

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 October 31, 2023

☐ 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: 1-16497

MOVADO GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

New York  
(State or Other Jurisdiction  
of Incorporation or Organization)

650 From Road, Ste. 375  
Paramus, New Jersey  
(Address of Principal Executive Offices)

13-2595932  
(IRS Employer  
Identification No.)

07652-3556  
(Zip Code)

(201) 267-8000  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	MOV	New York Stock Exchange

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 that past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐  
Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares outstanding of the registrant's Common Stock and Class A Common Stock as of November 27, 2023 were 15,596,895 and 6,483,116 respectively.

**MOVADO GROUP, INC.**  
**Index to Quarterly Report on Form 10-Q**  
**October 31, 2023**

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**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**MOVADO GROUP, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share amounts)  
(Unaudited)

	October 31, 2023	January 31, 2023	October 31, 2022
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 200,965	\$ 251,584	\$ 186,665
Trade receivables, net	135,523	94,282	135,566
Inventories	171,966	186,203	215,006
Other current assets	18,856	24,212	18,664
Income taxes receivable	11,135	10,908	7,978
Total current assets	538,445	567,189	563,879
Property, plant and equipment, net	19,458	18,699	18,207
Operating lease right-of-use assets	84,212	80,897	74,918
Deferred and non-current income taxes	44,814	44,490	44,288
Other intangibles, net	7,688	9,642	9,818
Other non-current assets	68,780	66,788	64,570
Total assets	\$ 763,397	\$ 787,705	\$ 775,680
<b>LIABILITIES AND EQUITY</b>			
Current liabilities:			
Accounts payable	\$ 22,998	\$ 32,085	\$ 40,884
Accrued liabilities	57,165	46,720	66,894
Accrued payroll and benefits	10,317	17,343	15,581
Current operating lease liabilities	15,885	17,681	16,779
Income taxes payable	20,024	28,591	25,457
Total current liabilities	126,389	142,420	165,595
Deferred and non-current income taxes payable	7,966	15,163	15,639
Non-current operating lease liabilities	76,929	70,910	65,164
Other non-current liabilities	49,195	48,668	45,735
Total liabilities	260,479	277,161	292,133
Commitments and contingencies (Note 8)			
Redeemable noncontrolling interest	—	—	2,433
Equity:			
Preferred Stock, \$0.01 par value, 5,000,000 shares authorized; no shares issued	—	—	—
Common Stock, \$0.01 par value, 100,000,000 shares authorized; 28,879,497, 28,806,511 and 28,783,101 shares issued and outstanding, respectively	289	288	287
Class A Common Stock, \$0.01 par value, 30,000,000 shares authorized; 6,483,116, 6,524,805 and 6,524,805 shares issued and outstanding, respectively	64	65	65
Capital in excess of par value	236,438	230,782	227,997
Retained earnings	465,919	476,752	461,789
Accumulated other comprehensive income	81,727	81,295	66,196
Treasury Stock, 13,282,860, 13,194,339 and 13,090,839 shares, respectively, at cost	(283,998)	(281,576)	(278,313)
Total Movado Group, Inc. shareholders' equity	500,439	507,606	478,021
Noncontrolling interest	2,479	2,938	3,093
Total equity	502,918	510,544	481,114
Total liabilities, redeemable noncontrolling interest and equity	\$ 763,397	\$ 787,705	\$ 775,680

**See Notes to Consolidated Financial Statements**

**MOVADO GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share amounts)  
(Unaudited)

	<b>Three Months Ended October 31,</b>		<b>Nine Months Ended October 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net sales	\$ 187,686	\$ 211,397	\$ 492,981	\$ 557,625
Cost of sales	85,358	90,370	219,364	232,986
Gross profit	102,328	121,027	273,617	324,639
Selling, general and administrative	81,636	82,756	232,378	230,417
Operating income	20,692	38,271	41,239	94,222
Non-operating income/(expense):				
Other income, net	1,632	422	4,194	704
Interest expense	(135)	(143)	(361)	(356)
Income before income taxes	22,189	38,550	45,072	94,570
Provision for income taxes (Note 9)	4,519	8,439	9,938	20,868
Net income	17,670	30,111	35,134	73,702
Less: Net income attributable to noncontrolling interests	281	825	568	1,900
Net income attributable to Movado Group, Inc.	<u>\$ 17,389</u>	<u>\$ 29,286</u>	<u>\$ 34,566</u>	<u>\$ 71,802</u>
<b>Basic income per share:</b>				
Weighted basic average shares outstanding	22,209	22,379	22,222	22,590
Net income per share attributable to Movado Group, Inc.	\$ 0.78	\$ 1.31	\$ 1.56	\$ 3.18
<b>Diluted income per share:</b>				
Weighted diluted average shares outstanding	22,677	22,794	22,641	23,044
Net income per share attributable to Movado Group, Inc.	\$ 0.77	\$ 1.28	\$ 1.53	\$ 3.12

