

OXFORD INDUSTRIES INC  
Form 10-Q  
June 12, 2013  
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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 4, 2013

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.)

**999 Peachtree Street, N.E., Suite 688, Atlanta, Georgia 30309**

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(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

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<br>as of June 7, 2013 |
|-----------------------------|--|
| Common Stock, \$1 par value | 16,387,270   |

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For the first quarter of fiscal 2013

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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, particularly in light of general economic uncertainty that continues to prevail, demand for our products, timing of shipments requested by our wholesale customers, expected pricing levels, competitive conditions, retention of and disciplined execution by key management, the timing and cost of store openings and of planned capital expenditures, costs of products as well as the raw materials used in those products, costs of labor, acquisition and disposition activities, expected outcomes of pending or potential litigation and regulatory actions, access to capital and/or credit markets and the impact of foreign losses on our effective tax rate. 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 in Part I, Item 1A. Risk Factors contained in our Annual Report on Form 10-K for fiscal 2012, 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**

As used in this report, unless the context requires otherwise, our, us or we means Oxford Industries, Inc. and its consolidated subsidiaries; SG&A means selling, general and administrative expenses; SEC means U.S. Securities and Exchange Commission; FASB means Financial Accounting Standards Board; ASC means the FASB Accounting Standards Codification; and GAAP means generally accepted accounting principles in the United States. Additionally, the terms listed below reflect the respective period noted:

|                            |                                  |
|----------------------------|----------------------------------|
| Fiscal 2014                | 52 weeks ending January 31, 2015 |
| Fiscal 2013                | 52 weeks ending February 1, 2014 |
| Fiscal 2012                | 53 weeks ended February 2, 2013  |
| Fourth quarter fiscal 2013 | 13 weeks ending February 1, 2014 |
| Third quarter fiscal 2013  | 13 weeks ending November 2, 2013 |
| Second quarter fiscal 2013 | 13 weeks ending August 3, 2013   |
| First quarter fiscal 2013  | 13 weeks ended May 4, 2013       |
| Fourth quarter fiscal 2012 | 14 weeks ended February 2, 2013  |
| Third quarter fiscal 2012  | 13 weeks ended October 27, 2012  |
| Second quarter fiscal 2012 | 13 weeks ended July 28, 2012     |
| First quarter fiscal 2012  | 13 weeks ended April 28, 2012    |



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## PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

## OXFORD INDUSTRIES, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(in thousands, except par amounts)

|   | May 4,<br>2013    | February 2,<br>2013 | April 28,<br>2012 |
|---|-------------------|---------------------|-------------------|
| <b>ASSETS</b>                                     |                   |                     |                   |
| <b>Current Assets:</b>                            |                   |                     |                   |
| Cash and cash equivalents                         | \$ 28,325         | \$ 7,517            | \$ 5,679          |
| Receivables, net                                  | 82,196            | 62,805              | 86,705            |
| Inventories, net                                  | 95,798            | 109,605             | 85,996            |
| Prepaid expenses, net                             | 21,508            | 19,511              | 15,530            |
| Deferred tax assets                               | 20,686            | 22,952              | 19,339            |
| <b>Total current assets</b>                       | <b>248,513</b>    | <b>222,390</b>      | <b>213,249</b>    |
| Property and equipment, net                       | 135,613           | 128,882             | 97,270            |
| Intangible assets, net                            | 163,813           | 164,317             | 165,673           |
| Goodwill  | 17,267            | 17,275              | 16,495            |
| Other non-current assets, net                     | 23,209            | 23,206              | 22,302            |
| <b>Total Assets</b>                               | <b>\$ 588,415</b> | <b>\$ 556,070</b>   | <b>\$ 514,989</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                   |                     |                   |
| <b>Current Liabilities:</b>                       |                   |                     |                   |
| Accounts payable and other accrued expenses       | \$ 77,783         | \$ 90,850           | \$ 76,377         |
| Accrued compensation                              | 14,651            | 25,472              | 16,703            |
| Contingent consideration current liability        |                   |                     | 2,500             |
| Short-term debt                                   | 5,825             | 7,944               | 6,023             |
| <b>Total current liabilities</b>                  | <b>98,259</b>     | <b>124,266</b>      | <b>101,603</b>    |
| Long-term debt                                    | 159,294           | 108,552             | 106,991           |
| Non-current contingent consideration              | 14,519            | 14,450              | 11,245            |
| Other non-current liabilities                     | 46,340            | 44,572              | 39,446            |
| Non-current deferred income taxes                 | 35,498            | 34,385              | 33,614            |
| Commitments and contingencies                     |                   |                     |                   |
| <b>Shareholders' Equity:</b>                      |                   |                     |                   |
| Common stock, \$1.00 par value per common share   | 16,387            | 16,595              | 16,541            |
| Additional paid-in capital                        | 111,882           | 104,891             | 101,090           |
| Retained earnings                                 | 131,120           | 132,944             | 127,079           |
| Accumulated other comprehensive loss              | (24,884)          | (24,585)            | (22,620)          |
| <b>Total shareholders' equity</b>                 | <b>234,505</b>    | <b>229,845</b>      | <b>222,090</b>    |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>\$ 588,415</b> | <b>\$ 556,070</b>   | <b>\$ 514,989</b> |

See accompanying notes.

Table of Contents**OXFORD INDUSTRIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS****(UNAUDITED)****(in thousands, except per share amounts)**

|  | <b>First Quarter<br/>Fiscal 2013</b> | <b>First Quarter<br/>Fiscal 2012</b> |
|--|--------------------------------------|--------------------------------------|
| Net sales  | \$ 234,203                           | \$ 230,953                           |
| Cost of goods sold                               | 100,128                              | 101,739                              |
| Gross profit                                     | 134,075                              | 129,214                              |
| SG&A   | 113,025                              | 100,808                              |
| Change in fair value of contingent consideration | 69                                   | 600                                  |
| Royalties and other operating income             | 5,080                                | 4,982                                |
| Operating income                                 | 26,061                               | 32,788                               |
| Interest expense, net                            | 936                                  | 3,603                                |
| Net earnings before income taxes                 | 25,125                               | 29,185                               |
| Income taxes                                     | 11,502                               | 11,183                               |
| Net earnings                                     | \$ 13,623                            | \$ 18,002                            |
| Net earnings per share:                          |                                      |                                      |
| Basic  | \$ 0.82                              | \$ 1.09                              |
| Diluted  | \$ 0.82                              | \$ 1.09                              |
| Weighted average common shares outstanding:      |                                      |                                      |
| Basic  | 16,586                               | 16,531                               |
| Diluted  | 16,611                               | 16,552                               |
| Dividends declared per common share              | \$ 0.18                              | \$ 0.15                              |

See accompanying notes.



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**OXFORD INDUSTRIES, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(UNAUDITED)**

**(in thousands)**

|   | <b>First Quarter<br/>Fiscal 2013</b> | <b>First Quarter<br/>Fiscal 2012</b> |
|---|--------------------------------------|--------------------------------------|
| Net earnings  | \$ 13,623                            | \$ 18,002                            |
| Other comprehensive income (loss), net of taxes       |                                      |                                      |
| Foreign currency translation (loss) gain              | (661)                                | 1,269                                |
| Net unrealized (loss) gain on cash flow hedges        | 362                                  | (215)                                |
| Total other comprehensive income (loss), net of taxes | (299)                                | 1,054                                |
| Comprehensive income                                  | \$ 13,324                            | \$ 19,056                            |

See accompanying notes.

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## OXFORD INDUSTRIES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(in thousands)

|   | First Quarter<br>Fiscal 2013 | First Quarter<br>Fiscal 2012 |
|---|------------------------------|------------------------------|
| <b>Cash Flows From Operating Activities:</b>                                    |                              |                              |
| Net earnings  | \$ 13,623                    | \$ 18,002                    |
| Adjustments to reconcile net earnings to net cash used in operating activities: |                              |                              |
| Depreciation  | 7,015                        | 5,772                        |
| Amortization of intangible assets   | 211                          | 256                          |
| Change in fair value of contingent consideration                                | 69                           | 600                          |
| Amortization of deferred financing costs and bond discount                      | 108                          | 376                          |
| Stock compensation expense  | 782                          | 761                          |
| Deferred income taxes   | 3,443                        | (1,050)                      |
| Changes in working capital, net of acquisitions and dispositions:               |                              |                              |
| Receivables   | (19,707)                     | (26,638)                     |
| Inventories   | 13,600                       | 17,889                       |
| Prepaid expenses  | (2,002)                      | 2,263                        |
| Current liabilities   | (17,376)                     | (19,798)                     |
| Other non-current assets  | (124)                        | (2,326)                      |
| Other non-current liabilities   | 1,772                        | 781                          |
| Excess tax benefits related to stock-based compensation                         | (5,994)                      |                              |
| <b>Net cash used in operating activities</b>                                    | <b>(4,580)</b>               | <b>(3,112)</b>               |
| <b>Cash Flows From Investing Activities:</b>                                    |                              |                              |
| Purchases of property and equipment   | (13,860)                     | (9,633)                      |
| <b>Net cash used in investing activities</b>                                    | <b>(13,860)</b>              | <b>(9,633)</b>               |
| <b>Cash Flows From Financing Activities:</b>                                    |                              |                              |
| Repayment of revolving credit arrangements                                      | (67,428)                     | (64,886)                     |
| Proceeds from revolving credit arrangements                                     | 116,171                      | 71,670                       |
| Proceeds from issuance of common stock, including excess tax benefits           | 6,214                        | 680                          |
| Repurchase of restricted stock for employee tax withholding liabilities         | (12,637)                     |                              |
| Dividends on common stock   | (3,024)                      | (2,475)                      |
| <b>Net cash provided by financing activities</b>                                | <b>39,296</b>                | <b>4,989</b>                 |
| Net change in cash and cash equivalents   | 20,856                       | (7,756)                      |
| Effect of foreign currency translation on cash and cash equivalents             | (48)                         | 62                           |
| Cash and cash equivalents at the beginning of year                              | 7,517                        | 13,373                       |
| Cash and cash equivalents at the end of the period                              | \$ 28,325                    | \$ 5,679                     |
| <b>Supplemental disclosure of cash flow information:</b>                        |                              |                              |
| Cash paid for interest, net   | \$ 860                       | \$ 82                        |
| Cash paid (refunded) for income taxes   | \$ 1,113                     | \$ (351)                     |

See accompanying notes.



