OXFORD INDUSTRIES INC
Form 10-Q
August 30, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

þ	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the quarterly period ended JULY 28, 2012
	or
o	**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	**58-0831862**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

222 Piedmont Avenue, N.E., Atlanta, Georgia 30308

(Address of principal executive offices) (Zip Code)

(404) 659-2424

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ 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 þ 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 þ Non-accelerated filer £ (Do not check if a smaller reporting company) Smaller reporting company £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Title of each class	Number of shares outstanding as of August 24, 2012
Common Stock, $1 par value	16,577,927

Table of Contents

OXFORD INDUSTRIES, INC.

INDEX TO FORM 10-Q

For the second quarter of fiscal 2012

Table of Contents

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, the timing and cost of planned capital expenditures, costs of products and raw materials we purchase, 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 disciplined execution by key management. Forward-looking statements reflect our current expectations, based on currently available information, and are not guarantees of performance. Although we believe that the expectations reflected in such forward-looking statements are reasonable, these expectations could prove inaccurate as such statements involve risks and uncertainties, many of which are beyond our ability to control or predict. Should one or more of these risks or uncertainties, or other risks or uncertainties not currently known to us or that we currently deem to be immaterial, materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Important factors relating to these risks and uncertainties include, but are not limited to, those described in Part I, Item 1A. Risk Factors contained in our Annual Report on Form 10-K for fiscal 2011, as updated by Part II, Item 1A. Risk Factors in this report and those described from time to time in our future reports filed with the SEC. We caution that one should not place undue reliance on forward-looking statements, which speak only as of the date on which they are made. We disclaim any intention, obligation or duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

DEFINITIONS

Unless the context requires otherwise, the following terms, or words of similar import, have the following meanings:

Our, us or we: Oxford Industries, Inc. and its consolidated subsidiaries

SG&A: Selling, general and administrative expenses

Discontinued operations: The assets and operations of our former Oxford Apparel operating group which we sold in the fourth quarter of fiscal 2010, as discussed in our Annual Report on Form 10-K for fiscal 2011

SEC: U.S. Securities and Exchange Commission

FASB: Financial Accounting Standards Board

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

Fiscal 2013	52 weeks ending February 1, 2014
Fiscal 2012	53 weeks ending February 2, 2013
Fiscal 2011	52 weeks ended January 28, 2012
First half fiscal 2012	26 weeks ended July 28, 2012
First half fiscal 2011	26 weeks ended July 30, 2011
Fourth quarter fiscal 2012	14 weeks ending February 2, 2013
Third quarter fiscal 2012	13 weeks ending October 27, 2012
Second quarter fiscal 2012	13 weeks ended July 28, 2012
First quarter fiscal 2012	13 weeks ended April 28, 2012
Fourth quarter fiscal 2011	13 weeks ended January 28, 2012
Third quarter fiscal 2011	13 weeks ended October 29, 2011
Second quarter fiscal 2011	13 weeks ended July 30, 2011
First quarter fiscal 2011	13 weeks ended April 30, 2011

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OXFORD INDUSTRIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(in thousands, except par amounts)

	July 28, 2012	January 28, 2012	July 30, 2011
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 4,561	$ 13,373	$ 37,775
Receivables, net	61,833	59,706	53,902
Inventories, net	88,382	103,420	77,731
Prepaid expenses, net	19,991	19,041	16,337
Deferred tax assets	19,703	19,733	17,258
Assets related to discontinued operations, net			508
Total current assets	194,470	215,273	203,511
Property and equipment, net	109,500	93,206	86,889
Intangible assets, net	164,682	165,193	166,826
Goodwill	17,277	16,495	16,555
Other non-current assets, net	21,168	19,040	19,790
Total Assets	$507,097	$509,207	$493,571
LIABILITIES AND SHAREHOLDERS EQUITY			
Current Liabilities:			
Trade accounts payable and other accrued expenses	$ 76,186	$ 89,149	$ 76,877
Accrued compensation	19,612	23,334	19,740
Contingent consideration earned and payable		2,500	
Short-term debt and current maturities of long-term debt	5,768	2,571	4,406
Liabilities related to discontinued operations			1,362
Total current liabilities	101,566	117,554	102,385
Long-term debt, less current maturities	95,249	103,405	108,088
Non-current contingent consideration	11,845	10,645	11,945
Other non-current liabilities	41,574	38,652	42,224
Non-current deferred income taxes	31,281	34,882	30,322
Commitments and contingencies			
Shareholders Equity:			
Common stock, $1.00 par value per common share	16,578	16,522	16,529
Additional paid-in capital	102,841	99,670	97,641
Retained earnings	129,628	111,551	107,160
Accumulated other comprehensive loss	(23,465)	(23,674)	(22,723)
Total shareholders equity	225,582	204,069	198,607
Total Liabilities and Shareholders Equity	$507,097	$509,207	$493,571

See accompanying notes.

Table of Contents

OXFORD INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(UNAUDITED)

(in thousands, except per share amounts)

[redacted]

Net sales	$206,929	$180,646	$437,882	$388,954
Cost of goods sold	88,649	77,709	190,388	168,357
Gross profit	118,280	102,937	247,494	220,597
SG&A	100,702	88,648	201,510	179,786
Change in fair value of contingent consideration	600	600	1,200	1,200
Royalties and other operating income	3,340	4,022	8,322	8,813
Operating income	20,318	17,711	53,106	48,424
Interest expense, net	3,314	4,268	6,917	9,072
Loss on repurchase of senior secured notes	9,143	8,248	9,143	8,248
Earnings from continuing operations before income taxes	7,861	5,195	37,046	31,104
Income taxes	2,833	1,675	14,016	10,524
Earnings from continuing operations	5,028	3,520	23,030	20,580
Earnings (loss) from discontinued operations, net of taxes		(916)		124
Net earnings	$ 5,028	$ 2,604	$ 23,030	$ 20,704
Earnings from continuing operations per common share:				
Basic	$ 0.30	$ 0.21	$ 1.39	$ 1.25
Diluted	$ 0.30	$ 0.21	$ 1.39	$ 1.25
Earnings (loss) from discontinued operations, net of taxes per common share:				
Basic	$	$ (0.06)	$	$ 0.01
Diluted	$	$ (0.06)	$	$ 0.01
Net earnings per common share:				
Basic	$ 0.30	$ 0.16	$ 1.39	$ 1.25
Diluted	$ 0.30	$ 0.16	$ 1.39	$ 1.25
Weighted average common shares outstanding:				
Basic	16,554	16,514	16,543	16,514
Diluted	16,570	16,531	16,561	16,529
Dividends declared per common share	$ 0.15	$ 0.13	$ 0.30	$ 0.26

See accompanying notes.