See Notes to Consolidated Financial Statements

**MOVADO GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(In thousands)  
(Unaudited)

	<b>Three Months Ended October 31,</b>		<b>Nine Months Ended October 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Net income</b>	\$ 17,670	\$ 30,111	\$ 35,134	\$ 73,702
<b>Other comprehensive (loss)/income:</b>				
Net unrealized (loss)/gain on investments, net of tax (benefit)/provision of (\$3), \$8, (\$13) and \$3, respectively	(9)	23	(38)	9
Amortization of prior service cost, net of tax provision of \$4, \$3, \$12 and \$11, respectively	15	13	45	41
Foreign currency translation adjustments	(10,066)	(8,339)	256	(18,870)
Cash flow hedges:				
Accumulated other comprehensive income/(loss) before reclassification, net of tax provision/(benefit) of \$56, (\$17), \$51 and \$376, respectively	284	(87)	260	1,902
Amounts reclassified from accumulated other comprehensive (loss)/income, net of tax (benefit) of (\$61), (\$225), (\$18) and (\$431), respectively	(307)	(1,138)	(91)	(2,181)
Total other comprehensive (loss)/income, net of taxes	(10,083)	(9,528)	432	(19,099)
<b>Less:</b>				
<b>Comprehensive income/(loss) attributable to noncontrolling interests:</b>				
Net income	281	825	568	1,900
Foreign currency translation adjustments	(136)	(319)	(247)	(652)
Total comprehensive income attributable to noncontrolling interests	\$ 145	\$ 506	\$ 321	\$ 1,248
<b>Total comprehensive income attributable to Movado Group, Inc.</b>	<u>\$ 7,442</u>	<u>\$ 20,077</u>	<u>\$ 35,245</u>	<u>\$ 53,355</u>

See Notes to Consolidated Financial Statements

**MOVADO GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	<b>Nine Months Ended October 31,</b>	
	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Net income	\$ 35,134	\$ 73,702
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	7,278	8,218
Transactional losses/(gains)	204	(180)
Provision for inventories and accounts receivable	3,803	4,150
Deferred income taxes	(2,032)	(993)
Stock-based compensation	5,529	4,246
Other	754	190
Changes in assets and liabilities:		
Trade receivables	(42,027)	(49,967)
Inventories	10,758	(66,150)
Other current assets	4,107	(2,712)
Accounts payable	(7,492)	(3,470)
Accrued liabilities	12,336	19,582
Accrued payroll and benefits	(7,039)	(9,190)
Income taxes receivable	(4,494)	9,494
Income taxes payable	(10,014)	(6,444)
Other non-current assets	1,293	(4,599)
Other non-current liabilities	(730)	474
Net cash provided by/(used in) operating activities	7,368	(23,649)
Cash flows from investing activities:		
Capital expenditures	(6,627)	(4,703)
Long-term investments	(2,040)	(2,716)
Trademarks and other intangibles	(113)	(175)
Net cash used in investing activities	(8,780)	(7,594)
Cash flows from financing activities:		
Dividends paid	(45,399)	(23,600)
Stock repurchases	(2,349)	(28,150)
Distribution of noncontrolling interest earnings	(780)	—
Stock awards and options exercised and other changes	(73)	(80)
Other	—	(85)
Net cash used in financing activities	(48,601)	(51,915)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(377)	(7,349)
Net decrease in cash, cash equivalents and restricted cash	(50,390)	(90,507)
Cash, cash equivalents, and restricted cash at beginning of year	252,179	277,716
Cash, cash equivalents, and restricted cash at end of period	\$ 201,789	\$ 187,209
<b>Reconciliation of cash, cash equivalents, and restricted cash:</b>		
Cash and cash equivalents	\$ 200,965	\$ 186,665
Restricted cash included in other non-current assets	824	544
Cash, cash equivalents, and restricted cash	\$ 201,789	\$ 187,209