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**1. Basis of Presentation:** The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with 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 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 dates 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 2012.

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

|                           | May 4,<br>2013 | February 2,<br>2013 | April 28,<br>2012 |
|---------------------------|----------------|---------------------|-------------------|
| Finished goods            | \$ 143,193     | \$ 154,593          | \$ 127,833        |
| Work in process           | 4,447          | 6,028               | 4,378             |
| Fabric, trim and supplies | 4,605          | 5,431               | 6,161             |
| LIFO reserve              | (56,447)       | (56,447)            | (52,376)          |
| Total                     | \$ 95,798      | \$ 109,605          | \$ 85,996         |

LIFO accounting adjustments, which we consider to include changes in the LIFO reserve as well as the impact of changes in inventory reserves related to lower of cost or market adjustments that do not exceed the LIFO reserve, were a charge of less than \$0.1 million in the first quarter of fiscal 2013 and a charge of \$0.2 million in the first quarter of fiscal 2012.

**3. Operating Group Information:** Our business is primarily operated through our four operating groups: Tommy Bahama, Lilly Pulitzer, Lanier Clothes and Ben Sherman, as disclosed in our Annual Report on Form 10-K for fiscal 2012. 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. Our operating group structure reflects a brand-focused management approach, emphasizing operational coordination and resource allocation across each brand's direct to consumer, wholesale and licensing operations. The tables below present certain information (in thousands) about our operating groups, as well as Corporate and Other, which is a reconciling category for reporting purposes.

|                  | First Quarter Fiscal 2013 | First Quarter Fiscal 2012 |
|------------------|---------------------------|---------------------------|
| <b>Net Sales</b> |                           |                           |
| Tommy Bahama     | \$ 150,426                | \$ 141,134                |
| Lilly Pulitzer   | 39,449                    | 35,633                    |
| Lanier Clothes   | 27,260                    | 33,007                    |
| Ben Sherman      | 12,236                    | 17,352                    |

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|  |                   |                   |
|--|-------------------|-------------------|
| Corporate and Other                        | 4,832             | 3,827             |
| <b>Total Net Sales</b>                     | <b>\$ 234,203</b> | <b>\$ 230,953</b> |
| <b>Depreciation and Amortization</b>       |                   |                   |
| Tommy Bahama                               | 5,150             | 4,321             |
| Lilly Pulitzer                             | 663               | 506               |
| Lanier Clothes                             | 103               | 97                |
| Ben Sherman                                | 725               | 674               |
| Corporate and Other                        | 585               | 430               |
| <b>Total Depreciation and Amortization</b> | <b>\$ 7,226</b>   | <b>\$ 6,028</b>   |

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|   | First Quarter Fiscal 2013 | First Quarter Fiscal 2012 |
|---|---------------------------|---------------------------|
| <b>Operating Income (Loss)</b>          |                           |                           |
| Tommy Bahama                            | \$ 21,381                 | \$ 25,564                 |
| Lilly Pulitzer                          | 11,033                    | 11,012                    |
| Lanier Clothes                          | 2,461                     | 4,046                     |
| Ben Sherman                             | (4,824)                   | (2,740)                   |
| Corporate and Other                     | (3,990)                   | (5,094)                   |
| <b>Total Operating Income</b>           | <b>26,061</b>             | <b>32,788</b>             |
| Interest expense                        | 936                       | 3,603                     |
| <b>Net earnings Before Income Taxes</b> | <b>\$ 25,125</b>          | <b>\$ 29,185</b>          |

4. **Income Taxes:** Income tax expense reflects effective tax rates of 45.8% and 38.3% for the first quarter of fiscal 2013 and the first quarter of fiscal 2012, respectively. The effective tax rate for the first quarter of fiscal 2013 was impacted unfavorably by losses in foreign jurisdictions for which we were not able to recognize an income tax benefit.

5. **Accumulated Other Comprehensive Loss:** The following tables detail the changes in our accumulated other comprehensive loss by component (in thousands), net of related income taxes, for the periods specified:

|  | Foreign<br>currency<br>translation<br>gain (loss) | Net unrealized<br>gain (loss) on<br>cash flow<br>hedges | Accumulated<br>other<br>comprehensive<br>loss |
|--|---|---|---|
| <b>First Quarter of Fiscal 2013</b>  |   |   |   |
| Beginning balance  | \$ (23,986)                                       | \$ (599)  | \$ (24,585)                                   |
| Other comprehensive (loss) income before reclassifications                                 | (661)   | 332   | (329)   |
| Amounts reclassified from accumulated other comprehensive income (loss) for gains realized |   | 30  | 30  |
| Total other comprehensive (loss) income, net of taxes                                      | (661)   | 362   | (299)   |
| Ending balance   | \$ (24,647)                                       | \$ (237)  | \$ (24,884)                                   |

|  | Foreign<br>currency<br>translation<br>gain (loss) | Net unrealized<br>gain (loss) on<br>cash flow<br>hedges | Accumulated<br>other<br>comprehensive<br>loss |
|--|---|---|---|
| <b>First Quarter of Fiscal 2012</b>  |   |   |   |
| Beginning balance  | \$ (24,157)                                       | \$ 483  | \$ (23,674)                                   |
| Other comprehensive income (loss) before reclassifications                                 | 1,269   | (389)   | 880   |
| Amounts reclassified from accumulated other comprehensive income (loss) for gains realized |   | 174   | 174   |
| Total other comprehensive income (loss), net of taxes                                      | 1,269   | (215)   | 1,054   |
| Ending balance   | \$ (22,888)                                       | \$ 268  | \$ (22,620)                                   |

Substantially all of the amounts reclassified from accumulated comprehensive loss included in the tables above relate to the gain (loss) on forward foreign currency exchange contracts. When forward foreign currency exchange contracts are settled, the resulting gain (loss) is reclassified from accumulated other comprehensive income to inventory in our consolidated balance sheet and then ultimately recognized in net earnings as cost of goods sold as the inventory is sold. The amounts reclassified from accumulated other comprehensive income relating to the gain (loss) on our interest rate swap agreements, if any, are recognized as interest expense in our consolidated statement of earnings.



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**6. Subsequent Event:** On May 6, 2013, we acquired the business operations relating to the Tommy Bahama business in Canada from our former licensee. As part of the acquisition, we reacquired the rights pursuant to the license agreement. We also acquired nine Tommy Bahama retail store operations and a wholesale business. As of May 4, 2013, cash and cash equivalents on our balance sheet included \$18.7 million which we had borrowed under our revolving credit agreement to fund the acquisition, pay transaction costs and provide amounts for initial working capital needs for the operations and development of the acquired business.



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**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 2012.

**OVERVIEW**

We generate revenues and cash flow primarily through our design, sourcing, marketing and distribution of branded apparel products bearing the trademarks of our owned lifestyle brands, as well as certain licensed and private label apparel products. We distribute our products through our direct to consumer channels, including our retail stores, e-commerce sites and restaurants, and our wholesale distribution channel, which includes better department stores, specialty stores, national chains, specialty catalogs, mass merchants and Internet retailers. In fiscal 2012, more than 90% of our consolidated net sales were to customers located in the United States, with the remainder primarily being sales of our Ben Sherman® products in the United Kingdom and Europe. We source substantially all of our products through third party manufacturers located outside of the United States and United Kingdom.

Our business strategy is to develop and market compelling lifestyle brands and products that are fashion right and evoke a strong emotional response from our target consumers. We strive to exploit the potential of our existing brands and products and, as suitable opportunities arise, we may acquire additional lifestyle brands that we believe fit within our business model. We believe that lifestyle branded products that create an emotional connection with our target consumers can command greater customer loyalty and higher price points at retail, resulting in higher earnings. We also believe a successful lifestyle brand opens up greater opportunities for direct to consumer and licensing operations.

We operate in highly competitive domestic and international markets in which numerous U.S.-based and foreign apparel firms compete. No single apparel firm or small group of apparel firms, dominate the apparel industry and our direct competitors vary by operating group and distribution channel. We believe that the principal competitive factors in the apparel industry are the reputation, value and image of brand names; design; consumer preference; price; quality; marketing; and customer service. We believe that our ability to compete successfully in styling and marketing is directly related to our proficiency in foreseeing changes and trends in fashion and consumer preference, and presenting appealing products for consumers. In some instances, a retailer that is our customer may compete directly with us by offering certain of their own competing products, some of which may be sourced directly by our customer, in their own retail stores. Additionally, the apparel industry is cyclical and dependent upon the overall level of discretionary consumer spending, which changes as regional, domestic and international economic conditions change. Often, negative economic conditions have a longer and more severe impact on the apparel and retail industry than the conditions have on other industries.

We believe the global economic conditions and resulting economic uncertainty that has prevailed in recent years continue to impact each of our operating groups, and the apparel industry as a whole. Although some signs of economic improvements exist in the United States, the retail environment remains promotional and economic uncertainty remains. Further, the economies of the United Kingdom and Europe, which are important to our Ben Sherman operating group, continue to struggle more than the economy in the United States. We anticipate that sales of our products may continue to be negatively impacted as long as there is an elevated level of economic uncertainty. Additionally, we were impacted in recent periods by pricing pressures on raw materials, fuel, transportation, labor and other costs necessary for the production and sourcing of apparel products, which continues in fiscal 2013.

We believe that our Tommy Bahama® and Lilly Pulitzer® lifestyle brands have significant opportunities for long-term growth in their direct to consumer businesses through expansion of our retail store operations as we add additional retail store locations and with increases in same store and e-commerce sales, with e-commerce likely to grow at a faster rate than retail store operations. We also believe that these lifestyle brands provide an opportunity for moderate sales increases in their wholesale businesses in the long-term primarily from our current customers adding to their existing door count and the selective addition of new wholesale customers. We believe that in order to take advantage of opportunities for long-term growth for the brands, we must continue to invest in our Tommy Bahama and Lilly Pulitzer lifestyle brands.

