

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-01-11** | Period of Report: **1995-11-30**
SEC Accession No. **0000950123-96-000090**

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FILER

NAUTICA ENTERPRISES INC

CIK: **93736** | IRS No.: **952431048** | State of Incorporation: **DE** | Fiscal Year End: **0228**
Type: **10-Q** | Act: **34** | File No.: **000-06708** | Film No.: **96502874**
SIC: **2320** Men's & boys' furnishgs, work clothg, & allied garments

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40 W 57TH STREET
NEW YORK NY 10019

Business Address
40 WEST 57TH STREET
NEW YORK NY 10019
2125415990

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

/x/ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended November 30, 1995 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 0-6708

Nautica Enterprises, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware 95-2431048

(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

40 West 57th Street, New York, N.Y. 10019

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code (212) 541-5990

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

APPLICABLE ONLY TO ISSUERS INVOLVED IN
BANKRUPTCY PROCEEDINGS DURING THE
PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares of Common Stock outstanding as of January 9, 1996 was 19,885,065

NAUTICA ENTERPRISES, INC. AND SUBSIDIARIES

NOVEMBER 30, 1995
(Unaudited)

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NAUTICA ENTERPRISES, INC, AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

<TABLE>

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ASSETS

	November 30, 1995	February 28, 1995
	-----	-----
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Current assets:		
Cash and cash equivalents	\$ 54,205,960	\$ 49,153,556
Accounts receivable - net	52,366,910	37,362,801
Inventories (Note 3)	52,588,809	48,876,065
Prepaid expenses and other current assets	3,472,115	5,389,979
Deferred tax benefit	2,511,279	2,511,279
	-----	-----
Total current assets	165,145,073	143,293,680
Property, plant and equipment, net of accumulated depreciation and amortization	27,015,069	18,759,795
Other assets (Note 4)	8,823,545	6,302,031
	-----	-----
	\$ 200,983,687	\$ 168,355,506
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Current maturities of long-term debt	\$ 50,000	\$ 50,000
Accounts payable	12,157,901	12,534,381
Accrued expenses and other current liabilities	20,232,477	15,631,659
Income taxes payable	4,569,461	589,115
	-----	-----
Total current liabilities	37,009,839	28,805,155
Long-term debt - net	200,000	250,000

Stockholders' equity:
Preferred stock - par value \$.01, authorized,
2,000,000 shares; no shares issued
Common stock - par value \$.10, authorized,

20,000,000 shares; issued 20,661,012 shares at November 30, 1995 and 20,416,110 shares at February 28, 1995	2,066,101	2,041,611
Additional paid-in capital	53,918,594	53,079,214
Retained earnings	108,339,713	84,730,086
	-----	-----
	164,324,408	139,850,911
Less:		
Common stock in treasury - at cost 785,035 shares at November 30, 1995 and February 28, 1995	550,560	550,560
	-----	-----
Total stockholders' equity	163,773,848	139,300,351
	-----	-----
	\$ 200,983,687	\$ 168,355,506
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

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NAUTICA ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)

<TABLE>
<CAPTION>

	Nine Months Ended November 30,		Three Months Ended November 30,	
	1995	1994	1995	1994
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net Sales	\$ 232,821,187	\$ 194,817,341	\$ 90,818,599	\$ 86,977,771
	-----	-----	-----	-----
Cost and expenses:				
Cost of goods sold	129,442,235	110,606,475	49,591,128	49,543,998
Designing, selling, shipping, general and administrative expenses	67,305,834	57,192,314	22,602,866	22,126,494
	-----	-----	-----	-----
	196,748,069	167,798,789	72,193,994	71,670,492
	-----	-----	-----	-----
Earnings from operations	36,073,118	27,018,552	18,624,605	15,307,279
	-----	-----	-----	-----
Other income (Expense):				
Interest income	1,771,639	1,267,483	501,307	431,756
Royalty and licensing income, net	1,504,624	662,033	717,363	276,328
Other	0	(736,458)	0	0
	-----	-----	-----	-----
	3,276,263	1,193,058	1,218,670	708,084
	-----	-----	-----	-----
Earnings before provision for income taxes	39,349,381	28,211,610	19,843,275	16,015,363
	-----	-----	-----	-----
Provision for income taxes	15,739,754	10,577,470	7,937,306	6,514,052
	-----	-----	-----	-----
Net earnings	\$ 23,609,627	\$ 17,634,140	\$ 11,905,969	\$ 9,501,311
	=====	=====	=====	=====
Earnings per share of common stock	\$ 1.11	\$ 0.85	\$ 0.56	\$ 0.46
	=====	=====	=====	=====
Weighted average number of shares of common stock outstanding	21,301,879	20,823,095	21,327,595	20,838,095
	=====	=====	=====	=====
Cash dividends per common share	none	none	none	none
	=====	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