Table of Contents

OXFORD INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(in thousands)

	Second Quarter Fiscal 2012	Second Quarter Fiscal 2011	First Half Fiscal 2012	First Half Fiscal 2011
Net earnings	$ 5,028	$ 2,604	$ 23,030	$ 20,704
Other comprehensive income (loss), net of taxes				
Foreign currency translation gain (loss)	(1,171)	(642)	98	1,126
Net unrealized gain (loss) on forward foreign currency exchange contracts	326	475	111	(30)
Total other comprehensive income (loss), net of taxes	(845)	(167)	209	1,096
Comprehensive income	$ 4,183	$ 2,437	$ 23,239	$ 21,800

See accompanying notes.

Table of Contents

OXFORD INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(in thousands)

	First Half Fiscal 2012	First Half Fiscal 2011
Cash Flows From Operating Activities:		
Earnings from continuing operations	$ 23,030	$ 20,580
Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities:		
Depreciation	11,210	9,860
Amortization of intangible assets	512	598
Change in fair value of contingent consideration	1,200	1,200
Amortization of deferred financing costs and bond discount	755	906
Loss on repurchase of senior secured notes	9,143	8,248
Stock compensation expense	1,664	1,476
Deferred income taxes	(3,575)	3,040
Changes in working capital, net of acquisitions and dispositions:		
Receivables	(2,139)	(3,394)
Inventories	15,691	8,042
Prepaid expenses	(844)	(3,696)
Current liabilities	(16,761)	(12,215)
Other non-current assets	(2,815)	1,502
Other non-current liabilities	2,920	(2,487)
Net cash provided by operating activities	39,991	33,660
Cash Flows From Investing Activities:		
Acquisitions, net of cash acquired	(4,183)	(398)
Purchases of property and equipment	(27,264)	(12,726)
Net cash used in investing activities	(31,447)	(13,124)
Cash Flows From Financing Activities:		
Repayment of revolving credit arrangements	(97,121)	(18,309)
Proceeds from revolving credit arrangements	195,590	22,670
Repurchase of senior secured notes	(111,000)	(46,600)
Deferred financing costs paid	(1,524)	
Proceeds from issuance of common stock	1,565	1,413
Dividends on common stock	(4,956)	(4,285)
Net cash used in financing activities	(17,446)	(45,111)
Cash Flows from Discontinued Operations:		
Net cash provided by discontinued operations		18,057
Net change in cash and cash equivalents	(8,902)	(6,518)
Effect of foreign currency translation on cash and cash equivalents	90	199
Cash and cash equivalents at the beginning of year	13,373	44,094
Cash and cash equivalents at the end of the period	$ 4,561	$ 37,775
Supplemental disclosure of cash flow information:		
Cash paid for interest, net	$ 6,508	$ 8,534
Cash paid for income taxes, including income taxes paid for discontinued operations	$ 15,704	$ 38,103

See accompanying notes.

Table of Contents

OXFORD INDUSTRIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SECOND QUARTER OF FISCAL 2012

1. Basis of Presentation: The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial reporting and the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP. We believe the accompanying unaudited condensed consolidated financial statements reflect all normal, recurring adjustments that are necessary for a fair presentation of our financial position and results of operations as of the 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 2011.

In May 2011, the FASB amended ASC 820 Fair Value Measurements and Disclosures in order to clarify existing guidance in U.S. GAAP, better align ASC 820 with International Accounting Standards and require additional fair value disclosures. The amendments to ASC 820 were adopted by us in the first quarter of fiscal 2012, with all amendments applied prospectively with changes in measurements, if any, recognized in earnings in the first quarter of fiscal 2012. The adoption of the amendments to ASC 820 in the first quarter of fiscal 2012 did not have a material impact on our consolidated financial statements.

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

	July 28, 2012	**January 28, 2012**	**July 30, 2011**
Finished goods	$130,469	$143,482	$113,468
Work in process	5,426	6,244	4,903
Fabric, trim and supplies	4,863	6,070	5,314
LIFO reserve	(52,376)	(52,376)	(45,954)
Total	$ 88,382	$103,420	$ 77,731

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 credit of $0.3 million in the second quarter of fiscal 2012, a charge of $0.4 million in the second quarter of fiscal 2011, a credit of less than $0.1 million in the first half of fiscal 2012 and a credit of $0.2 million in the first half of fiscal 2011.

Table of Contents

3. Operating Group Information: Our business is primarily operated through our four operating groups: Tommy Bahama, Lilly Pulitzer, Ben Sherman and Lanier Clothes, as disclosed in our Annual Report on Form 10-K for fiscal 2011. 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. The table below presents certain information (in thousands) about our operating groups, as well as Corporate and Other, which is a reconciling category for reporting purposes.

	Second Quarter Fiscal 2012	Second Quarter Fiscal 2011	First Half Fiscal 2012	First Half Fiscal 2011
Net Sales				
Tommy Bahama	$127,463	$109,143	$268,597	$232,046
Lilly Pulitzer	30,903	24,823	66,536	54,696
Ben Sherman	20,101	20,893	37,453	40,314
Lanier Clothes	24,808	22,942	57,815	55,915
Corporate and Other	3,654	2,845	7,481	5,983
Total Net Sales	$206,929	$180,646	$437,882	$388,954
Depreciation and Amortization				
Tommy Bahama	$ 3,961	$ 3,721	$ 8,282	$ 7,265
Lilly Pulitzer	563	461	1,069	929
Ben Sherman	613	573	1,287	1,153
Lanier Clothes	94	107	191	216
Corporate and Other	463	455	893	895
Total Depreciation and Amortization	$ 5,694	$ 5,317	$ 11,722	$ 10,458
Operating Income				
Tommy Bahama	$ 16,581	$ 16,987	$ 42,145	$ 40,757
Lilly Pulitzer	7,409	5,612	18,421	12,627
Ben Sherman	(1,463)	(1,756)	(4,203)	(2,582)
Lanier Clothes	2,397	2,263	6,443	6,988
Corporate and Other	(4,606)	(5,395)	(9,700)	(9,366)
Total Operating Income	20,318	17,711	53,106	48,424
Interest expense	3,314	4,268	6,917	9,072
Loss on repurchase of senior secured notes	9,143	8,248	9,143	8,248
Earnings from Continuing Operations Before Income Taxes	$ 7,861	$ 5,195	$ 37,046	$ 31,104