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We believe that the tailored clothing environment will continue to be very challenging, with competition and costing pressures negatively impacting operating income in Lanier Clothes in the near term. The Ben Sherman lifestyle brand currently faces challenges due to our ongoing elevation of the distribution of the brand, the sluggish economic conditions in the United Kingdom and Europe and missteps in the merchandise mix in our own retail stores. We believe that in the long-term Ben Sherman will have opportunities to improve its operating results if the elevation of the brand is successful and the economic conditions in the United Kingdom and Europe improve.

We continue to believe that it is important to maintain a strong balance sheet and ample liquidity. We believe that our positive cash flow from operations coupled with the strength of our balance sheet and liquidity will provide us with ample resources to fund future investments in our lifestyle brands. In the future, we may add additional lifestyle brands to our portfolio, if we identify appropriate targets which meet our investment criteria; however, we believe that we have significant opportunities to appropriately deploy our capital and resources in our existing lifestyle brands.

The following table sets forth our consolidated operating results (in thousands, except per share amounts) for the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012:

|                                | First Quarter |             |
|--------------------------------|---------------|-------------|
|                                | Fiscal 2013   | Fiscal 2012 |
| Net sales                      | \$ 234,203    | \$ 230,953  |
| Operating income               | \$ 26,061     | \$ 32,788   |
| Net earnings                   | \$ 13,623     | \$ 18,002   |
| Net earnings per diluted share | \$ 0.82       | \$ 1.09     |

The primary reasons for the lower earnings in the first quarter of fiscal 2013 were:

- An increase in SG&A for Tommy Bahama and Lilly Pulitzer which was primarily due to (1) the SG&A associated with the operation and pre-opening expenses of domestic retail stores opened in fiscal 2012 and fiscal 2013, (2) certain infrastructure, pre-opening retail store rent and other costs related to the Tommy Bahama Asia-Pacific expansion and (3) higher SG&A to support the growing Tommy Bahama and Lilly Pulitzer businesses;
- A decrease in net sales and operating results at both Lanier Clothes and Ben Sherman; and
- A higher effective tax rate in fiscal 2013 primarily due to our inability to recognize the income tax benefit of losses in foreign jurisdictions.

These items were partially offset by:

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- An increase in net sales in both the Tommy Bahama and Lilly Pulitzer operating groups;
- A \$2.7 million reduction in interest expense in the first quarter of fiscal 2013 to \$0.9 million due to our borrowing at lower interest rates in fiscal 2013 compared to the first quarter of fiscal 2012 as a result of our July 2012 redemption of the remaining \$105 million in aggregate principal amount of our 11 3/8% senior secured notes, using borrowings under our U.S. Revolving Credit Agreement; and
- A \$0.5 million reduction in the change in fair value of contingent consideration.

### OPERATING GROUPS

Our business is primarily operated through our four operating groups: Tommy Bahama, Lilly Pulitzer, Lanier Clothes and Ben Sherman. 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. Our operating group structure reflects a brand-focused management approach, emphasizing operational coordination and resource allocation across each brand's direct to consumer, wholesale and licensing operations.

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Tommy Bahama designs, sources, markets and distributes men's and women's sportswear and related products. The target consumers of Tommy Bahama are primarily 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 Tommy Bahama stores within and outside the United States and on our Tommy Bahama e-commerce website, [tommybahama.com](http://tommybahama.com), as well as in better department stores and independent specialty stores throughout the United States and licensed Tommy Bahama stores in the United Arab Emirates. We also operate Tommy Bahama restaurants and license the Tommy Bahama name for various product categories. As of May 4, 2013, we operated 121 owned Tommy Bahama retail stores, including 80 full-price stores, 15 restaurant-retail locations and 26 outlet stores. This store count includes 111 owned domestic and 10 owned Asia-Pacific retail store locations, but excludes the nine retail stores located in Canada which we subsequently acquired on May 6, 2013.

Lilly Pulitzer designs, sources and distributes upscale collections of women's and girl's dresses, sportswear and related products. Lilly Pulitzer was originally created in the late 1950's and is an affluent brand with a heritage and aesthetic based on the Palm Beach resort lifestyle. The brand is somewhat unique among women's brands in that it has demonstrated multi-generational appeal, including young women in college or recently graduated from college; young mothers with their daughters; and women who are not tied to the academic calendar. Lilly Pulitzer products can be found in our owned Lilly Pulitzer stores, in Lilly Pulitzer Signature Stores and on our Lilly Pulitzer website, [lillypulitzer.com](http://lillypulitzer.com), as well as in better department and independent specialty stores. We also license the Lilly Pulitzer name for various product categories. As of May 4, 2013, we operated 21 owned Lilly Pulitzer retail stores.

Lanier Clothes designs, sources and markets branded and private label men's tailored clothing, including suits, sportcoats, suit separates and dress slacks across a wide range of price points, with the majority of the business at moderate price points. Substantially all of our Lanier Clothes branded products are sold under certain trademarks licensed to us by third parties. Licensed brands included Kenneth Cole®, Dockers®, Geoffrey Beene® and Ike Behar®. Additionally, we design and market products for our owned Billy London®, Arnold Brant® and Oxford Republic® brands. In addition to the branded businesses, which represented 73% of Lanier Clothes net sales in fiscal 2012, Lanier Clothes designs and sources private label tailored clothing products for certain customers. Our Lanier Clothes products are sold to national chains, department stores, specialty stores, specialty catalog retailers and discount retailers throughout the United States.

Ben Sherman is a London-based designer, marketer and distributor of men's branded sportswear and related products. Ben Sherman was established in 1963 as an edgy shirt brand that was adopted by the Mods and has throughout its history been inspired by what is new and current in British art, music, culture and style. The brand has evolved into a British modernist lifestyle brand of apparel targeted at style conscious men ages 25 to 40 in multiple markets throughout the world. Ben Sherman products can be found in better department stores, a variety of independent specialty stores and our owned and licensed Ben Sherman retail stores, as well as on Ben Sherman e-commerce websites. We also license the Ben Sherman name for various product categories. As of May 4, 2013 we operated 19 owned Ben Sherman international and domestic retail stores, including 12 full-price retail stores and seven outlets.

Corporate and Other is a reconciling category for reporting purposes and includes our corporate offices, substantially all financing activities, elimination of inter-segment sales, LIFO inventory accounting adjustments, other costs that are not allocated to the operating groups and operations of our other businesses which are not included in our four 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. The operations that are included in Corporate and Other include our Oxford Golf business and our Lyons, Georgia distribution center.

For further information regarding our operating groups, see Note 3 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 2012.

**COMPARABLE STORE SALES**

We often disclose comparable store sales in order to provide additional information regarding changes in our results of operations between periods. Our disclosures of comparable store sales include sales from full-price stores and our e-commerce sites, excluding sales associated with e-commerce flash clearance sales. We believe that given the

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similar nature and process of inventory planning, allocation and return policy, as well as our cross-channel marketing, and other initiatives, for the direct to consumer channel, the inclusion of our e-commerce sites in the comparable store sales disclosures is a more meaningful way of reporting our comparable store sales results. For our comparable store sales disclosures, we exclude (1) outlet store sales and amounts related to e-commerce flash clearance sales, as those sales are used primarily to liquidate end of season inventory, which may vary significantly depending on the level of end of season inventory on hand and generally occurs at lower gross margins than our full-price direct to consumer sales and (2) restaurant sales as we do not believe that the inclusion of restaurant sales is meaningful in assessing our consolidated operations. Thus, the comparable store metrics disclosed by us reflect comparable full-price retail stores and e-commerce sites, excluding e-commerce flash clearance sales, in total, unless specified otherwise.

For purposes of our disclosures, we consider a comparable store to be, in addition to our e-commerce sites, a physical full-price retail store that was owned and open as of the beginning of the prior fiscal year and which did not during the relevant periods, and is not within the current fiscal year scheduled to, have (1) a remodel resulting in the store being closed for an extended period of time (which we define as a period of two weeks or longer), (2) a greater than 15% change in the size of the retail space due to expansion, reduction or relocation to a new retail space or (3) a relocation to a new space that was significantly different from the prior retail space. For those stores which are excluded from comparable stores based on the preceding sentence, we treat those stores as new store openings. Generally, a store that is remodeled will continue to be included in our comparable store metrics as a store is not typically closed for a two week period during a remodel. However, a store that is relocated generally will not be included in our comparable store metrics until that store has been open in the relocated space for the entirety of the prior fiscal year as the size or other characteristics of the store typically change significantly from the prior location. Additionally, any stores that were closed during the prior fiscal year or which we plan to close or vacate in the current fiscal year are excluded from the definition of comparable stores.

Definitions and calculations of comparable store sales differ among companies in the apparel retail industry, and therefore comparable store metrics disclosed by us may not be comparable to the metrics disclosed by other companies.

