## Unaudited Condensed Consolidated Statement of Stockholders' Equity

Six Months Ended June 30, 2015

(in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Comprehensive Loss	Other Treasury Stock	Non-Controlling Interest	Total
Balance at January 1, 2015	79,263	\$ 79	\$ 948,714	\$ 805,526	\$ (24,186 )	\$ (812,429)	\$ 132,939	\$ 1,050,643
Issuance of common stock								
related to acquisition of interest								
in joint venture	465	0	15,703	—	—	—	—	15,703
Shares issued on vesting of								
restricted stock	596	1	—	—	—	—	—	1
Shares issued on exercise of stock								
options and warrants	15	0	—	—	—	—	—	0
Tax benefit of stock option								
exercises	—	—	44	—	—	—	—	44
Compensation expense in								
connection with restricted								
stock	—	—	5,897	—	—	—	—	5,897
Shares repurchased on the								
open market	—	—	—	—	—	(12,391 )	—	(12,391 )
Cost of shares repurchased on								
vesting of restricted stock	—	—	—	—	—	(11,436 )	—	(11,436 )

Change in redemption value of									
redeemable non-controlling									
interest	—	—	(358 )	—	—	—	—	(358 )	
Change in fair value of available									
for sale securities	—	—	—	—	299	—	—	299	
Net income	—	—	—	78,471	—	—	7,670	86,141	
Foreign currency translation	—	—	—	—	(31,116 )	—	—	(31,116 )	
Distributions to joint ventures	—	—	—	—	—	—	(7,293 )	(7,293 )	
Non-controlling interest of									
acquired companies	—	—	—	—	—	—	12,333	12,333	
Balance at June 30, 2015 (restated)	80,339	\$ 80	\$ 970,000	\$ 883,997	\$ (55,003 )	\$ (836,256)	\$ 145,649	\$ 1,108,467	

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Cash Flows

(in thousands)

Six Months Ended  
June 30,  
2015      2014  
(restated) (restated)