Table of Contents

4. **Debt:** The following table details our debt (in thousands) as of the dates specified:

	July 28, 2012	January 28, 2012	July 30, 2011
$235 million U.S. Secured Revolving Credit Facility (U.S. Revolving Credit Agreement)(1)	$ 95,249	N/A	N/A
$175 million U.S. Secured Revolving Credit Facility (Prior Revolving Credit Agreement)(1)	N/A	$	$
£7 million Senior Secured Revolving Credit Facility (U.K. Revolving Credit Agreement)(2)	5,768	2,571	4,406
11.375% Senior Secured Notes (113/8% Senior Secured Notes)(3)(4)	N/A	105,000	110,000
Unamortized discount		(1,595)	(1,912)
Total debt	101,017	105,976	112,494
Short-term debt and current maturities of long-term debt	(5,768)	(2,571)	(4,406)
Long-term debt, less current maturities	$ 95,249	$103,405	$108,088

(1) The U.S. Revolving Credit Agreement, entered into in June 2012, amended and restated the Prior Revolving Credit Agreement, which was scheduled to mature in August 2013. 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 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 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.

(2) 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.

(3) In the second quarter of fiscal 2012, we redeemed all of the outstanding $105 million in aggregate principal amount of the 113/8% Senior Secured Notes, which were scheduled to mature in July 2015. The redemption of the 113/8% Senior Secured Notes for $111.0 million, plus accrued interest, and the related write-off of approximately $1.7 million of unamortized deferred financing costs and $1.4 million of unamortized bond discount resulted in a loss on repurchase of senior notes of approximately $9.1 million. The redemption of the 113/8% Senior Secured Notes satisfied and discharged all of our obligations with respect to the 113/8% Senior Secured Notes and the related indenture and was funded primarily through borrowings under our U.S. Revolving Credit Agreement.

(4) In the second and third quarters of fiscal 2011, we repurchased, in privately negotiated transactions, $45.0 million in aggregate principal amount of the 113/8% Senior Secured Notes for $52.2 million, plus accrued interest. The repurchase of the 113/8% Senior Secured Notes and related write-off of approximately $1.8 million of unamortized deferred financing costs and bond discount resulted in a loss on repurchase of senior notes of approximately $9.0 million during fiscal 2011, of which $8.2 million was recognized in the second quarter of fiscal 2011 with the remaining $0.8 million being recognized in the third quarter of fiscal 2011.

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 July 28, 2012, approximately $9.6 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 July 28, 2012, we had approximately $95.1 million and $1.8 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.

Table of Contents

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and the notes to the unaudited condensed consolidated financial statements contained in this report and the consolidated financial statements, notes to consolidated financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for fiscal 2011.

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 websites and restaurants, and our wholesale distribution channel, which includes better department stores, specialty stores, national chains, specialty catalogs and Internet retailers. In fiscal 2011, 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.

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. We believe that the principal competitive factors in the apparel industry are the reputation, value and image of our brand names; design; consumer preference; price; quality; marketing; and customer service. We believe 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.

The global economic environment and resulting economic uncertainty that began in fiscal 2008 continue to impact each of our operating groups, and the apparel industry as a whole. Although some signs of economic improvements exist and declines in consumer spending in the United States have moderated, unemployment levels remain high, the retail environment remains highly promotional and a significant amount of economic uncertainty remains. The economies in the United Kingdom and Europe, which are important to our Ben Sherman operating group operations, continue to show more sluggish economic conditions than the economic conditions in the United States.

While we anticipate sales of our products may continue to be negatively impacted as long as there is an elevated level of economic uncertainty, we believe that our operating groups have significant opportunities for long-term growth. We believe that each of our lifestyle brands has opportunities for growth in its direct to consumer businesses through expansion of our retail store operations as well as increases in same store and e-commerce sales. We also believe that our lifestyle brands provide an opportunity for moderate sales increases in our wholesale businesses primarily from our current customers adding to their existing door count and the selective addition of new wholesale customers.

Although the challenging economic conditions continue to have an impact on our business and the apparel industry as a whole, and we continue to focus on minimizing inventory markdown risk and promotional pressure, we were more aggressive in our inventory purchases for fiscal 2011 and thus far in fiscal 2012 and anticipate continuing to purchase inventory more aggressively for the remainder of fiscal 2012 if the economic conditions continue to show improvement. The second half of fiscal 2011 was impacted by pricing pressures on raw materials, fuel, transportation, labor and other costs necessary for the production and sourcing of apparel products and these pricing pressures have continued to negatively impact cost of goods sold into the first half of fiscal 2012. We anticipate that the impact of these increased product costs will moderate in the second half of fiscal 2012, which, along with an anticipated increase in the proportion of our consolidated sales represented by the higher gross margin Tommy Bahama and Lilly Pulitzer businesses, will provide an opportunity for some consolidated gross margin improvements compared to the second half of fiscal 2011.

Table of Contents

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

The following table sets forth our consolidated operating results (in thousands, except per share amounts) for the first half of fiscal 2012 compared to the first half of fiscal 2011:

	First Half	
	Fiscal 2012	**Fiscal 2011**
Net sales	$ 437,882	$ 388,954
Operating income	$ 53,106	$ 48,424
Earnings from continuing operations	$ 23,030	$ 20,580
Earnings from continuing operations per diluted common share	$ 1.39	$ 1.25
Earnings from discontinued operations, net of taxes	$	$ 124
Earnings from discontinued operations, net of taxes per diluted common share	$	$ 0.01
Net earnings	$ 23,030	$ 20,704
Net earnings per diluted common share	$ 1.39	$ 1.25

The primary reasons for the improvement in earnings from continuing operations were:

- An increase in net sales in both the Tommy Bahama and Lilly Pulitzer operating groups; and

- Lower interest expense in the first half of fiscal 2012 due to our reduction of debt as a result of our repurchase of $45.0 million in aggregate principal amount of our 113/8% Senior Secured Notes in fiscal 2011 and our repurchase of the remaining $105.0 million in aggregate principal amount of our 113/8% Senior Secured Notes in July 2012.