**RESULTS OF OPERATIONS****FIRST QUARTER OF FISCAL 2013 COMPARED TO FIRST QUARTER OF FISCAL 2012**

The following table sets forth the specified line items in our unaudited condensed consolidated statements of earnings 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.

|  | First Quarter |        |             |        |           |          |
|--|---------------|--------|-------------|--------|-----------|----------|
|  | Fiscal 2013   |        | Fiscal 2012 |        | \$ Change | % Change |
| Net sales  | \$ 234,203    | 100.0% | \$ 230,953  | 100.0% | \$ 3,250  | 1.4%     |
| Cost of goods sold                               | 100,128       | 42.8%  | 101,739     | 44.1%  | (1,611)   | (1.6)%   |
| Gross profit                                     | 134,075       | 57.2%  | 129,214     | 55.9%  | 4,861     | 3.8%     |
| SG&A   | 113,025       | 48.3%  | 100,808     | 43.6%  | 12,217    | 12.1%    |
| Change in fair value of contingent consideration | 69            | 0.0%   | 600         | 0.3%   | (531)     | (88.5)%  |
| Royalties and other operating income             | 5,080         | 2.2%   | 4,982       | 2.2%   | 98        | 2.0%     |

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|                                  |           |       |           |       |            |         |
|----------------------------------|-----------|-------|-----------|-------|------------|---------|
| Operating income                 | 26,061    | 11.1% | 32,788    | 14.2% | (6,727)    | (20.5)% |
| Interest expense, net            | 936       | 0.4%  | 3,603     | 1.6%  | (2,667)    | (74.0)% |
| Net earnings before income taxes | 25,125    | 10.7% | 29,185    | 12.6% | (4,060)    | (13.9)% |
| Income taxes                     | 11,502    | 4.9%  | 11,183    | 4.8%  | 319        | 2.9%    |
| Net earnings                     | \$ 13,623 | 5.8%  | \$ 18,002 | 7.8%  | \$ (4,379) | (24.3)% |



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The discussion and tables below compare certain line items included in our statements of earnings for the first quarter of fiscal 2013 to the first quarter of fiscal 2012. 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. Individual line items of our consolidated statements of earnings may not be directly comparable to those of our competitors, as classification of certain expenses may vary by company.

*Net Sales*

|                     | First Quarter |             | \$ Change | % Change |
|---------------------|---------------|-------------|-----------|----------|
|                     | Fiscal 2013   | Fiscal 2012 |           |          |
| Tommy Bahama        | \$ 150,426    | \$ 141,134  | \$ 9,292  | 6.6%     |
| Lilly Pulitzer      | 39,449        | 35,633      | 3,816     | 10.7%    |
| Lanier Clothes      | 27,260        | 33,007      | (5,747)   | (17.4)%  |
| Ben Sherman         | 12,236        | 17,352      | (5,116)   | (29.5)%  |
| Corporate and Other | 4,832         | 3,827       | 1,005     | 26.3%    |
| Total net sales     | \$ 234,203    | \$ 230,953  | \$ 3,250  | 1.4%     |

Consolidated net sales increased \$3.3 million, or 1.4%, in the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012 primarily due to the increase in net sales at Tommy Bahama and Lilly Pulitzer, which were partially offset by decreased net sales at Lanier Clothes and Ben Sherman, each as discussed below.

*Tommy Bahama:*

The Tommy Bahama sales increase of \$9.3 million, or 6.6%, was primarily driven by (1) a 10% increase in comparable store sales, which includes full price retail stores and e-commerce sales, to \$63.6 million in the first quarter of fiscal 2013 compared to \$57.8 million in the first quarter of fiscal 2012, (2) a net sales increase of \$5.4 million associated with domestic retail stores and outlet stores opened during fiscal 2012 and fiscal 2013, (3) a net sales increase associated with our Tommy Bahama operations in Australia and Asia of \$2.1 million and (4) an increase in restaurant sales. These increases in sales were partially offset by (1) a \$3.8 million sales decrease in the wholesale business, which included a shift in the timing of shipments, in part due to the impact of the 53rd week in fiscal 2012, which resulted in more spring 2013 product being shipped during fiscal 2012 as compared to the prior year and (2) lower sales in outlet stores that were opened prior to fiscal 2012. Tommy Bahama's apparel unit sales increased by 5.1% due to the higher volume in the direct to consumer distribution channel, and the average selling price per apparel unit increased by 1.3% as sales in the direct to consumer channel of distribution, which generally have a higher sales price per unit than wholesale sales, represented a greater proportion of Tommy Bahama net sales in the first quarter of fiscal 2013. The following table presents the proportion of net sales by distribution channel for Tommy Bahama for each period presented:

|  | First Quarter |             |
|--|---------------|-------------|
|  | Fiscal 2013   | Fiscal 2012 |
| Full-price retail stores and outlet stores | 46%           | 43%         |
| E-Commerce                                 | 11%           | 9%          |
| Restaurant                                 | 12%           | 12%         |
| Wholesale                                  | 31%           | 36%         |
| Total                                      | 100%          | 100%        |

*Lilly Pulitzer:*

The Lilly Pulitzer sales increase of \$3.8 million, or 10.7%, was primarily driven by (1) a wholesale sales increase of \$1.8 million reflecting an increase in full-price and off-price wholesale sales, (2) a net sales increase of \$1.5 million associated with retail stores opened in fiscal 2012 and fiscal 2013 and (3) a 3% increase in comparable store sales to \$13.8 million in the first quarter of fiscal 2013 compared to \$13.4 million in the first quarter of fiscal 2012. Lilly Pulitzer's average selling price per apparel unit increased by 7.0% while unit sales increased by 4.0%. The increased selling price per unit primarily resulted from a higher proportion of direct to consumer sales in the first quarter of fiscal 2013. The increase in units sold was driven by increased units in all channels of distribution. The following table presents the proportion of net sales by distribution channel for Lilly Pulitzer for each period presented:

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|                          | First Quarter |             |
|--------------------------|---------------|-------------|
|                          | Fiscal 2013   | Fiscal 2012 |
| Full-price retail stores | 26%           | 24%         |
| E-Commerce               | 15%           | 16%         |
| Wholesale                | 59%           | 60%         |
| Total                    | 100%          | 100%        |

*Lanier Clothes:*

The decrease in net sales for Lanier Clothes of \$5.7 million, or 17.4%, was primarily due to the decrease in sales in both the branded and private label distribution channels. The decrease in sales was primarily due to the timing of wholesale orders as well as our exit from certain programs. These factors resulted in a 14.7% decrease in unit sales. A decrease in average selling price per unit of 3.2% was primarily due to continued pricing pressures in the tailored clothing business as well as a change in product mix.

*Ben Sherman:*

Net sales for Ben Sherman decreased by \$5.1 million, or 29.5%, in the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012, primarily due to a \$5.0 million decline in wholesale sales, with direct to consumer net sales generally being comparable in the first quarter of fiscal 2013 and the first quarter of fiscal 2012 as sales at new stores and e-commerce sales offset sales decreases at existing stores. The decrease in net sales for Ben Sherman was primarily driven by a reduction in unit volume of 34.8% primarily attributable to (1) our exit from certain wholesale accounts in the United Kingdom and the United States and (2) the difficult economic conditions that persist in the United Kingdom and Europe. The direct to consumer operations of Ben Sherman continued to be negatively impacted by the missteps in Ben Sherman's merchandise assortment planning that began in the second half of fiscal 2012, and, particularly in the current economic environment, resulted in too much product offering in styles at the higher end of the price range which gave rise to more promotions in our retail stores in order to sell inventory on hand.

The reduction in units sold was partially offset by an increase in the average selling price per unit of 8.2%. The increase in average selling price per unit reflects a greater proportion of Ben Sherman's sales being direct to consumer sales. The change in sales mix that positively impacted average selling price per unit was partially offset by a 3.5% unfavorable foreign currency translation change in the average exchange rates between the two periods. The following table presents the proportion of net sales by distribution channel for Ben Sherman for each period presented:

|                    | First Quarter |             |
|--------------------|---------------|-------------|
|                    | Fiscal 2013   | Fiscal 2012 |
| Wholesale          | 53%           | 66%         |
| Direct to Consumer | 47%           | 34%         |
| Total              | 100%          | 100%        |

*Corporate and Other:*

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Corporate and Other net sales primarily consisted of the net sales of our Oxford Golf business and our Lyons, Georgia distribution center. The increase in the net sales for Corporate and Other was primarily driven by the higher net sales in our Oxford Golf business during the first quarter of fiscal 2013.

### *Gross Profit*

The first table below presents gross profit by operating group and in total for the first quarter of fiscal 2013 and the first quarter of fiscal 2012 as well as the change between those two periods. The second table presents gross margin, which is calculated as gross profit divided by net sales, by operating group and in total for the first quarter of fiscal 2013 and the first quarter of fiscal 2012. Our gross profit and gross margin may not be directly comparable to those of our competitors, as statement of operations classification of certain expenses may vary by company.

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|  | First Quarter |             |           |          |
|--|---------------|-------------|-----------|----------|
|  | Fiscal 2013   | Fiscal 2012 | \$ Change | % Change |
| Tommy Bahama                                 | \$ 93,131     | \$ 86,131   | \$ 7,000  | 8.1%     |
| Lilly Pulitzer                               | 24,894        | 23,083      | 1,811     | 7.8%     |
| Lanier Clothes                               | 7,947         | 10,049      | (2,102)   | (20.9)%  |
| Ben Sherman                                  | 6,305         | 8,989       | (2,684)   | (29.9)%  |
| Corporate and Other                          | 1,798         | 962         | 836       | 86.9%    |
| Total  | \$ 134,075    | \$ 129,214  | \$ 4,861  | 3.8%     |
| LIFO charges included in Corporate and Other | \$ 28         | \$ 223      |           |          |

|                     | First Quarter |             |
|---------------------|---------------|-------------|
|                     | Fiscal 2013   | Fiscal 2012 |
| Tommy Bahama        | 61.9%         | 61.0%       |
| Lilly Pulitzer      | 63.1%         | 64.8%       |
| Lanier Clothes      | 29.2%         | 30.4%       |
| Ben Sherman         | 51.5%         | 51.8%       |
| Corporate and Other | NM            | NM          |
| Total               | 57.2%         | 55.9%       |

The increase in consolidated gross profit was primarily due to higher net sales in Tommy Bahama and Lilly Pulitzer partially offset by the lower sales in Ben Sherman and Lanier Clothes, each as discussed above. Additionally, gross profit was also impacted by the changes in gross margin by operating group, as discussed below.

On a consolidated basis, the increase in gross margins from the first quarter of fiscal 2012 to the first quarter of fiscal 2013 was primarily due to a change in the sales mix. The change in sales mix in the first quarter of fiscal 2013 included (1) Tommy Bahama and Lilly Pulitzer, which typically have higher gross margins than our other operating groups, representing a greater proportion of our consolidated net sales and (2) direct to consumer sales, which generally have higher gross margins than wholesale sales, making up a larger proportion of the Tommy Bahama, Lilly Pulitzer and Ben Sherman sales. These items, which positively impacted gross margins, were partially offset by the negative impact of gross margin pressures at Lanier Clothes and more significant promotions at Ben Sherman during the first quarter of fiscal 2013.