See Notes to Consolidated Financial Statements

**MOVADO GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying interim unaudited Consolidated Financial Statements have been prepared by Movado Group, Inc. (the “Company”), in a manner consistent with that used in the preparation of the annual audited Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended January 31, 2023 (the “2023 Annual Report on Form 10-K”). The unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the unaudited Consolidated Financial Statements and the reported amounts of revenues and expenses during the periods reported. Actual results could differ from those estimates. In the opinion of management, the accompanying unaudited Consolidated Financial Statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair statement of the financial position and results of operations for the periods presented. The consolidated balance sheet data at January 31, 2023 is derived from the audited annual financial statements, which are included in the Company’s 2023 Annual Report on Form 10-K and should be read in connection with these interim unaudited financial statements. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the full year.

**NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS**

The Company has reviewed all recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a material impact on the Consolidated Financial Statements or related disclosures.

**NOTE 3 – EARNINGS PER SHARE AND CASH DIVIDENDS**

The Company presents net income attributable to Movado Group, Inc. after adjusting for noncontrolling interests, as applicable, per share on a basic and diluted basis. Basic earnings per share is computed using weighted-average shares outstanding during the period. Diluted earnings per share is computed using the weighted-average number of shares outstanding adjusted for dilutive common stock equivalents.

The number of shares used in calculating basic and diluted earnings per share is as follows (in thousands):

	<u>Three Months Ended October 31,</u>		<u>Nine Months Ended October 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Weighted average common shares outstanding:				
Basic	22,209	22,379	22,222	22,590
Effect of dilutive securities:				
Stock awards and options to purchase shares of common stock	468	415	419	454
Diluted	<u>22,677</u>	<u>22,794</u>	<u>22,641</u>	<u>23,044</u>

For the three months ended October 31, 2023 and 2022, approximately 497,000 and 433,000, respectively, of potentially dilutive common stock equivalents were excluded from the computation of diluted earnings per share because their effect would have been antidilutive. For the nine months ended October 31, 2023 and 2022, approximately 671,000 and 270,000, respectively, of potentially dilutive common stock equivalents were excluded from the computation of diluted earnings per share because their effect would have been antidilutive.

On August 24, 2023, the Company declared a quarterly cash dividend of \$0.35 per share payable on September 21, 2023, to shareholders of record on September 7, 2023. The total dividend of \$7.8 million was paid on September 21, 2023. On May 25, 2023, the Company declared a quarterly cash dividend of \$0.35 per share payable on June 21, 2023, to shareholders of record on June 7, 2023. The total dividend of \$7.7 million was paid on June 21, 2023. On March 23, 2023, the Company declared a special cash dividend of \$1.00 per share, as well as a quarterly cash dividend of \$0.35 per share, both payable on April 19, 2023, to shareholders of record on April 5, 2023. The total dividends of \$29.9 million were paid on April 19, 2023. The Company paid cash dividends of \$0.35 per share, or \$7.9 million, \$7.9 million and \$7.8 million, during the three months ended April 30, 2022, July 31, 2022 and October 31, 2022, respectively.

#### NOTE 4 – INVENTORIES

Inventories consisted of the following (in thousands):

	October 31, 2023	January 31, 2023	October 31, 2022
Finished goods	\$ 141,109	\$ 154,700	\$ 182,093
Component parts	27,217	28,805	30,192
Work-in-process	3,640	2,698	2,721
	<u>\$ 171,966</u>	<u>\$ 186,203</u>	<u>\$ 215,006</u>