These items were partially offset by:

- Lower gross margins primarily resulting from product costing pressures and competitive factors in Lanier Clothes, which was partially offset by the impact on gross margins of a change in our consolidated sales mix as well as no purchase accounting charges impacting cost of goods sold in the first half of fiscal 2012 compared to a $1.0 million charge in the first half of fiscal 2011;

- An increase in SG&A, which was primarily due to (1) the incremental SG&A associated with the operation of retail stores opened in fiscal 2011 and fiscal 2012, (2) certain infrastructure, pre-opening retail store rent and other costs related to the Tommy Bahama international expansion, (3) higher SG&A to support the growing Tommy Bahama and Lilly Pulitzer businesses and (4) the rent charge associated with our

Tommy Bahama New York location scheduled to open in November 2012;

- A larger loss on repurchase of senior secured notes from the repurchase of $105.0 million in aggregate principal amount of our 11 3/8% Senior Secured Notes in the first half of fiscal 2012 compared to the repurchase of $40.0 million in aggregate principal amount of our 11 3/8% Senior Secured Notes in the first half of fiscal 2011; and

- A higher effective tax rate due to the first half of fiscal 2011 being impacted more significantly by certain favorable permanent differences and discrete items.

Table of Contents

Amendment and Restatement of the U.S. Revolving Credit Agreement

On June 14, 2012, we entered into the U.S. Revolving Credit Agreement, which provides for a revolving credit facility of up to $235 million which may be used to refinance existing debt, to redeem our previously outstanding 113/8% Senior Secured Notes, to fund working capital, to fund future acquisitions and for general corporate purposes.

The U.S. Revolving Credit Agreement amended and restated the Prior Revolving Credit Agreement, which was entered into on August 15, 2008 and scheduled to mature in August 2013. We believe that the covenants in the U.S. Revolving Credit Agreement are generally less restrictive and provide greater flexibility than those contained in the Prior Revolving Credit Agreement. In addition, the U.S. Revolving Credit Agreement allows us to include in our borrowing base certain amounts attributable to eligible trademarks, which amounts would not have been available for inclusion in the borrowing base under the Prior Revolving Credit Agreement.

The material terms of the U.S. Revolving Credit Agreement are described in note 4 in the unaudited condensed consolidated financial statements and the Financial Condition, Liquidity and Capital Resources section of this Management s Discussion and Analysis of Financial Condition and Results of Operations, both contained in this report.

Redemption of 113/8% Senior Secured Notes

On July 16, 2012, we redeemed all of the outstanding $105 million in principal amount of the 113/8% Senior Secured Notes, which were scheduled to mature in July 2015. The redemption of the 113/8% Senior Secured Notes at a premium of $6.0 million and the write-off of approximately $3.1 million of unamortized deferred financing costs and unamortized bond discount resulted in a loss on repurchase of senior notes of approximately $9.1 million. The redemption of the 113/8% Senior Secured Notes satisfied and discharged all of our obligations with respect to the 113/8% Senior Secured Notes and the related indenture and was funded through borrowings under our U.S. Revolving Credit Agreement and cash on hand.

OPERATING GROUPS

Our business is primarily operated through our four operating groups: Tommy Bahama, Lilly Pulitzer, Ben Sherman and Lanier Clothes. We identify our operating groups based on the way our management organizes the components of our business for purposes of allocating resources and assessing performance.

Tommy Bahama designs, sources and markets collections of men s and women s sportswear and related products. The target consumers of Tommy Bahama are 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 retail stores within and outside the United States and on our Tommy Bahama e-commerce website, www.tommybahama.com, as well as in better department stores and independent specialty stores throughout the United States and licensed Tommy Bahama retail stores outside the United States. We also operate Tommy Bahama restaurants and license the Tommy Bahama name for various product categories. As of July 28, 2012, we operated 105 owned Tommy Bahama retail stores, including 70 full-price stores, 13 restaurant-retail locations and 22 outlet stores. This store count includes both our 98 owned domestic and seven owned international retail store locations. The seven international stores include five retail stores in Australia which we acquired from our former licensee during the second quarter of fiscal 2012 as well as our Macau and Singapore stores opened in the first half of fiscal 2012.

Lilly Pulitzer designs, sources and distributes upscale collections of women s and girl s dresses, sportswear and other 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, www.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 July 28, 2012, we operated 17 owned Lilly Pulitzer retail stores.

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

Table of Contents

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 July 28, 2012, we operated 17 owned Ben Sherman international and domestic retail stores, including five outlet 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. Our Lanier Clothes branded products are sold under certain trademarks licensed to us by third parties including 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, Lanier Clothes designs and sources certain private label tailored clothing products. Significant private label brands for which we produce tailored clothing include Lands End, Stafford, Alfani, Structure, and Kenneth Roberts. Our Lanier Clothes products are sold to national chains, department stores, specialty stores, specialty catalog retailers and discount retailers throughout the United States.

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. 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 2011.

RESULTS OF OPERATIONS

SECOND QUARTER OF FISCAL 2012 COMPARED TO SECOND QUARTER OF FISCAL 2011

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. For purposes of the tables below, NM means not meaningful. 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.

	Second Quarter					
	Fiscal 2012		Fiscal 2011		$ Change	% Change
Net sales	$ 206,929	100.0%	$ 180,646	100.0%	$ 26,283	14.5%
Cost of goods sold	88,649	42.8%	77,709	43.0%	10,940	14.1%
Gross profit	118,280	57.2%	102,937	57.0%	15,343	14.9%
SG&A	100,702	48.7%	88,648	49.1%	12,054	13.6%
Change in fair value of contingent consideration	600	0.3%	600	0.3%		
	3,340	1.6%	4,022	2.2%	(682)	(17.0)%

Royalties and other operating income						
Operating income	20,318	9.8%	17,711	9.8%	2,607	14.7%
Interest expense, net	3,314	1.6%	4,268	2.4%	(954)	(22.4)%
Loss on repurchase of senior secured notes	9,143	4.4%	8,248	4.6%	895	10.9%
Earnings from continuing operations before income taxes	7,861	3.8%	5,195	2.9%	2,666	51.3%
Income taxes	2,833	1.4%	1,675	0.9%	1,158	69.1%
Earnings from continuing operations	5,028	2.4%	3,520	1.9%	1,508	42.8%
Earnings from discontinued operations, net of taxes			(916)	NM	916	NM
Net earnings	$ 5,028	NM	$ 2,604	NM	$ 2,424	NM

Table of Contents

The discussion and tables below compare certain line items included in our statements of earnings for the second quarter of fiscal 2012 to the second quarter of fiscal 2011. Each dollar and percentage change provided reflects the change between these periods unless indicated otherwise. Each dollar and share amount included in the tables is in thousands except for per share amounts.