The higher gross margin at Tommy Bahama was primarily due to the change in the proportion of sales in each distribution channel as sales in the direct to consumer distribution channel, which typically have higher gross margins than the wholesale distribution channel, represented a greater proportion of Tommy Bahama's net sales in the first quarter of fiscal 2013.

The decrease in gross margin for Lilly Pulitzer from the first quarter of fiscal 2012 to the first quarter of fiscal 2013 was primarily due to approximately \$0.8 million of off-price wholesale sales that occurred in the first quarter of fiscal 2013, whereas similar off-price sales in fiscal 2012 occurred in the second quarter of fiscal 2012. The gross margin impact of these off-price sales exceeded the positive impact of the change in sales mix towards direct to consumer sales.

The decrease in gross margin at Lanier Clothes was primarily the result of continuing gross margin pressures, including both competitive factors and higher product costs that continue to impact the tailored clothing business as well as a shift in product mix.

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The decrease in gross margin at Ben Sherman reflects (1) heavier promotions in the direct to consumer business, (2) a higher proportion of off-price sales and (3) the competitive factors resulting from the difficult economic conditions that persist in the United Kingdom and Europe. The heavier promotions and the higher proportion of off-price sales, which were necessary measures to appropriately manage inventory levels, primarily resulted from the merchandising misstep in the second half of fiscal 2012 and the impact of the economic environment. These negative factors offset the positive gross margin impact of the shift towards direct to consumer sales representing a larger proportion of the Ben Sherman business in the first quarter of fiscal 2013.

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The gross profit in Corporate and Other in each period primarily reflects the impact on gross profit of our Oxford Golf and Lyons, Georgia distribution center operations offset by the impact of LIFO accounting adjustments. The LIFO accounting charge was less than \$0.1 million in the first quarter of fiscal 2013 compared to a charge of \$0.2 million in the first quarter of fiscal 2012.

**SG&A**

|                          | First Quarter |             |           |          |
|--------------------------|---------------|-------------|-----------|----------|
|                          | Fiscal 2013   | Fiscal 2012 | \$ Change | % Change |
| SG&A                     | \$ 113,025    | \$ 100,808  | \$ 12,217 | 12.1%    |
| SG&A (as % of net sales) | 48.3%         | 43.6%       |           |          |

The increase in SG&A was primarily due to (1) \$5.7 million of incremental SG&A in the first quarter of fiscal 2013 associated with operating additional domestic Tommy Bahama and Lilly Pulitzer stores, (2) \$4.3 million of incremental SG&A associated with certain infrastructure, pre-opening retail store rent and other costs related to the Tommy Bahama Asia-Pacific expansion, (3) higher costs, consisting primarily of employment and advertising expenses, to support the growing Tommy Bahama and Lilly Pulitzer businesses, including support functions for direct to consumer operations and (4) transaction costs associated with our acquisition of the business operations relating to the Tommy Bahama business in Canada from our former licensee. The increases in SG&A for Tommy Bahama and Lilly Pulitzer were partially offset by modest SG&A reductions in Lanier Clothes, Ben Sherman and Corporate and Other.

***Change in fair value of contingent consideration***

|  | First Quarter |             |           |          |
|--|---------------|-------------|-----------|----------|
|  | Fiscal 2013   | Fiscal 2012 | \$ Change | % Change |
| Change in fair value of contingent consideration | \$ 69         | \$ 600      | \$ (531)  | (88.5)%  |

Change in the fair value of contingent consideration reflects the current period impact of the change in the fair value of the contingent consideration obligation associated with the Lilly Pulitzer acquisition, as discussed in our Annual Report on Form 10-K for fiscal 2012. The decrease in change in fair value of contingent consideration in the first quarter of fiscal 2013 was primarily due to the significant increase in the fair value of the contingent consideration recognized in the fourth quarter of fiscal 2012 which resulted from our assessment of greater certainty that the full amount of the contingent consideration will be paid in the future. This change in fair value results in charges now reflecting a lower discount rate associated with the obligation than the discount rate used in prior periods. We anticipate that the charge for the change in the fair value of the contingent consideration for the full 2013 fiscal year will be \$0.3 million.

***Royalties and other operating income***

|                                      | First Quarter |             |           |          |
|--------------------------------------|---------------|-------------|-----------|----------|
|                                      | Fiscal 2013   | Fiscal 2012 | \$ Change | % Change |
| Royalties and other operating income | \$ 5,080      | \$ 4,982    | \$ 98     | 2.0%     |

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Royalties and other operating income in the first quarter of fiscal 2013 primarily reflect income received from third parties from the licensing of our Tommy Bahama, Ben Sherman and Lilly Pulitzer brands, which were comparable on a consolidated basis to the royalty income recognized in the first quarter of fiscal 2012 with slightly higher royalty income in Tommy Bahama and Lilly Pulitzer being offset by a decrease in Ben Sherman royalty income.



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|   | First Quarter |             | \$ Change  | % Change |
|---|---------------|-------------|------------|----------|
|   | Fiscal 2013   | Fiscal 2012 |            |          |
| Tommy Bahama  | \$ 21,381     | \$ 25,564   | \$ (4,183) | (16.4)%  |
| Lilly Pulitzer  | 11,033        | 11,012      | 21         | 0.2%     |
| Lanier Clothes  | 2,461         | 4,046       | (1,585)    | (39.2)%  |
| Ben Sherman   | (4,824)       | (2,740)     | (2,084)    | (76.1)%  |
| Corporate and Other   | (3,990)       | (5,094)     | 1,104      | 21.7%    |
| Total operating income  | \$ 26,061     | \$ 32,788   | \$ (6,727) | (20.5)%  |
| LIFO charges included in operating income of Corporate and Other                                | \$ 28         | \$ 223      |            |          |
| Change in fair value of contingent consideration included in operating income of Lilly Pulitzer | \$ 69         | \$ 600      |            |          |

Operating income, on a consolidated basis, was \$26.1 million in the first quarter of fiscal 2013 compared to \$32.8 million in the first quarter of fiscal 2012. The 20.5% decrease in operating income was primarily due to the lower operating income of Tommy Bahama, Ben Sherman and Lanier Clothes, partially offset by a lower operating loss in Corporate and Other. Changes in operating income by operating group are discussed below.

*Tommy Bahama:*

|                                    | First Quarter |             | \$ Change  | % Change |
|------------------------------------|---------------|-------------|------------|----------|
|                                    | Fiscal 2013   | Fiscal 2012 |            |          |
| Net sales                          | \$ 150,426    | \$ 141,134  | \$ 9,292   | 6.6%     |
| Gross margin                       | 61.9%         | 61.0%       |            |          |
| Operating income                   | \$ 21,381     | \$ 25,564   | \$ (4,183) | (16.4)%  |
| Operating income as % of net sales | 14.2%         | 18.1%       |            |          |

The decrease in operating income for Tommy Bahama was primarily due to the higher SG&A which out-paced the increase in net sales and the expanded gross margins, each as discussed above. The increased SG&A was primarily associated with (1) operating additional domestic retail stores in fiscal 2013 which resulted in \$4.9 million of additional SG&A, (2) \$4.3 million of incremental SG&A associated with certain infrastructure, pre-opening retail store rent and other costs related to the Tommy Bahama Asia-Pacific expansion, (3) higher SG&A, consisting primarily of employment costs and advertising costs, to support the growing Tommy Bahama business and (4) transaction costs associated with our acquisition of the business operations relating to the Tommy Bahama business in Canada from our former licensee.

The higher SG&A associated with our Asia-Pacific operations, partially offset by gross profit of our Asia-Pacific stores, resulted in an operating loss associated with our Asia-Pacific operations of \$4.4 million in the first quarter of fiscal 2013 compared to an operating loss associated with our Asia-Pacific operations of \$1.8 million in the first quarter of fiscal 2012. We anticipate as the year progresses that the operating losses related to our Asia-Pacific operations will moderate, resulting in the operating losses in fiscal 2013 being comparable to the \$10.4 million of losses incurred in fiscal 2012. However, the rate of the losses should be lower by the end of fiscal 2013 as compared to fiscal 2012 as we will have more Asia-Pacific stores operating at the end of fiscal 2013 than we did at the end of fiscal 2012 to provide operating income to offset the Asia-Pacific infrastructure.

*Lilly Pulitzer:*

|   | First Quarter |             |           |          |
|---|---------------|-------------|-----------|----------|
|   | Fiscal 2013   | Fiscal 2012 | \$ Change | % Change |
| Net sales   | \$ 39,449     | \$ 35,633   | \$ 3,816  | 10.7%    |
| Gross margin  | 63.1%         | 64.8%       |           |          |
| Operating income  | \$ 11,033     | \$ 11,012   | \$ 21     | 0.2%     |
| Operating income as % of net sales  | 28.0%         | 30.9%       |           |          |
| Change in fair value of contingent consideration included in operating income | \$ 69         | \$ 600      |           |          |

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The fiscal 2013 operating income for Lilly Pulitzer was comparable with the fiscal 2012 operating income. Increased net sales and the \$0.5 million lower charge for the change in fair value of contingent consideration were offset by increased SG&A and reduced gross margins, each as discussed above. The increased SG&A was primarily associated with (1) higher costs, consisting primarily of employment expenses, to support the growing Lilly Pulitzer business and (2) \$0.8 million of incremental SG&A associated with the cost of operating additional retail stores during fiscal 2013.

*Lanier Clothes:*

|                                    | First Quarter |             | \$ Change  | % Change |
|------------------------------------|---------------|-------------|------------|----------|
|                                    | Fiscal 2013   | Fiscal 2012 |            |          |
| Net sales                          | \$ 27,260     | \$ 33,007   | \$ (5,747) | (17.4)%  |
| Gross margin                       | 29.2%         | 30.4%       |            |          |
| Operating income                   | \$ 2,461      | \$ 4,046    | \$ (1,585) | (39.2)%  |
| Operating income as % of net sales | 9.0%          | 12.3%       |            |          |

The decrease in operating income for Lanier Clothes was primarily the result of the lower sales and gross margins, each as discussed above, partially offset by lower SG&A resulting from lower employment and advertising costs.

