

ICONIX BRAND GROUP, INC.
Form 10-Q
May 09, 2014

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 March 31, 2014**

OR

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period From _____ to _____.**

Commission file number 0-10593

ICONIX BRAND GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of	11-2481903 (I.R.S. Employer
incorporation or organization)	Identification No.)
1450 Broadway, New York, NY (Address of principal executive offices)	10018 (Zip Code)
(212) 730-0030	
(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 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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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.

Common Stock, \$.001 Par Value 45,800,307 shares as of May 2, 2014.

Part I. Financial Information

Item 1. Financial Statements

Iconix Brand Group, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(in thousands, except par value)

	March 31, 2014	December 31, 2013
	(unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 152,099	\$ 278,789
Restricted cash - current	57,258	58,858
Accounts receivable, net	117,800	101,190
Deferred income tax assets	4,511	4,160
Other assets - current	27,107	33,631
Total Current Assets	358,775	476,628
Property and equipment:		
Furniture, fixtures and equipment	21,518	21,197
Less: Accumulated depreciation	(13,060)	(12,360)
	8,458	8,837
Other Assets:		
Other assets	36,810	23,630
Trademarks and other intangibles, net	2,064,174	1,955,644
Deferred financing costs, net	23,700	25,103
Investments and joint ventures	122,038	139,376
Goodwill	232,091	230,976
	2,478,813	2,374,729
Total Assets	\$ 2,846,046	\$ 2,860,194
Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 28,430	\$ 30,482
Deferred revenue	39,374	29,126
Current portion of long-term debt	61,250	61,250
Other liabilities - current	7,000	7,000
Total current liabilities	136,054	127,858

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Deferred income tax liability	283,357	260,605
Long-term debt, less current maturities	1,357,834	1,366,069
Deferred revenue, net of current portion		724
Other liabilities	12,538	2,996
Total Liabilities	1,789,783	1,758,252
Redeemable Non-Controlling Interest	13,687	
Commitments and contingencies		
Stockholders' Equity		
Common stock, \$.001 par value shares authorized 150,000; shares issued 77,877 and 77,048, respectively	78	77
Additional paid-in capital	915,240	910,145
Retained earnings	717,645	657,877
Accumulated other comprehensive loss	16,198	16,486
Less: Treasury stock 29,093 and 25,920 shares at cost, respectively	(722,809)	(599,816)
Total Iconix Brand Group, Inc. Stockholders' Equity	926,352	984,769
Non-controlling interest	116,224	117,173
Total Stockholders' Equity	1,042,576	1,101,942
Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity	\$ 2,846,046	\$ 2,860,194

See Notes to Unaudited Condensed Consolidated Financial Statements.

Unaudited Condensed Consolidated Income Statements

(in thousands, except earnings per share data)

	Three Months Ended March 31,	
	2014	2013
Licensing and other revenue	\$ 116,138	\$ 105,062
Selling, general and administrative expenses	48,202	38,826
Operating income	67,936	66,236
Other (income) expenses:		
Interest expense	21,156	14,195
Interest and other income	(38,494)	(328)
Equity earnings on joint ventures	(3,122)	(1,936)
Other (income) expenses net	(20,460)	11,931
Income before income taxes	88,396	54,305
Provision for income taxes	25,554	15,031
Net income	\$ 62,842	\$ 39,274
Less: Net income attributable to non-controlling interest	\$ 3,074	\$ 5,085
Net income attributable to Iconix Brand Group, Inc.	\$ 59,768	\$ 34,189
Earnings per share:		
Basic	\$ 1.21	\$ 0.53
Diluted	\$ 1.03	\$ 0.51
Weighted average number of common shares outstanding:		
Basic	49,522	64,208
Diluted	58,051	66,692

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Comprehensive Income**(in thousands)**