Net Sales

	Second Quarter			
	Fiscal 2012	**Fiscal 2011**	**$ Change**	**% Change**
Tommy Bahama	$ 127,463	$ 109,143	$ 18,320	16.8%
Lilly Pulitzer	30,903	24,823	6,080	24.5%
Ben Sherman	20,101	20,893	(792)	(3.8)%
Lanier Clothes	24,808	22,942	1,866	8.1%
Corporate and Other	3,654	2,845	809	28.4%
Total net sales	$ 206,929	$ 180,646	$ 26,283	14.5%

Consolidated net sales increased $26.3 million, or 14.5%, in the second quarter of fiscal 2012 compared to the second quarter of fiscal 2011 primarily due to the increase in net sales at Tommy Bahama and Lilly Pulitzer, each as discussed below.

Tommy Bahama:

The 16.8% increase in net sales for Tommy Bahama was primarily driven by increased sales in both the direct to consumer and wholesale distribution channels with the largest percentage increase in the direct to consumer business. The increased sales in the direct to consumer business resulted from a low double digit increase in comparable full-price retail store sales, net sales at additional retail stores operated during fiscal 2012 and a significant increase in e-commerce sales. Tommy Bahama apparel unit sales increased by 17.6% due to the higher volume in each distribution channel, and the average selling price per unit increased by 1.0%, primarily as a result of the higher proportion of net sales from the direct to consumer channel of distribution. As of July 28, 2012, Tommy Bahama operated 105 retail stores compared to 90 retail stores as of July 30, 2011.

Lilly Pulitzer:

The 24.5% increase in net sales for Lilly Pulitzer was driven by increased sales in both the direct to consumer distribution channel, including a high single digit increase in same store retail sales and a significant increase in e-commerce sales, and the wholesale distribution channel. Unit sales increased by 36.9% due to the higher volume in each distribution channel, while the average selling price per unit decreased by 9.1% despite a greater percentage of Lilly Pulitzer sales being direct to consumer sales. The decreased selling price per unit primarily resulted from a change in product mix as sportswear and knit dresses, both of which generally sell at lower price points than woven dresses, represented a greater proportion of the Lilly Pulitzer business. As of July 28, 2012, Lilly Pulitzer operated 17 retail stores compared to 16 retail stores as of July 30, 2011.

Ben Sherman:

Net sales for Ben Sherman decreased by approximately 3.8% in the second quarter of fiscal 2012 compared to the second quarter of fiscal 2011. The decrease in net sales for Ben Sherman was primarily driven by a reduction in unit volume of 15.4% primarily attributable to the difficult economic conditions in the United Kingdom and Europe and our exit from certain moderate wholesale accounts in the United Kingdom. The reduction in units sold was partially offset by an increase in the average selling price per unit of 13.8%. The increase in average selling price per unit was primarily due to (1) a greater proportion of Ben Sherman s sales being retail sales, which generally have higher selling prices, and (2) our strategy to improve the distribution of the brand in the United Kingdom by exiting certain moderate wholesale accounts and increasing product prices, which were partially offset by an unfavorable foreign currency translation impact resulting from a 3.5% change in average exchange rates between the two periods.

Lanier Clothes:

Net sales for Lanier Clothes increased by 8.1%. The average selling price per unit increased by 11.7% as a result of the change in sales mix as our branded tailored clothing products, which typically have a higher average selling price than our private label products, represented a greater percentage of net sales for Lanier Clothes. A decrease in unit sales of 3.2% was primarily driven by the decreased unit sales in the private label businesses, which was partially offset by an increase in unit sales of branded tailored clothing products.

Table of Contents

Corporate and Other:

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 second quarter of fiscal 2012.

Gross Profit

	Second Quarter			
	Fiscal 2012	Fiscal 2011	$ Change	% Change
Gross profit	$ 118,280	$ 102,937	$ 15,343	14.9%
Gross margin (gross profit as a % of net sales)	57.2%	57.0%		
LIFO charges (credits) included in gross profit	$ (258)	$ 388		

The 14.9% increase in gross profit in the second quarter of fiscal 2012 compared to the second quarter of fiscal 2011 was primarily due to the 14.5% increase in net sales, as discussed above. The second quarter of fiscal 2012 experienced a slight increase in gross margins resulting, in part, from the net favorable impact of LIFO accounting adjustments between the two periods. Generally, the higher product cost impact on our gross margins was offset by a change in our consolidated sales mix. During the second quarter of fiscal 2012, the changes in sales mix included an increased proportion of sales being sales of the higher gross margin Tommy Bahama and Lilly Pulitzer brands and an increased proportion of sales being sales from the higher gross margin direct to consumer businesses rather than wholesale sales.

We believe that certain of the year-over-year gross margin pressures impacting our operating groups will begin to ease in the second half of fiscal 2012 as the impact of certain of the higher product costs experienced during the second half of fiscal 2011 and the first half of fiscal 2012 are expected to moderate. However, we expect that certain competitive factors impacting Lanier Clothes and Ben Sherman will continue into the second half of fiscal 2012. Our gross profit may not be directly comparable to those of our competitors, as statement of earnings classification of certain expenses may vary by company.