#### NOTE 5 – DEBT AND LINES OF CREDIT

On October 12, 2018, the Company, together with Movado Group Delaware Holdings Corporation, Movado Retail Group, Inc. and Movado LLC (together with the Company, the “U.S. Borrowers”), each a wholly owned domestic subsidiary of the Company, and Movado Watch Company S.A. and MGI Luxury Group S.A., each a wholly owned Swiss subsidiary of the Company, entered into an Amended and Restated Credit Agreement (as subsequently amended, the “Credit Agreement”) with the lenders party thereto and Bank of America, N.A. as administrative agent (in such capacity, the “Agent”). As a result of the merger of Movado Watch Company S.A. into MGI Luxury Group S.A. in July 2022, MGI Luxury Group S.A. (subsequently renamed MGI Luxury Group GmbH as a result of the conversion of its corporate form) became the sole Swiss subsidiary of the Company party to the Credit Agreement (in such capacity, the “Swiss Borrower” and, together with the U.S. Borrowers, the “Borrowers”). The Credit Agreement provides for a \$100.0 million senior secured revolving credit facility (the “Facility”) and has a maturity date of October 28, 2026. The Facility includes a \$15.0 million letter of credit subfacility, a \$25.0 million swingline subfacility and a \$75.0 million sublimit for borrowings by the Swiss Borrower, with provisions for uncommitted increases to the Facility of up to \$50.0 million in the aggregate subject to customary terms and conditions. The Credit Agreement contains affirmative and negative covenants binding on the Company and its subsidiaries that are customary for credit facilities of this type, including, but not limited to, restrictions and limitations on the incurrence of debt and liens, dispositions of assets, capital expenditures, dividends and other payments in respect of equity interests, the making of loans and equity investments, mergers, consolidations, liquidations and dissolutions, and transactions with affiliates (in each case, subject to various exceptions).

The borrowings under the Facility are joint and several obligations of the Borrowers and are also cross-guaranteed by each Borrower, except that the Swiss Borrower is not liable for, nor does it guarantee, the obligations of the U.S. Borrowers. In addition, the Borrowers' obligations under the Facility are secured by first priority liens, subject to permitted liens, on substantially all of the U.S. Borrowers' assets other than certain excluded assets. The Swiss Borrower does not provide collateral to secure the obligations under the Facility.

As of both October 31, 2023, and October 31, 2022, there were no amounts of loans outstanding under the Facility. Availability under the Facility was reduced by the aggregate number of letters of credit outstanding, issued in connection with retail and operating facility leases to various landlords and for Canadian payroll to the Royal Bank of Canada, totaling approximately \$0.3 million at both October 31, 2023 and October 31, 2022. At October 31, 2023, the letters of credit have expiration dates through May 31, 2024. As of both October 31, 2023, and October 31, 2022, availability under the Facility was \$99.7 million.

The Company had weighted average borrowings under the Facility of zero during both the three and nine months ended October 31, 2023 and 2022, respectively.



A Swiss subsidiary of the Company maintains unsecured lines of credit with a Swiss bank that are subject to repayment upon demand. As of October 31, 2023, and 2022, these lines of credit totaled 6.5 million Swiss Francs for both periods, with a dollar equivalent of \$7.1 million and \$6.5 million, respectively. As of October 31, 2023, and 2022, there were no borrowings against these lines. As of October 31, 2023 and 2022, two European banks had guaranteed obligations to third parties on behalf of two of the Company's foreign subsidiaries in the dollar equivalent of \$1.5 million and \$1.1 million, respectively, in various foreign currencies, of which \$0.8 million (\$0.1 million was refunded in November) and \$0.5 million, respectively, was a restricted deposit as it relates to lease agreements.

Cash paid for interest, including unused commitments fees, was \$0.2 million for both the nine-month periods ended October 31, 2023 and October 31, 2022.

#### NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS

The Company addresses certain financial exposures that include the use of derivative financial instruments. The Company enters into foreign currency forward contracts to reduce the effects of fluctuating foreign currency exchange rates. As of October 31, 2023, the Company's net forward contracts hedging portfolio designated as qualified cash flow hedging instruments consisted of 3.0 million Euros equivalent with an expiry date of November 10, 2023. The net gain or loss on the derivatives is reported as a component of accumulated other comprehensive income/(loss) and reclassified into earnings in the same period during which the hedged transaction affects earnings using the same revenue or expense category that the hedged item impacted. The Company also enters into foreign currency forward contracts not designated as qualified hedges in accordance with ASC 815, *Derivatives and Hedging*. As of October 31, 2023, the Company's net forward contracts hedging portfolio not designated as qualified hedges consisted of 20.7 million Chinese Yuan equivalent, 28.0 million Swiss Francs equivalent, 24.7 million U.S. dollars equivalent, 24.6 million Euros equivalent and 5.8 million British Pounds equivalent with various expiry dates ranging through April 4, 2024. Changes in the fair value of these derivatives are recognized in earnings in the period they arise. Net gains or losses related to these forward contracts are included in cost of sales, selling and general and administrative expenses in the Consolidated Statements of Operations. The cash flows related to these foreign currency contracts are classified in operating activities.