*Ben Sherman:*

|                                  | First Quarter |             | \$ Change  | % Change |
|----------------------------------|---------------|-------------|------------|----------|
|                                  | Fiscal 2013   | Fiscal 2012 |            |          |
| Net sales                        | \$ 12,236     | \$ 17,352   | \$ (5,116) | (29.5)%  |
| Gross margin                     | 51.5%         | 51.8%       |            |          |
| Operating loss                   | \$ (4,824)    | \$ (2,740)  | \$ (2,084) | (76.1)%  |
| Operating loss as % of net sales | (39.4)%       | (15.8)%     |            |          |

The decline in operating results for Ben Sherman was primarily due to the significant decrease in sales and slightly lower gross margin, each as discussed above, and lower royalty income. These factors that negatively impacted the operating results were partially offset by reduced SG&A in Ben Sherman.

*Corporate and Other:*

|   | First Quarter |             | \$ Change | % Change |
|---|---------------|-------------|-----------|----------|
|   | Fiscal 2013   | Fiscal 2012 |           |          |
| Net sales                               | \$ 4,832      | \$ 3,827    | \$ 1,005  | 26.3%    |
| Operating loss                          | \$ (3,990)    | \$ (5,094)  | \$ 1,104  | 21.7%    |
| LIFO charges included in operating loss | \$ 28         | \$ 223      |           |          |

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The Corporate and Other operating results improved by \$1.1 million from a loss of \$5.1 million in fiscal 2012 to a loss of \$4.0 million in fiscal 2013. The improvement in operating results was primarily due to (1) the higher sales of the Oxford Golf and Lyons, Georgia distribution center, (2) reduced SG&A in our corporate operations and (3) a \$0.2 million reduction in the charge from LIFO accounting.

### *Interest expense, net*

|                       | First Quarter |             |            |          |
|-----------------------|---------------|-------------|------------|----------|
|                       | Fiscal 2013   | Fiscal 2012 | \$ Change  | % Change |
| Interest expense, net | \$ 936        | \$ 3,603    | \$ (2,667) | (74.0)%  |

Interest expense for the first quarter of fiscal 2013 decreased primarily due to our borrowing at lower interest rates in the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012. During the first quarter of fiscal 2013, substantially all of our borrowings were under our U.S. Revolving Credit Agreement, whereas substantially all of our borrowings in the first quarter of fiscal 2012 were from our previously outstanding senior secured notes, which had a coupon rate of 113/8%. The change in the source of our borrowings resulted from our redemption of the remaining outstanding senior secured notes in July 2012, which was primarily funded with borrowings under our U.S. Revolving Credit Agreement. We anticipate that interest expense for fiscal 2013 will be approximately \$4.5 million.

Table of Contents*Income taxes*

|                    | First Quarter |             |           |          |
|--------------------|---------------|-------------|-----------|----------|
|                    | Fiscal 2013   | Fiscal 2012 | \$ Change | % Change |
| Income taxes       | \$ 11,502     | \$ 11,183   | \$ 319    | 2.9%     |
| Effective tax rate | 45.8%         | 38.3%       |           |          |

Income tax expense for the first quarter of fiscal 2013 increased compared to the first quarter of fiscal 2012 due to an increase in the effective tax rate. The projected effective tax rate for fiscal 2013 reflects the impact of foreign losses for which we do not expect to recognize an income tax benefit, with the first quarter effective tax rate being more significantly impacted due to a larger concentration of the foreign losses in the first quarter. We anticipate that our effective tax rate for the full year fiscal 2013 will be approximately 41% as foreign losses should decrease in future quarters of fiscal 2013. Our effective tax rate in future years will be dependent upon our ability to recognize an income tax benefit for foreign losses, among other factors.

*Net earnings*

|  | First Quarter |             |
|--|---------------|-------------|
|  | Fiscal 2013   | Fiscal 2012 |
| Net earnings                                       | \$ 13,623     | \$ 18,002   |
| Net earnings per dilute share                      | \$ 0.82       | \$ 1.09     |
| Weighted average common shares outstanding-diluted | 16,611        | 16,552      |

The lower net earnings for the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012 was primarily due to (1) an increase in SG&A for Tommy Bahama and Lilly Pulitzer related to the growth of those brands, (2) lower net sales for Lanier Clothes and Ben Sherman and (3) a higher effective tax rate due to our inability to recognize the income tax benefit of losses in foreign jurisdictions. These factors were partially offset by (1) an increase in net sales for Tommy Bahama and Lilly Pulitzer, (2) a \$2.7 million reduction in interest expense and (3) a \$0.5 million reduction in the change in fair value of contingent consideration.

**FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

Our primary source of revenue and cash flow is our distribution of apparel products through our direct to consumer and wholesale channels of distribution. Our primary uses of cash flow include the acquisition of apparel products in the operation of our business, as well as employee compensation and benefits, occupancy costs, marketing and advertising costs, other general and administrative operating expenses, funding of capital expenditures for retail stores and information technology initiatives, payment of quarterly dividends, periodic interest payments related to our financing arrangements and repayment of indebtedness. As we purchase products for sale prior to selling the products to our customers in both our direct to consumer and wholesale operations, in the ordinary course of business, we maintain certain levels of inventory and we also extend credit to our wholesale customers. These factors impact our working capital levels. If cash inflows are less than cash outflows, we have access to amounts under our U.S. Revolving Credit Agreement and U.K. Revolving Credit Agreement, subject to their terms, each of which is described below. We may seek to finance future capital investment programs through various methods, including, but not limited to, cash on hand, cash flow from operations, borrowings under our current or additional credit facilities and sales of debt or equity securities.

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As of May 4, 2013, we had \$28.3 million of cash on hand, with \$165.1 million of borrowings outstanding and \$71.6 million of availability under our revolving credit agreements. We believe our balance sheet and anticipated positive cash flows from operating activities in the future provides us with ample opportunity to continue to invest in our brands and our direct to consumer initiatives in future periods.

### *Key Liquidity Measures*

| (\$ in thousands)           | May 4, 2013 | February 2, 2013 | April 28, 2012 | January 28, 2012 |
|-----------------------------|-------------|------------------|----------------|------------------|
| Current assets              | \$ 248,513  | \$ 222,390       | \$ 213,249     | \$ 214,070       |
| Current liabilities         | 98,259      | 124,266          | 101,603        | 117,554          |
| Working capital             | \$ 150,254  | \$ 98,124        | \$ 111,646     | \$ 96,516        |
| Working capital ratio       | 2.53        | 1.79             | 2.10           | 1.82             |
| Debt to total capital ratio | 41%         | 34%              | 34%            | 34%              |

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Our working capital ratio is calculated by dividing total current assets by total current liabilities. Current assets increased from April 28, 2012 to May 4, 2013 primarily due to higher cash, inventories and prepaid expense levels and slightly lower current liabilities levels, resulting in a higher working capital ratio.

For the ratio of debt to total capital, debt is defined as short-term and long-term debt, and total capital is defined as debt plus shareholders' equity. Debt was \$165.1 million at May 4, 2013 and \$113.0 million at April 28, 2012, while shareholders' equity was \$234.5 million at May 4, 2013 and \$222.1 million at April 28, 2012. The higher debt to total capital ratio at May 4, 2013 as compared to April 28, 2012 is primarily due to the higher debt levels at May 4, 2013. The increase in debt was primarily due to the following items occurring subsequent to April 28, 2012: (1) \$64.9 million of capital expenditures, (2) \$18.7 million of cash related to the acquisition of our former licensee's Tommy Bahama operations in Canada, (3) \$10.5 million of dividends paid on our common stock, (4) a \$6.0 million premium required to redeem our senior secured notes in July 2012 and (5) \$5.0 million of payments related to the Lilly Pulitzer contingent consideration arrangement, which in the aggregate exceeded the \$66.0 million of cash flows from operations for the period from April 28, 2012 through May 4, 2013. Our debt levels and ratio of debt to total capital in future periods may not be comparable to historical amounts as we continue to assess, and possibly make changes to, our capital structure. Changes in our capital structure in the future, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

**Balance Sheet**

The following tables set forth certain information included in our consolidated balance sheets (in thousands). Below each table are explanations for any significant changes in the balances from April 28, 2012 to May 4, 2013.

*Current Assets:*

|                           | May 4, 2013 | February 2, 2013 | April 28, 2012 | January 28, 2012 |
|---------------------------|-------------|------------------|----------------|------------------|
| Cash and cash equivalents | \$ 28,325   | \$ 7,517         | \$ 5,679       | \$ 13,373        |
| Receivables, net          | 82,196      | 62,805           | 86,705         | 59,706           |
| Inventories, net          | 95,798      | 109,605          | 85,996         | 103,420          |
| Prepaid expenses, net     | 21,508      | 19,511           | 15,530         | 17,838           |
| Deferred tax assets       | 20,686      | 22,952           | 19,339         | 19,733           |
| Total current assets      | \$ 248,513  | \$ 222,390       | \$ 213,249     | \$ 214,070       |

Cash and cash equivalents as of May 4, 2013 and April 28, 2012 include typical cash amounts maintained on an ongoing basis in our operations, which often ranges from \$5 million to \$10 million at any given time. Any excess cash generally is used to repay amounts outstanding under our revolving credit agreements. Cash and cash equivalents as of May 4, 2013 also includes cash that we borrowed just before quarter end to fund the acquisition of our former Canadian licensee, which was completed on May 6, 2013. Receivables, net as of May 4, 2013 decreased compared to April 28, 2012 primarily due to the decreased wholesale sales in our operating groups in the last two months of the first quarter of fiscal 2013 compared to the last two months of the first quarter of fiscal 2012, which was a result of timing of shipments within the quarter as well as lower wholesale sales, particularly in our Lanier Clothes, Ben Sherman and Tommy Bahama businesses.