SG&A

	Second Quarter			
	Fiscal 2012	Fiscal 2011	$ Change	% Change
SG&A	$ 100,702	$ 88,648	$ 12,054	13.6%
SG&A (as % of net sales)	48.7%	49.1%		

The increase in SG&A was primarily due to (1) the incremental SG&A in the second quarter of fiscal 2012 associated with operating additional Tommy Bahama and Lilly Pulitzer retail stores, (2) certain infrastructure, pre-opening retail store rent and other costs related to the Tommy Bahama international expansion, (3) higher SG&A to support the growing Tommy Bahama and Lilly Pulitzer businesses and (4) the rent charge associated with our Tommy Bahama New York location, which in accordance with U.S. GAAP is required to be recognized as an ongoing expense of the store from the time we took possession of the space. The second quarter of fiscal 2012 included charges of approximately $4.0 million related to the Tommy Bahama international expansion and the Tommy Bahama New York store SG&A. As a percentage of net sales, SG&A benefitted from leveraging, as our net sales increased at a greater rate than the increase in SG&A, as certain SG&A costs do not fluctuate with sales levels. SG&A for both the second quarter of fiscal 2012 and the second quarter of fiscal 2011 included charges of $0.3 million related to the amortization of intangible assets.

Change in fair value of contingent consideration

	Second Quarter			
	Fiscal 2012	Fiscal 2011	$ Change	% Change
Change in fair value of contingent consideration	$ 600	$ 600	$	%

Change in fair value of contingent consideration reflects the current period impact of the change in 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 2011. We anticipate that the change in contingent consideration for the full year of fiscal 2012 will be approximately $2.4 million; however, that amount could change significantly depending upon whether there are any changes in future periods to our assumptions about the probability of payment of the contingent consideration, appropriate discount rate or other factors.

Table of Contents

Royalties and other operating income

	Second Quarter			
	Fiscal 2012	**Fiscal 2011**	**$ Change**	**% Change**
Royalties and other operating income	$ 3,340	$ 4,022	$ (682)	(17.0)%

The decrease in royalties and other operating income was primarily due to lower royalty income in the Ben Sherman and Tommy Bahama businesses during the second quarter of fiscal 2012 compared to the second quarter of fiscal 2011.

Operating income (loss)

	Second Quarter			
	Fiscal 2012	**Fiscal 2011**	**$ Change**	**% Change**
Tommy Bahama	$ 16,581	$ 16,987	$ (406)	(2.4)%
Lilly Pulitzer	7,409	5,612	1,797	32.0%
Ben Sherman	(1,463)	(1,756)	293	16.7%
Lanier Clothes	2,397	2,263	134	5.9%
Corporate and Other	(4,606)	(5,395)	789	14.6%
Total operating income	$ 20,318	$ 17,711	$ 2,607	14.7%
LIFO charges (credits) included in operating income	$ (258)	$ 388		
Charge for increase in fair value of contingent consideration included in operating income	$ 600	$ 600		

Operating income, on a consolidated basis, increased to $20.3 million in the second quarter of fiscal 2012 from $17.7 million in the second quarter of fiscal 2011. The 14.7% increase in operating income was primarily due to higher net sales in Lilly Pulitzer and Tommy Bahama partially offset by the SG&A increases in Tommy Bahama discussed below. Changes in operating income by operating group are discussed below.

Tommy Bahama:

	Second Quarter			
	Fiscal 2012	**Fiscal 2011**	**$ Change**	**% Change**
Net sales	$ 127,463	$ 109,143	$ 18,320	16.8%
Operating income	$ 16,581	$ 16,987	$ (406)	(2.4)%
Operating income as % of net sales	13.0%	15.6%		

The decrease in operating income for Tommy Bahama was primarily due to increased SG&A associated with (1) operating additional retail stores, (2) certain infrastructure, pre-opening retail store rent and other costs associated with Tommy Bahama s international expansion, (3) higher SG&A to support the growing Tommy Bahama business, and (4) the rent charge associated with our Tommy Bahama New York location, which in accordance with U.S. GAAP is required to be recognized as an ongoing expense of the store from the time we took possession of the space. The second quarter of fiscal 2012 included operating losses of approximately $3.5 million related to the Tommy Bahama international expansion and the Tommy Bahama New York store scheduled to open in November 2012. The $3.5 million operating loss related to the Tommy Bahama international expansion and the Tommy Bahama New York store reflect approximately $4.0 million of costs partially offset by approximately $0.5 million of gross margin related to sales in our international stores during the second quarter of fiscal 2012. The additional costs and operating losses were partially offset by increased net sales of Tommy Bahama products in the second quarter of fiscal 2012.

Lilly Pulitzer:

	Second Quarter			
	Fiscal 2012	**Fiscal 2011**	**$ Change**	**% Change**
Net sales	$ 30,903	$ 24,823	$ 6,080	24.5%
Operating income	$ 7,409	$ 5,612	$ 1,797	32.0%
Operating income as % of net sales	24.0%	22.6%		
Charge for increase in fair value of contingent consideration included in operating income	$ 600	$ 600		

17

Table of Contents

The increase in operating income for Lilly Pulitzer was primarily due to increased net sales and increased gross margins. The increased net sales were partially offset by increased SG&A associated with the cost of operating an additional retail store during the second quarter of fiscal 2012 and higher SG&A to support the growing Lilly Pulitzer business. Both periods were impacted by a charge of $0.6 million for the change in the fair value of contingent consideration.

Ben Sherman:

	Second Quarter			
	Fiscal 2012	Fiscal 2011	$ Change	% Change
Net sales	$ 20,101	$ 20,893	$ (792)	(3.8)%
Operating loss	$ (1,463)	$ (1,756)	$ 293	16.7%
Operating loss as % of net sales	(7.3)%	(8.4)%		

The improvement in operating results for Ben Sherman in the second quarter of fiscal 2012 compared to the second quarter of fiscal 2011 was primarily due to improved gross margins partially offset by (1) the lower net sales and (2) decreased royalty income.

Lanier Clothes:

	Second Quarter			
	Fiscal 2012	Fiscal 2011	$ Change	% Change
Net sales	$ 24,808	$ 22,942	$ 1,866	8.1%
Operating income	$ 2,397	$ 2,263	$ 134	5.9%
Operating income as % of net sales	9.7%	9.9%		

The increase in operating income for Lanier Clothes was primarily the result of higher sales and decreased SG&A, partially offset by reduced gross margins. Gross margin pressures resulted from both cost pressures and competitive factors, which continued to impact the operating results of Lanier Clothes.

Corporate and Other:

	Second Quarter			
	Fiscal 2012	Fiscal 2011	$ Change	% Change
Net sales	$ 3,654	$ 2,845	$ 809	28.4%
Operating loss	$ (4,606)	$ (5,395)	$ 789	14.6%
LIFO charges (credits) included in operating loss	$ (258)	$ 388		

The Corporate and Other operating results improved by $0.8 million from a loss of $5.4 million in the second quarter of fiscal 2011 to a loss of $4.6 million in the second quarter of fiscal 2012. The improved operating results for fiscal 2012 reflects the net impact of LIFO accounting, with credits of $0.3 million in the second quarter of fiscal 2012 and charges of $0.4 million in the second quarter of fiscal 2011.