NAUTICA ENTERPRISES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

<TABLE>
 <CAPTION>

	Nine Months Ended November 30,	
	1995	1994
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings	\$ 23,609,627	\$ 17,634,140
	-----	-----
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	3,331,869	2,494,052
Increase (decrease) in cash flows as a result of changes in asset and liability account balances:		
Accounts receivable	(15,004,109)	(19,349,148)
Inventories	(3,712,744)	(8,832,301)
Prepaid expenses and other current assets	1,917,864	630,593
Other assets	(281,408)	(267,871)
Accounts payable	(376,480)	5,364,012
Accrued expenses and other current liabilities	4,600,818	4,826,901
Income taxes payable	3,980,346	1,533,451
	-----	-----
Total adjustments	(5,543,844)	(13,600,311)
	-----	-----
Net cash provided by operating activities	18,065,783	4,033,829
	-----	-----
Cash flows from investing activities:		
Purchase of property, plant and equipment	(11,327,249)	(3,078,182)
Long-Term investment	(2,500,000)	(2,500,000)
	-----	-----
Net Cash used in investing activities	(13,827,249)	(5,578,182)
	-----	-----
Cash flows from financing activities:		
Principal payments on long-term debt	(50,000)	(50,000)
Proceeds from issuance of common stock under stock options	863,870	260,861
	-----	-----
Net cash provided by financing activities	813,870	210,861
	-----	-----
Increase (decrease) in cash and cash equivalents	5,052,404	(1,333,492)
Cash and cash equivalents at beginning of period	49,153,556	44,854,155
	-----	-----
Cash and cash equivalents at end of period	\$ 54,205,960	\$ 43,520,663
	=====	=====
Supplemental Information:		
Cash payments for the periods ended:		
Interest expense	\$ 49,896	\$ 42,736
	=====	=====
Income taxes	\$ 12,602,820	\$ 9,485,576
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

NAUTICA ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 1995
(Unaudited)

- NOTE 1 - The accompanying financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These statements include all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation of financial position and results of operations. The financial statements included herein should be read in conjunction with the financial statements and notes thereto included in the latest annual report on Form 10-K.
- NOTE 2 - The results of operations for the nine month and three month periods ended November 30, 1995 and 1994 are not necessarily indicative of the results to be expected for the full year.
- NOTE 3 - The Company utilized the last-in, first-out "Lifo" method for inventories as of November 30, 1995 and February 28, 1995 and for the nine and three month periods ended November 30, 1995 and 1994. The "Lifo" inventory for the nine and three month periods ended November 30, 1995 and 1994 are based upon end of year estimates. Inventories at November 30, 1995 and February 28, 1995 consist primarily of finished goods.
- NOTE 4 - Included in other assets (non-current) at November 30, 1995 are long-term investments of \$5,000,000. The investments are carried at cost which approximates market value at November 30, 1995.

NAUTICA ENTERPRISES, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NOVEMBER 30, 1995
(Unaudited)

RESULTS OF OPERATIONS

For the Nine Months Ended November 30, 1995:

Consolidated net sales increased 19.5% to \$232.8 million in the nine months ended November 30, 1995 as compared to \$194.8 million in the comparable prior year period. This increase is due primarily to increased sales of Nautica products through its wholesale and retail operations. Nautica's wholesale sales increased primarily due to the expansion of Nautica's shop-within-a-store program, sales to new retail customers and to additional retail locations of existing customers, and the continued growth of the basic stock replenishment program for the Anchor group of Nautica products. The increase in Nautica's wholesale sales is primarily due to increased unit volume rather than price increases. The increase in retail sales is attributable to the opening of new stores and to an increase in comparable store sales.

Consolidated gross profit increased in the nine months ended November

30, 1995 to 44.4% of net sales, as compared to 43.2% in the comparable prior year period. The net increase resulted primarily from a shift in sales mix to higher margin products and to an increase in retail operations.

Designing, selling, shipping and general and administrative expenses as a percentage of net sales decreased to 28.9% in the nine months ended November 30, 1995 as compared to 29.4% in the comparable prior year period. The net decrease, as a percentage of sales, resulted from economies of scale achieved with sales growth.

Net royalty income increased \$843,000 in the nine months ended November 30, 1995 as compared to the comparable prior year period. The increase is a result of increased royalty revenue from new and existing licensees.