Inventories, net as of May 4, 2013 increased from April 28, 2012 primarily to support anticipated sales growth and additional retail stores for Tommy Bahama and Lilly Pulitzer, while inventory levels at both Lanier Clothes and Ben Sherman decreased from April 28, 2012. The increase

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in prepaid expenses, net at May 4, 2013 from April 28, 2012 was primarily due to being in a prepaid tax position as of May 4, 2013 as well as the timing of payment and recognition of the related expense for certain prepaid items, including product samples, advertising and rent. Deferred tax assets increased from April 28, 2012 primarily as a result of the change in timing differences associated with inventory, which were partially offset by reductions in deferred tax assets associated with accrued compensation.

### *Non-current Assets:*

|                               | May 4, 2013 | February 2, 2013 | April 28, 2012 | January 28, 2012 |
|-------------------------------|-------------|------------------|----------------|------------------|
| Property and equipment, net   | \$ 135,613  | \$ 128,882       | \$ 97,270      | \$ 93,206        |
| Intangible assets, net        | 163,813     | 164,317          | 165,673        | 165,193          |
| Goodwill                      | 17,267      | 17,275           | 16,495         | 16,495           |
| Other non-current assets, net | 23,209      | 23,206           | 22,302         | 20,243           |
| Total non-current assets, net | \$ 339,902  | \$ 333,680       | \$ 301,740     | \$ 295,137       |



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The increase in property and equipment, net at May 4, 2013 was primarily due to the capital expenditures subsequent to April 28, 2012, which were partially offset by depreciation expense during that same period. The decrease in intangible assets, net was primarily due to amortization of intangible assets associated with Tommy Bahama, Lilly Pulitzer and Ben Sherman subsequent to April 28, 2012 as well as the impact of foreign currency exchange rates on the intangible assets. The increase in goodwill from April 28, 2012 was primarily related to the goodwill associated with our acquisition of the Tommy Bahama business in Australia from our former licensee that operated that business. The increase in other non-current assets was primarily due to higher asset balances set aside for potential deferred compensation obligations and security deposit payments for certain international retail store lease agreements, partially offset by decreases in deferred financing costs.

*Liabilities:*

|                                      | May 4, 2013 | February 2, 2013 | April 28, 2012 | January 28, 2012 |
|--------------------------------------|-------------|------------------|----------------|------------------|
| Current liabilities                  | \$ 98,259   | \$ 124,266       | \$ 101,603     | \$ 117,554       |
| Long-term debt                       | 159,294     | 108,552          | 106,991        | 103,405          |
| Non-current contingent consideration | 14,519      | 14,450           | 11,245         | 10,645           |
| Other non-current liabilities        | 46,340      | 44,572           | 39,446         | 38,652           |
| Non-current deferred income taxes    | 35,498      | 34,385           | 33,614         | 34,882           |
| Total liabilities                    | \$ 353,910  | \$ 326,225       | \$ 292,899     | \$ 305,138       |

The change in current liabilities at May 4, 2013 compared to April 28, 2012 was primarily due to (1) being in an income tax payable position at April 28, 2012 but a prepaid income tax position as of May 4, 2013, (2) the \$2.5 million current liability related to contingent consideration being accrued as of April 28, 2012, but having already been paid as of May 4, 2013 and (3) lower accrued compensation as of May 4, 2013. These decreases were partially offset by an increase in trade accounts payable and accrued expenses which were primarily driven by higher inventory levels as of May 4, 2013. The increase in debt at May 4, 2013 compared to April 28, 2012 was primarily due to the following items occurring subsequent to April 28, 2012: (1) \$64.9 million of capital expenditures, (2) \$18.7 million of cash related to the acquisition of our former licensee's Tommy Bahama operations in Canada, (3) \$10.5 million of dividends paid on our common stock, (4) a \$6.0 million premium required to redeem our senior secured notes in July 2012 and (5) \$5.0 million of payments related to the Lilly Pulitzer contingent consideration arrangement, which in the aggregate exceeded the \$66.0 million of cash flows from operations for the period from April 28, 2012 through May 4, 2013.

The increase in non-current contingent consideration from April 28, 2012 was primarily due to the fiscal 2012 adjustment to fair value recognized in our consolidated statement of earnings subsequent to April 28, 2012, which was partially offset by the payment of the fiscal 2012 contingent consideration obligation of \$2.5 million during fiscal 2012. Other non-current liabilities increased as of May 4, 2013 compared to the prior year primarily due to increases in deferred rent and deferred compensation liabilities partially offset by a \$2.2 million reduction in reserves for uncertain tax positions. Non-current deferred income taxes decreased from April 28, 2012 to May 4, 2013 primarily as a result of the change in timing differences associated with depreciation, partially offset by a change in the book to tax differences related to deferred rent and contingent consideration liabilities, the fourth quarter fiscal 2012 change in assertion regarding the permanent reinvestment of foreign earnings and a change in the expected effective tax rate to be realized resulting from a change in the enacted tax rate in fiscal 2012.

*Statement of Cash Flows*

The following table sets forth the net cash flows for the first quarter of fiscal 2013 and the first quarter of fiscal 2012 (in thousands):

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|   | First Quarter |             |
|---|---------------|-------------|
|   | Fiscal 2013   | Fiscal 2012 |
| Net cash used in operating activities     | \$ (4,580)    | \$ (3,112)  |
| Net cash used in investing activities     | (13,860)      | (9,633)     |
| Net cash provided by financing activities | 39,296        | 4,989       |
| Net change in cash and cash equivalents   | \$ 20,856     | \$ (7,756)  |

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Cash and cash equivalents on hand was \$28.3 million and \$5.7 million at May 4, 2013 and April 28, 2012, respectively. Cash and cash equivalents, as of May 4, 2013, includes \$18.7 million of cash which was subsequently used after quarter-end to fund the acquisition of our former licensee s Tommy Bahama operations in Canada, pay the related transaction costs and provide amounts for initial working capital needs for the operations and development of the acquired business. Changes in cash flows in the first quarter of fiscal 2013 and the first quarter of fiscal 2012 related to operating activities, investing activities and financing activities are discussed below.

*Operating Activities:*

In the first quarter of fiscal 2013 and the first quarter of fiscal 2012, operating activities used \$4.6 million and \$3.1 million of cash, respectively. The lower cash flow from operating activities for the first quarter of fiscal 2013 was primarily due to the lower net earnings partially offset by more favorable changes in working capital accounts, both as compared to the prior year. The cash flow from operating activities was primarily the result of net earnings for the relevant period, adjusted for non-cash activities such as depreciation, amortization, stock compensation expense, change in fair value of contingent consideration and the net impact of changes in our working capital accounts. Due to the seasonality of our business, it is not uncommon for our operations to use cash flow during the first quarter of the fiscal year, with later quarters providing positive cash flows from operating activities. In the first quarter of fiscal 2013 and the first quarter of fiscal 2012, the more significant changes in working capital were a decrease in current liabilities and an increase in receivables, both of which decreased cash, which were partially offset by a decrease in inventories.

*Investing Activities:*

During the first quarter of fiscal 2013 and the first quarter of fiscal 2012, investing activities used \$13.9 million and \$9.6 million, respectively, of cash related to capital expenditures. The capital expenditures in each quarter primarily related to costs associated with new retail stores, information technology initiatives and retail store and restaurant remodeling.

*Financing Activities:*

During the first quarter of fiscal 2013 and the first quarter of fiscal 2012, financing activities provided \$39.3 million and \$5.0 million of cash, respectively, with changes in debt being the most significant changes in financing activities during each period. In the first quarter of fiscal 2013, we increased debt by \$48.7 million based on cash needs during the quarter, while in the first quarter of fiscal 2012 we increased debt by \$6.8 million. The higher borrowings during the first quarter of fiscal 2013 reflect (1) amounts borrowed to fund the acquisition of our former licensee s Tommy Bahama operations in Canada, (2) amounts paid for capital expenditures, (3) amounts paid related to the repurchase of certain restricted stock awards that vested in the first quarter of fiscal 2013, which were used to satisfy the resulting employee tax liabilities, (4) cash required to fund the cash flow used in operations during the quarter and (5) the payment of \$3.0 million of dividends. The proceeds from common stock in the first quarter of fiscal 2013 primarily resulted from the excess tax benefit associated with the restricted stock awards that vested in the first quarter of fiscal 2013.

*Liquidity and Capital Resources*

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The table below sets forth amounts outstanding under our financing arrangements (in thousands) as of May 4, 2013:

|  |            |
|--|------------|
| \$235 million U.S. Secured Revolving Credit Facility ( U.S. Revolving Credit Agreement ) | \$ 159,294 |
| £7 million Senior Secured Revolving Credit Facility ( U.K. Revolving Credit Agreement )  | 5,825      |
| Total debt   | 165,119    |
| Short-term debt  | (5,825)    |
| Long-term debt   | \$ 159,294 |

The U.S. Revolving Credit Agreement generally (i) is limited to a borrowing base consisting of specified percentages of eligible categories of assets; (ii) accrues variable-rate interest, unused line fees and letter of credit fees based upon a pricing grid which is tied to average unused availability and/or utilization; (iii) requires periodic interest payments with principal due at maturity (June 2017); and (iv) is generally secured by a first priority security interest in

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the accounts receivable, inventory, general intangibles and eligible trademarks, investment property (including the equity interests of certain subsidiaries), deposit accounts, intercompany obligations, equipment, goods, documents, contracts, books and records and other personal property of Oxford Industries, Inc. and substantially all of its domestic subsidiaries.

The U.K. Revolving Credit Agreement generally (i) accrues interest at the bank's base rate plus an applicable margin; (ii) requires interest payments monthly with principal payable on demand; and (iii) is collateralized by substantially all of the assets of our United Kingdom Ben Sherman subsidiaries.