Interest expense, net

	Second Quarter			
	Fiscal 2012	Fiscal 2011	$ Change	% Change
Interest expense, net	$ 3,314	$ 4,268	$ (954)	(22.4)%

Interest expense for the second quarter of fiscal 2012 decreased due to a reduction in debt levels as a result of our repurchase of $45.0 million in aggregate principal amount of our 113/8% Senior Secured Notes during the second and third quarters of fiscal 2011 and our redemption of the remaining $105.0 million in aggregate principal amount of our 113/8% Senior Secured Notes in July 2012. As a result of our redemption of the remaining outstanding 113/8% Senior Secured Notes in July 2012, which was funded with borrowings under our U.S. Revolving Credit Agreement and cash on hand, our interest expense in the third and fourth quarter of fiscal 2012 should decrease significantly from interest expense incurred in the second quarter of fiscal 2012. We anticipate that interest expense for each of the third and fourth quarters of fiscal 2012 will be approximately $1.1 million.

Loss on repurchase of senior secured notes

	Second Quarter			
	Fiscal 2012	Fiscal 2011	$ Change	% Change
Loss on repurchase of senior secured notes	$ 9,143	$ 8,248	$ 895	10.9%

Table of Contents

On July 16, 2012, we redeemed the remaining outstanding $105.0 million in aggregate principal amount of our 113/8% Senior Secured Notes for approximately $111.0 million, plus accrued interest, using borrowings under our U.S. Revolving Credit Agreement and cash on hand. The redemption of the 113/8% Senior Secured Notes and related write-off of approximately $3.1 million of unamortized deferred financing costs and discount associated with the 113/8% Senior Secured Notes resulted in a loss of approximately $9.1 million in the second quarter of fiscal 2012.

In May 2011, we repurchased, in a privately negotiated transaction, $40.0 million in aggregate principal amount of our 113/8% Senior Secured Notes for $46.6 million, plus accrued interest, using cash on hand. The repurchase of the 113/8% Senior Secured Notes and related write-off of approximately $1.6 million of unamortized deferred financing costs and discount resulted in a loss of approximately $8.2 million in the second quarter of fiscal 2011.

Income taxes

	Second Quarter			
	Fiscal 2012	**Fiscal 2011**	**$ Change**	**% Change**
Income taxes	$ 2,833	$ 1,675	$ 1,158	69.1%
Effective tax rate	36.0%	32.2%		

Income tax expense for the second quarter of fiscal 2012 increased compared to the second quarter of fiscal 2011, primarily due to higher earnings in the second quarter of fiscal 2012 as well as an increase in the effective tax rate. The higher effective tax rate in the second quarter of fiscal 2012 was primarily due to the second quarter of fiscal 2011 being impacted more significantly by certain favorable permanent differences and discrete items.

Net earnings

	Second Quarter	
	Fiscal 2012	**Fiscal 2011**
Earnings from continuing operations	$ 5,028	$ 3,520
Earnings from continuing operations per diluted common share	$ 0.30	$ 0.21
Earnings from discontinued operations, net of taxes	$	$ (916)
Earnings from discontinued operations, net of taxes, per diluted common share	$	$ (0.06)
Net earnings	$ 5,028	$ 2,604
Net earnings per diluted common share	$ 0.30	$ 0.16
Weighted average common shares outstanding-diluted	16,570	16,531

The increase in earnings from continuing operations for the second quarter of fiscal 2012 compared to the second quarter of fiscal 2011 was primarily due to (1) the higher sales in Tommy Bahama and Lilly Pulitzer and (2) lower interest expense resulting from lower debt levels. These items were partially offset by (1) higher SG&A, (2) a greater loss on repurchase of senior secured notes and (3) a higher effective tax rate during the second quarter of fiscal 2012.

Earnings from discontinued operations in the second quarter of fiscal 2011 reflect certain wind-down and transition activities associated with the operations of substantially all of our former Oxford Apparel operating group, which we sold in the fourth quarter of fiscal 2010.

FIRST HALF OF FISCAL 2012 COMPARED TO FIRST HALF OF FISCAL 2011

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. For purposes of the tables below, NM means not meaningful. 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.

Table of Contents

	First Half					
	Fiscal 2012		Fiscal 2011		$ Change	% Change
Net sales	$ 437,882	100.0%	$ 388,954	100.0%	$ 48,928	12.6%
Cost of goods sold	190,388	43.5%	168,357	43.3%	22,031	13.1%
Gross profit	247,494	56.5%	220,597	56.7%	26,897	12.2%
SG&A	201,510	46.0%	179,786	46.2%	21,724	12.1%
Change in fair value of contingent consideration	1,200	0.3%	1,200	0.3%		
Royalties and other operating income	8,322	1.9%	8,813	2.3%	(491)	(5.6)%
Operating income	53,106	12.1%	48,424	12.4%	4,682	9.7%
Interest expense, net	6,917	1.6%	9,072	2.3%	(2,155)	(23.8)%
Loss on repurchase of senior secured notes	9,143	2.1%	8,248	2.1%	895	10.9%
Earnings from continuing operations before income taxes	37,046	8.5%	31,104	8.0%	5,942	19.1%
Income taxes	14,016	3.2%	10,524	2.7%	3,492	33.2%
Earnings from continuing operations	23,030	5.3%	20,580	5.3%	2,450	11.9%
Earnings from discontinued operations, net of taxes			124	NM	(124)	NM
Net earnings	$ 23,030	NM	$ 20,704	NM	$ 2,326	NM

The discussion and tables below compare certain line items included in our statements of earnings for the first half of fiscal 2012 to the first half of fiscal 2011. Each dollar and percentage change provided reflects the change between these periods unless indicated otherwise. Each dollar and share amount included in the tables is in thousands except for per share amounts.