Interest income increased approximately \$504,000 in the nine months ended November 30, 1995 as compared to the comparable prior year period due to higher average cash balances during the period and to an increase in the rate of return on investments. In the prior year period other expense of \$736,000 represents a write-off of costs associated with the Company's evaluation of its warehouse and distribution facilities location.

The provision for income taxes increased to 40.0% of earnings before income taxes for the nine month period ended November 30, 1995 as compared to 37.5% in the comparable prior year period. The prior year's rate was unusually low due to tax relief provided by the State of Maine which reduced the corporate tax rate and to the inclusion of a one time refund of taxes previously paid.

Net earnings increased approximately 34% to \$23.6 million in the nine months ended November 30, 1995 from \$17.6 million in the comparable prior year period as a result of the factors discussed above.

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For the Three Months Ended November 30, 1995:

Consolidated net sales increased 4.4% to \$90.8 million in the three months ended November 30, 1995 as compared to \$87.0 million in the comparable prior year period. This increase is due primarily to increased sales of Nautica products through its wholesale and retail operations. Nautica's wholesale sales increased primarily due to the expansion of Nautica's shop-within-a-store program, sales to new retail customers and to additional retail locations of existing customers, and the continued growth of the basic stock replenishment program for the Anchor group of Nautica products. These increases were offset by the discontinued lower margin Christian Dior business which experienced 70% of its sales volume in the third quarter of the prior year. The increase in Nautica's wholesale sales is primarily due to increased unit volume rather than price increases. The increase in retail sales is attributable to the opening of new stores and to an increase in comparable store sales.

Consolidated gross profit increased in the three months ended November 30, 1995 to 45.4% of net sales, as compared to 43.0% in the comparable prior year period. The net increase resulted primarily from a shift in sales mix to higher margin products and to an increase in retail operations.

Designing, selling, shipping and general and administrative expenses, as a percentage of net sales decreased to 24.9% in the three months ended November 30, 1995 as compared to 25.4% in the comparable prior year period. The net decrease resulted primarily from economies of scale achieved with sales growth.

Net royalty income increased \$441,000 in the three months ended November 30, 1995 as compared to the comparable prior year period. The increase is a result of increased royalty revenue from new and existing licensees. Interest income remained relatively constant during the period.

The provision for income taxes decreased to 40.0% of earnings before income taxes for the three month period ended November 30, 1995 as compared to 40.7% in the comparable prior year period. The decrease is primarily due to a lower estimated effective state tax rate in the current year.

Net earnings increased approximately 25% to \$11.9 million in the three months ended November 30, 1995 from \$9.5 million in the comparable prior year period as a result of the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended November 30, 1995 the Company generated cash from operating activities of \$18.1 million principally from net earnings. Increases in inventories of \$3.7 million and accounts receivable of \$15.0 million, resulting from increased sales levels, were financed by cash generated from net earnings and from increases primarily in accrued expenses. During the nine months ended November 30, 1994 the Company generated cash from its operating activities of \$4.0 million principally from net earnings. Increases in inventories of 8.8 million and accounts receivable of \$19.3 million, resulting from increased sales levels, were financed by cash generated from net earnings and increases primarily in accounts payable and accrued expenses.

During the nine months ended November 30, 1995 the Company's principal investing activities related to the expansion of the Company's warehouse and distribution facilities and the continued expansion of retail shops. The expected cost of the expansion is approximately \$14.0 million. The Company will utilize its existing cash and lines of credit during construction and will consider financing alternatives for the project following its completion. At November 30, 1995 there were no other material commitments for capital expenditures.

The Company has \$80.0 million in lines of credit with two commercial banks available for short-term borrowings and letters of credit. These lines are collateralized by wholesale inventory and accounts receivable. At November 30, 1995 letters of credit outstanding under the lines were \$26.5 million and there were no short-term borrowings outstanding.

INFLATION AND CURRENCY FLUCTUATIONS

The Company believes that inflation and the effect of fluctuations of the Dollar against foreign currencies has not had a material effect on the cost of imports or the Company's results of operations.

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PART II

OTHER INFORMATION

Items I through 9. - All items are inapplicable except:

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit 27. Financial Data Schedule

(b) Reports on Form 8-K. None

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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.

NAUTICA ENTERPRISES, INC.

By: Harvey Sanders

Harvey Sanders
Chairman of the Board
and President

Date: January 11, 1996

By: Neal S. Nackman

Neal S. Nackman
V.P. Finance and
Principal Financial Officer

Date: January 11, 1996

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EXHIBIT INDEX

Exhibit 27

Financial Data Schedule

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<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENTS OF THE COMPANY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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