The following table presents the fair values of the Company's derivative financial instruments included in the Consolidated Balance Sheets as of October 31, 2023, January 31, 2023 and October 31, 2022 (in thousands):

Asset Derivatives				Liability Derivatives			
Balance Sheet Location	October 31, 2023 Fair Value	January 31, 2023 Fair Value	October 31, 2022 Fair Value	Balance Sheet Location	October 31, 2023 Fair Value	January 31, 2023 Fair Value	October 31, 2022 Fair Value
<b>Derivatives designated as hedging instruments:</b>							
Foreign Exchange Contracts							
Other Current Assets	\$ —	\$ —	\$ 90	Accrued Liabilities	\$ 5	\$ 192	\$ 48
<b>Total Derivative Instruments</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 90</b>		<b>\$ 5</b>	<b>\$ 192</b>	<b>\$ 48</b>

Asset Derivatives				Liability Derivatives			
Balance Sheet Location	October 31, 2023 Fair Value	January 31, 2023 Fair Value	October 31, 2022 Fair Value	Balance Sheet Location	October 31, 2023 Fair Value	January 31, 2023 Fair Value	October 31, 2022 Fair Value
<b>Derivatives not designated as hedging instruments:</b>							
Foreign Exchange Contracts							
Other Current Assets	\$ —	\$ 1,146	\$ 31	Accrued Liabilities	\$ 650	\$ —	\$ 981
<b>Total Derivative Instruments</b>	<b>\$ —</b>	<b>\$ 1,146</b>	<b>\$ 31</b>		<b>\$ 650</b>	<b>\$ —</b>	<b>\$ 981</b>

As of October 31, 2023, January 31, 2023 and October 31, 2022, the balance of net deferred gains on derivative financial instruments designated as cash flow hedges included in accumulated other comprehensive (loss) were (\$2,000), (\$0.2) million and (\$0.1) million, respectively. For the three months ended October 31, 2023, and October 31, 2022, the Company reclassified \$0.3 million and \$1.1 million, respectively, from accumulated other comprehensive income to Net sales in the Consolidated Statements of Operations. For the nine months ended October 31, 2023, and October 31, 2022, the Company reclassified \$0.1 million and \$2.2 million,

respectively, from accumulated other comprehensive income to Net sales in the Consolidated Statements of Operations. No ineffectiveness has been recorded for the three and nine months ended October 31, 2023.

See Note 7 - Fair Value Measurements for fair value and presentation in the Consolidated Balance Sheets for derivatives.

## NOTE 7 – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting guidance establishes a fair value hierarchy which prioritizes the inputs used in measuring fair value into three broad levels as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 – Unobservable inputs based on the Company’s assumptions.

The guidance requires the use of observable market data if such data is available without undue cost and effort.

The following tables present the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of October 31, 2023 and 2022 and January 31, 2023 (in thousands):

		Fair Value at October 31, 2023			
	Balance Sheet Location	Level 1	Level 2	Level 3	Total
<b>Assets:</b>					
Available-for-sale securities	Other current assets	\$ 213	\$ —	\$ —	\$ 213
Short-term investment	Other current assets	150	—	—	150
SERP assets - employer	Other non-current assets	591	—	—	591
SERP assets - employee	Other non-current assets	45,534	—	—	45,534
Defined benefit plan assets	Other non-current liabilities	—	—	29,712	29,712
Hedge derivatives	Other current assets	—	—	—	—
Total		<u>\$ 46,488</u>	<u>\$ —</u>	<u>\$ 29,712</u>	<u>\$ 76,200</u>
<b>Liabilities:</b>					
SERP liabilities - employee	Other non-current liabilities	\$ 45,534	\$ —	\$ —	\$ 45,534
Hedge derivatives	Accrued liabilities	—	655	—	655
Total		<u>\$ 45,534</u>	<u>\$ 655</u>	<u>\$ —</u>	<u>\$ 46,189</u>