To the extent cash flow needs exceed cash flow provided by our operations we will have access, subject to their terms, to our lines of credit to provide funding for operating activities, capital expenditures and acquisitions, if any. Our credit facilities are also used to finance trade letters of credit for product purchases, which are drawn against our lines of credit at the time of shipment of the products and reduce the amounts available under our lines of credit and borrowing capacity under our credit facilities when issued. As of May 4, 2013, \$7.8 million of trade letters of credit and other limitations on availability in the aggregate were outstanding against our credit facilities. After considering these limitations and the amount of eligible assets in our borrowing base, as applicable, as of May 4, 2013, we had \$69.6 million and \$2.0 million in unused availability under the U.S. Revolving Credit Agreement and the U.K. Revolving Credit Agreement, respectively, subject to the respective limitations on borrowings set forth in the U.S. Revolving Credit Agreement and the U.K. Revolving Credit Agreement.

*Covenants and Other Restrictions:*

Our credit facilities, consisting of our U.S. Revolving Credit Agreement and our U.K. Revolving Credit Agreement, are subject to a number of affirmative covenants regarding the delivery of financial information, compliance with law, maintenance of property, insurance and conduct of business. Also, our credit facilities are subject to certain negative covenants or other restrictions including, among other things, limitations on our ability to (i) incur debt, (ii) guaranty certain obligations, (iii) incur liens, (iv) pay dividends to shareholders, (v) repurchase shares of our common stock, (vi) make investments, (vii) sell assets or stock of subsidiaries, (viii) acquire assets or businesses, (ix) merge or consolidate with other companies, or (x) prepay, retire, repurchase or redeem debt.

Our U.S. Revolving Credit Agreement contains a financial covenant that applies if unused availability under the U.S. Revolving Credit Agreement for three consecutive days is less than the greater of (i) \$23.5 million or (ii) 10% of the total revolving commitments. In such case, our fixed charge coverage ratio as defined in the U.S. Revolving Credit Agreement must not be less than 1.0 to 1.0 for the immediately preceding 12 fiscal months for which financial statements have been delivered. This financial covenant continues to apply until we have maintained unused availability under the U.S. Revolving Credit Agreement of more than the greater of (i) \$23.5 million or (ii) 10% of the total revolving commitments for 30 consecutive days.

We believe that the affirmative covenants, negative covenants, financial covenants and other restrictions under our credit facilities are customary for those included in similar facilities entered into at the time we entered into our agreements. During the first quarter of fiscal 2013 and as of May 4, 2013, no financial covenant testing was required pursuant to our U.S. Revolving Credit Agreement as the minimum availability threshold was met at all times. As of May 4, 2013, we were compliant with all covenants related to our credit facilities.

*Other Liquidity Items:*

We anticipate that we will be able to satisfy our ongoing cash requirements, which generally consist of working capital and other operating activity needs, capital expenditures, interest payments on our debt and dividends, if any, primarily from positive cash flow from operations supplemented by borrowings under our lines of credit, if necessary. Our need for working capital is typically seasonal with the greatest requirements generally existing in the fall and spring of each year. Our capital needs will depend on many factors including our growth rate, the need to finance inventory levels and the success of our various products. We anticipate that at the maturity of any of our financing arrangements or as otherwise deemed appropriate, we will be able to refinance the facilities and debt with terms available in the market at that time, which may or may not be as favorable as the terms of the current agreements or current market terms.

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Our contractual obligations as of May 4, 2013 have not changed significantly from the contractual obligations outstanding at February 2, 2013, as disclosed in our Annual Report on Form 10-K for fiscal 2012 filed with the SEC, other than changes in the amounts outstanding under our revolving credit agreements, as discussed above.

Our anticipated capital expenditures for fiscal 2013, including the \$13.9 million incurred in the first quarter of fiscal 2013, are expected to be approximately \$45 million compared to \$60.7 million for the full year of fiscal 2012. These expenditures are expected to consist primarily of costs associated with opening new retail stores, retail store and restaurant remodeling and information technology initiatives, including e-commerce enhancements.

*Off Balance Sheet Arrangements*

We have not entered into agreements which meet the SEC's definition of an off balance sheet financing arrangement, other than operating leases, and have made no financial commitments to or guarantees with respect to any unconsolidated subsidiaries or special purpose entities.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. On an ongoing basis, we evaluate our estimates, including those related to receivables, inventories, goodwill, intangible assets, income taxes, contingencies and other accrued expenses. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that we have appropriately applied our critical accounting policies. However, in the event that inappropriate assumptions or methods were used relating to the critical accounting policies below, our consolidated statements of earnings could be misstated. Our critical accounting policies and estimates are discussed in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for fiscal 2012. There have not been any significant changes to the application of our critical accounting policies and estimates during the first quarter of fiscal 2013.

A detailed summary of significant accounting policies is included in Note 1 to our consolidated financial statements contained in our Annual Report on Form 10-K for fiscal 2012.

**SEASONAL ASPECTS OF OUR BUSINESS**

Each of our operating groups is impacted by seasonality as the demand by specific product or style, as well as by distribution channel, may vary significantly depending on the time of year. For details of the impact of seasonality on each of our operating groups, see the business discussion under the caption Seasonal Aspects of Business for each operating group discussed in Part I, Item 1, Business in our Annual Report on

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Form 10-K for fiscal 2012. The following table presents our percentage of net sales and operating income by quarter for fiscal 2012:

|                      | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|----------------------|---------------|----------------|---------------|----------------|
| Net sales            | 27%           | 24%            | 21%           | 28%            |
| Operating income (1) | 48%           | 29%            | 9%            | 14%            |

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(1) The fourth quarter of fiscal 2012 operating income included a \$4.5 million LIFO accounting charge. Additionally, the fourth quarter of fiscal 2012 included a charge of \$4.5 million for the change in fair value of contingent consideration whereas the first three quarters of fiscal 2012 included a \$0.6 million charge for the change in fair value of contingent consideration. These items resulted in the percentage of operating income in the fourth quarter being lower and the first three quarters being higher than if these charges did not occur in the fourth quarter.



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We anticipate that as our retail store operations increase in the future, the third quarter will continue to be our weakest net sales and operating income quarter and the percentage of the full year net sales and operating income generated in the third quarter will continue to decrease. As the timing of certain unusual or non-recurring items, economic conditions, wholesale product shipments or other factors affecting the retail business may vary from one year to the next, we do not believe that net sales or operating income for any particular quarter or the distribution of net sales and operating income for fiscal 2012 are necessarily indicative of anticipated results for the full fiscal year or expected distribution in future years.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to certain interest rate, foreign currency, commodity and inflation risks as discussed in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk in our Annual Report on Form 10-K for fiscal 2012. There have not been any significant changes in our exposure to these risks during the first quarter of fiscal 2013.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Our principal executive officer and our principal financial officer have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and our principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and then communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the first quarter of fiscal 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Additional Information**

During the first quarter of fiscal 2013, in conjunction with our ongoing integration of our financial systems, we converted the general ledger system of certain of our foreign operations to our integrated financial system. As a result of this conversion, certain controls were modified, as necessary, to supplement and complement the existing internal controls over financial reporting. In the future, we may convert other systems,

including financial systems, used in our operations to a more integrated system across operating groups and geographic areas. The conversion of certain of our systems, including the changes implemented in the first quarter of fiscal 2013, was undertaken to provide more integrated systems across our operating groups and geographic areas and efficiencies in our operations and not in response to any actual or perceived deficiencies in our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

In the ordinary course of business, we may become subject to litigation or claims. We are not currently a party to any litigation or regulatory action that we believe could reasonably be expected to have a material adverse effect on our financial position, results of operations or cash flows.

Table of Contents**ITEM 1A. RISK FACTORS**

In addition to the other information set forth in this report, investors should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for fiscal 2012, which could materially affect our business, financial condition or operating results. The risks described in our Annual Report on Form 10-K for fiscal 2012 are not the only risks facing our company.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

(a) During the first quarter of fiscal 2012, we did not make any unregistered sales of our equity securities.

(c) We have certain stock incentive plans as described in Note 7 to our consolidated financial statements included in our Annual Report on Form 10-K for fiscal 2012, all of which are publicly announced plans. Under the plans, we can repurchase shares from employees to cover employee tax liabilities related to the vesting of previously restricted shares or the exercise of stock options. During the first quarter of fiscal 2013, we repurchased the following shares pursuant to these plans:

| Fiscal Month                 | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs |
|------------------------------|----------------------------------|------------------------------|--|--|
| February (02/3/13 - 03/2/13) |                                  |                              |  |  |
| March (03/3/13 - 4/6/13)     |                                  |                              |  |  |
| April (4/7/13 - 5/4/13)      | 213,721                          | \$ 59.13                     |  |  |
| Total                        | 213,721                          | \$ 59.13                     |  |  |

In fiscal 2012, our Board of Directors authorized us to spend up to \$50 million to repurchase shares of our common stock. This authorization superseded and replaced all previous authorizations to repurchase shares of our common stock and has no automatic expiration. As of May 4, 2013, no shares of our common stock had been repurchased pursuant to this authorization.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

**ITEM 4. MINE SAFETY DISCLOSURES**

None

**ITEM 5. OTHER INFORMATION**

None

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**ITEM 6. EXHIBITS**

|         |  |
|---------|--|
| 3.1     | Restated Articles of Incorporation of Oxford Industries, Inc. Incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q for the fiscal quarter ended August 29, 2003.                                |
| 3.2     | Bylaws of Oxford Industries, Inc., as amended. Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on April 1, 2013.  |
| 10.1    | Form of Terms and Conditions of the Oxford Industries, Inc. Performance Share Unit Award Program for Fiscal 2013. Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on April 11, 2013. |
| 31.1    | Section 302 Certification by Principal Executive Officer.*   |
| 31.2    | Section 302 Certification by Principal Financial Officer.*   |
| 32      | Section 906 Certification by Principal Executive Officer and Principal Financial Officer.*   |
| 101.INS | XBRL Instance Document*  |
| 101.SCH | XBRL Taxonomy Extension Schema Document*   |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document*   |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document*  |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document*   |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document*  |

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\* Filed herewith.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

June 12, 2013

**OXFORD INDUSTRIES, INC.**

(Registrant)

/s/ K. Scott Grassmyer

K. Scott Grassmyer

Senior Vice President - Finance, Chief Financial Officer and Controller

(Authorized Signatory)