Net Sales

	First Half			
	Fiscal 2012	Fiscal 2011	$ Change	% Change
Tommy Bahama	$ 268,597	$ 232,046	$ 36,551	15.8%
Lilly Pulitzer	66,536	54,696	11,840	21.6%
Ben Sherman	37,453	40,314	(2,861)	(7.1)%
Lanier Clothes	57,815	55,915	1,900	3.4%
Corporate and Other	7,481	5,983	1,498	25.0%
Total net sales	$ 437,882	$ 388,954	$ 48,928	12.6%

Consolidated net sales increased $48.9 million, or 12.6%, in the first half of fiscal 2012 compared to the first half of fiscal 2011 primarily due to the increase in net sales at Tommy Bahama and Lilly Pulitzer, each as discussed below.

Tommy Bahama:

The 15.8% increase in net sales for Tommy Bahama was primarily driven by increased sales in both the direct to consumer and wholesale distribution channels with the largest percentage increase in the direct to consumer business. The increased sales in the direct to consumer business resulted from a high single digit increase in comparable full-price retail store sales for the first half of fiscal 2012, net sales at the additional retail stores operated during fiscal 2012 and a significant increase in e-commerce sales. Tommy Bahama unit sales increased by 13.8% due to the higher volume in each distribution channel, and the average selling price per unit increased by 3.2%, primarily as a result of the higher proportion of net sales from the direct to consumer channel of distribution. As of July 28, 2012, Tommy Bahama operated 105 retail stores compared to 90 retail stores as of July 30, 2011.

Table of Contents

Lilly Pulitzer:

The 21.6% increase in net sales for Lilly Pulitzer was driven by increased sales in both the direct to consumer distribution channel, including a low double digit increase in same store retail sales and a significant increase in e-commerce sales, and the wholesale distribution channel. Unit sales increased by 28.8% due to the higher volume in each distribution channel, while the average selling price per unit decreased by 5.5% despite a greater percentage of Lilly Pulitzer sales being direct to consumer sales. The decreased selling price per unit resulted from a change in product mix as sportswear and knit dresses, both of which generally sell at lower price points than woven dresses, represented a greater proportion of the Lilly Pulitzer business. As of July 28, 2012, Lilly Pulitzer operated 17 retail stores compared to 16 retail stores as of July 30, 2011.

Ben Sherman:

Net sales for Ben Sherman decreased by approximately 7.1% in the first half of fiscal 2012 compared to the first half of fiscal 2011. The decrease in net sales for Ben Sherman was primarily driven by a reduction in unit volume of 16.7% primarily attributable to the difficult economic conditions in the United Kingdom and Europe and our exit from certain moderate wholesale accounts in the United Kingdom. The reduction in units sold was partially offset by an increase in the average selling price per unit of 11.5%. The increase in average selling price per unit was primarily due to (1) a greater proportion of Ben Sherman s sales being retail sales, which generally have higher selling prices, and (2) our strategy to improve the distribution of the brand in the United Kingdom by exiting certain moderate wholesale accounts and increasing product prices, which were partially offset by an unfavorable foreign currency translation impact resulting from a 2.5% change in average exchange rates between the two periods.

Lanier Clothes:

Net sales for Lanier Clothes increased by 3.4%. The average selling price per unit increased by 7.6% as a result of the change in sales mix as our branded tailored clothing products, which typically have a higher average selling price than our private label products, represented a greater percentage of net sales for Lanier Clothes. A decrease in unit sales of 3.9% was primarily driven by the decreased unit sales in the private label businesses, which was partially offset by an increase in unit sales of branded tailored clothing products.

Corporate and Other:

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 half of fiscal 2012.

Gross Profit

	First Half			
	Fiscal 2012	Fiscal 2011	$ Change	% Change
Gross profit	$ 247,494	$ 220,597	$ 26,897	12.2%
Gross margin (gross profit as a % of net sales)	56.5%	56.7%		
LIFO credits included in gross profit	$ (35)	$ (214)		
Purchase accounting charge related to write-up of acquired inventory included in gross profit	$	$ 996		

The 12.2% increase in gross profit in the first half of fiscal 2012 compared to the first half of fiscal 2011 was primarily due to the 12.6% increase in net sales, as discussed above. The first half of fiscal 2012 experienced a decrease in gross margins primarily resulting from product cost increases and competitive factors impacting gross margins in Lanier Clothes subsequent to the first half of fiscal 2011, which were partially offset by changes in our consolidated sales mix and the first half of fiscal 2012 not including any purchase accounting charges. During the first half of fiscal 2012, the changes in sales mix included an increased proportion of sales being sales of the higher gross margin Tommy Bahama and Lilly Pulitzer brands and an increased proportion of sales consisting of sales from the higher gross margin direct to consumer businesses rather than wholesale sales.

We believe that certain of the year-over-year gross margin pressures impacting our operating groups will begin to ease in the second half of fiscal 2012 as the impact of certain of the higher product costs experienced during the second half of fiscal 2011 and the first half of fiscal 2012 are expected to moderate. However, we expect that certain competitive factors impacting Lanier Clothes and Ben Sherman will continue into the second half of fiscal 2012. Our gross profit may not be directly comparable to those of our competitors, as statement of earnings classification of certain expenses may vary by company.

Table of Contents

SG&A

	First Half			
	Fiscal 2012	Fiscal 2011	$ Change	% Change
SG&A	$ 201,510	$ 179,786	$ 21,724	12.1%
SG&A (as % of net sales)	46.0%	46.2%		

The increase in SG&A was primarily due to (1) the incremental SG&A in the first half of fiscal 2012 associated with operating additional Tommy Bahama and Lilly Pulitzer retail stores, (2) certain infrastructure, pre-opening retail store rent and other costs related to the Tommy Bahama international expansion, (3) higher SG&A to support the growing Tommy Bahama and Lilly Pulitzer businesses and (4) the rent charge associated with our Tommy Bahama New York location, which in accordance with U.S. GAAP is required to be recognized as an ongoing expense of the store at the time we took possession of the space. The first half of fiscal 2012 included charges of approximately $6.5 million related to the Tommy Bahama international expansion and the Tommy Bahama New York store SG&A. As a percentage of net sales, SG&A benefitted from leveraging, as our net sales increased at a greater rate than the increase in SG&A, as certain SG&A costs do not fluctuate with sales levels. SG&A for both the first half of fiscal 2012 and the first half of fiscal 2011 included charges of $0.5 million and $0.6 million, respectively, related to the amortization of intangible assets.

Change in fair value of contingent consideration

	First Half	
	Fiscal 2012	Fiscal 2011