  

		Fair Value at January 31, 2023			
	Balance Sheet Location	Level 1	Level 2	Level 3	Total
<b>Assets:</b>					
Available-for-sale securities	Other current assets	\$ 263	\$ —	\$ —	\$ 263
Short-term investment	Other current assets	156	—	—	156
SERP assets - employer	Other non-current assets	738	—	—	738
SERP assets - employee	Other non-current assets	44,442	—	—	44,442
Defined benefit plan assets	Other non-current liabilities	—	—	27,965	27,965
Hedge derivatives	Other current assets	—	1,146	—	1,146
Total		<u>\$ 45,599</u>	<u>\$ 1,146</u>	<u>\$ 27,965</u>	<u>\$ 74,710</u>
<b>Liabilities:</b>					
SERP liabilities - employee	Other non-current liabilities	\$ 44,442	\$ —	\$ —	\$ 44,442
Hedge derivatives	Accrued liabilities	—	192	—	192
Total		<u>\$ 44,442</u>	<u>\$ 192</u>	<u>\$ —</u>	<u>\$ 44,634</u>

	Balance Sheet Location	Fair Value at October 31, 2022			
		Level 1	Level 2	Level 3	Total
<b>Assets:</b>					
Available-for-sale securities	Other current assets	\$ 262	\$ —	\$ —	\$ 262
Short-term investment	Other current assets	153	—	—	153
SERP assets - employer	Other non-current assets	928	—	—	928
SERP assets - employee	Other non-current assets	42,886	—	—	42,886
Defined benefit plan assets	Other non-current assets	—	—	24,847	24,847
Hedge derivatives	Other current assets	—	121	—	121
Total		<u>\$ 44,229</u>	<u>\$ 121</u>	<u>\$ 24,847</u>	<u>\$ 69,197</u>
<b>Liabilities:</b>					
SERP liabilities - employee	Other non-current liabilities	\$ 42,886	\$ —	\$ —	\$ 42,886
Hedge derivatives	Accrued liabilities	\$ -	\$ 1,029	\$ —	\$ 1,029
Total		<u>\$ 42,886</u>	<u>\$ 1,029</u>	<u>\$ —</u>	<u>\$ 43,915</u>

The fair values of the Company's available-for-sale securities are based on quoted market prices. The fair value of the short-term investment, which is a guaranteed investment certificate, is based on its purchase price plus one half of a percent calculated annually. The assets related to the Company's defined contribution supplemental executive retirement plan ("SERP") consist of both employer (employee unvested) and employee assets which are invested in investment funds with fair values calculated based on quoted market prices. The SERP liability represents the Company's liability to the employees in the plan for their vested balances. The hedge derivatives consist of cash flow hedging instruments and forward contracts (see Note 6 for further discussion) and are entered into by the Company principally to reduce its exposure to Swiss Franc and Euro exchange rate risks. Fair values of the Company's hedge derivatives are calculated based on quoted foreign exchange rates and quoted interest rates.

The Company sponsors a defined benefit pension plan in Switzerland. The plan covers certain international employees and is based on years of service and compensation on a career-average pay basis. The assets within the plan are classified as a Level 3 asset within the fair value hierarchy and consist of an investment in pooled assets and include separate employee accounts that are invested in equity securities, debt securities and real estate. The values of the separate accounts invested are based on values provided by the administrator of the funds that cannot be readily derived from or corroborated by observable market data. The value of the assets is part of the defined benefit plan and included in other non-current liabilities at October 31, 2023 and January 31, 2023 and other non-current assets in the consolidated balance sheets at October 31, 2022.

There were no transfers between any levels of the fair value hierarchy for any of the Company's fair value measurements.