	Three Months Ended March 31,	
	2014	2013
Net income	\$ 62,842	\$ 39,274
Other comprehensive loss:		
Foreign currency translation	(288)	(11,434)
Total other comprehensive loss	(288)	(11,434)
Comprehensive income	\$ 62,554	\$ 27,840
Less: comprehensive income attributable to non-controlling interest	3,074	5,085
Comprehensive income attributable to Iconix Brand Group, Inc.	\$ 59,480	\$ 22,755

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statement of Stockholders' Equity

Three Months Ended March 31, 2014

(in thousands)

	Additional		Accumulated			Non-Controlling Interest	Total	
	Common Shares	Stock Amount	Paid-In Capital	Retained Earnings	Comprehensive Loss			Treasury Stock
Balance at January 1, 2014	77,048	\$ 77	\$ 910,145	\$ 657,877	\$ 16,486	\$ (599,816)	\$ 117,173	\$ 1,101,942
Shares issued on exercise of stock options and warrants	125		1,861					1,861
Shares issued on vesting of restricted stock	704	1						1
Tax benefit of stock option exercises			898					898
Compensation expense in connection with restricted stock and stock options			2,515					2,515
Shares repurchased on the open market						(109,422)		(109,422)
Cost of shares repurchased on vesting of restricted stock and exercise of stock options						(13,571)		(13,571)
Change in redemption value of redeemable non-controlling interest			(179)					(179)
Net income				59,768			3,074	62,842
Foreign currency translation					(288)			(288)
Distributions to non-controlling							(4,023)	(4,023)

interest holders

Balance at

March 31, 2014	77,877	\$ 78	\$ 915,240	\$ 717,645	\$ 16,198	\$ (722,809)	\$ 116,224	\$ 1,042,576
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See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Cash Flows

(in thousands)

	Year Ended March 31, 2014	Year Ended March 31, 2013
Cash flows from operating activities:		
Net income	\$ 62,842	\$ 39,274
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	695	615
Amortization of trademarks and other intangibles	1,495	1,874
Amortization of deferred financing costs	1,403	832
Amortization of convertible note discount	7,078	3,614
Stock-based compensation expense	2,515	1,895
Non-cash gain on re-measurement of equity investment	(37,893)	
Provision for doubtful accounts	1,000	1,100
Earnings on equity investments in joint ventures	(3,122)	(1,936)
Distributions from equity investments	997	2,102
Deferred income tax provision	19,733	7,001
Changes in operating assets and liabilities, net of business acquisitions:		
Accounts receivable	(12,346)	(27,233)
Other assets - current	3,123	(1,484)
Other assets	(9,171)	1,866
Deferred revenue	8,351	13,981
Accounts payable, accrued expenses and other liabilities	7,040	12,111
Net cash provided by operating activities	53,740	55,612
Cash flows used in investing activities:		
Purchases of property and equipment	(315)	(117)
Acquisition of interest in Buffalo		(76,500)
Acquisition of Lee Cooper		(66,667)
Acquisition of interest in Iconix Latin America	(42,000)	
Proceeds from sale of trademarks		7,300
Additional investments in joint ventures	(22)	(37)
Additions to trademarks	(213)	(81)
Net cash used in investing activities	(42,550)	(136,102)
Cash flows (used in) provided by financing activities:		
Shares repurchased on the open market	(109,422)	(158,922)
Proceeds from long-term debt		392,000
Proceeds from sale of warrants		57,707
Payment for purchase of convertible note hedge		(84,106)
Payment of long-term debt	(15,313)	(2,500)

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Deferred financing costs		(113)
Distributions to non-controlling interest holders	(4,023)	(212)
Excess tax benefit from share-based payment arrangements	898	
Shares repurchased on vesting of restricted stock and exercise of stock options	(13,571)	(2,086)
Proceeds from exercise of stock options and warrants	1,861	122
Restricted cash - current	1,600	(45,172)
Net cash provided by (used in) financing activities	(137,970)	156,718
Effect of exchange rate changes on cash	90	(161)