#### *Investments Without Readily Determinable Fair Values*

From time to time the Company may make minority investments in growth companies in the consumer products sector and other sectors relevant to its business, including certain of the Company's suppliers and customers, as well as in venture capital funds that invest in companies in media, entertainment, information technology and technology-related fields and in digital assets. Through fiscal 2023, the Company invested approximately \$5.3 million and during the first nine months of fiscal 2024, the Company invested an additional \$2.0 million in venture capital funds. The Company has evaluated and will regularly evaluate the carrying value of its investments. One consumer products company in which the Company made an equity investment in fiscal year 2022 sold its business and assets in the first quarter of fiscal 2024 in a transaction that is expected to yield little or no return for equity holders. As a result, the Company has fully impaired its \$0.5 million investment in this entity in the first quarter of fiscal 2024 and is recorded in Other income, net in the Consolidated Statements of Operations. The carrying value of the investments are recorded in Other non-current assets in the Consolidated Balance Sheets at October 31, 2023, January 31, 2023 and October 31, 2022.

#### **NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The Company has minimum commitments related to the Company's license agreements and endorsement agreements with brand ambassadors, and also includes service agreements. The Company sources, distributes, advertises and sells watches and jewelry pursuant to its exclusive license agreements with unaffiliated licensors. Royalty amounts under the license agreements are generally based on a stipulated percentage of revenues, although most of these agreements contain provisions for the payment of minimum annual royalty amounts. The license agreements have various terms, and some have renewal options, provided that minimum sales levels are achieved. Additionally, the license agreements require the Company to pay minimum annual advertising amounts.

The Company believes that income tax reserves are adequate; however, amounts asserted by taxing authorities could be greater or less than amounts accrued and reflected in the consolidated balance sheet. Accordingly, the Company could record adjustments to the amounts for federal, state, and foreign liabilities in the future as the Company revises estimates or settles or otherwise resolves the underlying matters. In the ordinary course of business, the Company may take new positions that could increase or decrease unrecognized tax benefits in future periods.

In December 2016, U.S. Customs and Border Protection (“U.S. Customs”) issued an audit report concerning the methodology used by the Company to allocate the cost of certain watch styles imported into the U.S. among the component parts of those watches for tariff purposes. The report disputed the reasonableness of the Company’s historical allocation formulas and proposed an alternative methodology that would imply \$5.1 million in underpaid duties for all imports that entered the United States during the audit period which extended from August 1, 2011 through July 15, 2016, plus possible penalties and interest. Although the Company believes that U.S. Customs’ alternative duty methodology and estimate are not consistent with the Company’s facts and circumstances and has consistently disputed U.S. Customs’ position, the Company established reserves for a portion of the alleged underpayment indicated in the audit report. Between February 2017 and January 2021, the Company made numerous submissions to U.S. Customs containing supplemental analyses and information in response to U.S. Customs’ information requests. On May 1, 2023, the statute of limitations lapsed with respect to all entries encompassed by the audit period. As a result, during the second quarter of fiscal 2024, the Company released the reserves that it had established in respect of those entries.

The Company is involved in legal proceedings and claims from time to time, in the ordinary course of its business. Legal reserves are recorded in accordance with the accounting guidance for contingencies. Contingencies are inherently unpredictable and it is possible that results of operations, balance sheets or cash flows could be materially and adversely affected in any particular period by unfavorable developments in, or resolution or disposition of, such matters. For those legal proceedings and claims for which the Company believes that it is probable that a reasonably estimable loss may result, the Company records a reserve for the potential loss. For proceedings and claims where the Company believes it is reasonably possible that a loss may result that is materially in excess of amounts accrued for the matter, the Company either discloses an estimate of such possible loss or range of loss or includes a statement that such an estimate cannot be made. As of October 31, 2023, the Company is party to legal proceedings and contingencies, the resolution of which is not expected to materially affect its financial condition, future results of operations beyond the amounts accrued, or cash flows.

## **NOTE 9 – INCOME TAXES**

The Company recorded an income tax provision of \$4.5 million and \$8.4 million for the three months ended October 31, 2023 and 2022, respectively.

The effective tax rate was 20.4% and 21.9% for the three months ended October 31, 2023 and 2022, respectively. The significant components of the effective tax rate changed primarily due to changes in jurisdictional earnings and return to provision adjustments recorded in the prior year.

The Company recorded an income tax provision of \$9.9 million and \$20.9 million for the nine months ended October 31, 2023 and 2022, respectively.

The effective tax rate was 22.0% and 22.1% for the nine months ended October 31, 2023 and 2022, respectively. The significant components of the effective tax rate changed primarily due to the release of certain foreign valuation allowances in the prior year and a limitation on a portion of the foreign tax credits and deductions related to the tax on GILTI, partially offset by return to provision adjustments recorded in the prior year.

At October 31, 2023, the Company had no deferred tax liability for substantially all of the undistributed foreign earnings of approximately \$286.6 million because the Company intends to permanently reinvest such earnings in its foreign operations. It is not practicable to estimate the tax liability related to a future distribution of these permanently reinvested foreign earnings.

## NOTE 10 – EQUITY

The components of equity for the three and nine months ended October 31, 2023 and 2022 are as follows (in thousands):

Movado Group, Inc. Shareholders' Equity for the three months ended October 31, 2023 and 2022												
	Preferred Stock	Common Stock Shares (1)	Common Stock Amount	Class A Common Stock Shares (2)	Class A Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Noncontrolling Interest	Total Movado Group, Inc. Shareholders' Equity	Redeemable Noncontrolling Interest
Balance, July 31, 2023	\$ —	28,876	\$ 289	6,483	\$ 64	\$ 234,443	\$ 456,279	\$ 91,810	\$ (282,101 )	\$ 3,114	\$ 503,898	\$ -
Net income attributable to Movado Group, Inc.							17,389			281	17,670	
Dividends (\$0.35 per share)							(7,749 )				(7,749 )	
Distribution of noncontrolling interest earnings										(780 )	(780 )	
Stock awards and options exercised		3							19		19	
Stock repurchases									(1,916 )		(1,916 )	
Supplemental executive retirement plan						45					45	
Stock-based compensation expense						1,950					1,950	
Net unrealized loss on investments, net of tax benefit of (\$3)								(9 )			(9 )	
Net change in effective portion of hedging contracts, net of tax benefit of (\$5)								(23 )			(23 )	
Amortization of prior service cost, net of tax provision of \$4								15			15	
Foreign currency translation adjustment (3)								(10,066 )		(136 )	(10,202 )	
Balance, October 31, 2023	\$ —	28,879	\$ 289	6,483	\$ 64	\$ 236,438	\$ 465,919	\$ 81,727	\$ (283,998 )	\$ 2,479	\$ 502,918	\$ -
	Preferred Stock	Common Stock Shares (1)	Common Stock Amount	Class A Common Stock Shares (2)	Class A Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Noncontrolling Interest	Total Movado Group, Inc. Shareholders' Equity	Redeemable Noncontrolling Interest
Balance, July 31, 2022	\$ —	28,771	\$ 287	6,525	\$ 65	\$ 226,156	\$ 440,306	\$ 75,724	\$ (271,702 )	\$ 2,715	\$ 473,551	\$ 2,305
Net income attributable to Movado Group, Inc.							29,286			608	29,894	217
Dividends (\$0.35 per share)							(7,803 )				(7,803 )	
Stock awards and options exercised		12				325					325	
Stock repurchases									(6,611 )		(6,611 )	
Supplemental executive retirement plan						31					31	
Stock-based compensation expense						1,485					1,485	
Net unrealized gain on investments, net of tax provision of \$8								23			23	
Net change in effective portion of hedging contracts, net of tax benefit of (\$242)								(1,225 )			(1,225 )	
Amortization of prior service cost, net of tax provision of \$3								13			13	
Foreign currency translation adjustment (3)								(8,339 )		(230 )	(8,569 )	(89 )
Balance, October 31, 2022	\$ —	28,783	\$ 287	6,525	\$ 65	\$ 227,997	\$ 461,789	\$ 66,196	\$ (278,313 )	\$ 3,093	\$ 481,114	\$ 2,433

**Movado Group, Inc. Shareholders' Equity for the nine months ended October 31, 2023 and 2022**

	Preferred Stock	Common Stock Shares (1)	Common Stock Amount	Class A Common Stock Shares (2)	Class A Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Noncontrolling Interest	Total Movado Group, Inc. Shareholders' Equity	Redeemable Noncontrolling Interest
Balance, January 31, 2023	\$ —	28,807	\$ 288	6,525	\$ 65	\$ 230,782	\$ 476,752	\$ 81,295	\$ (281,576 )	\$ 2,938	\$ 510,544	\$ -
Net income attributable to Movado Group, Inc.							34,566			568	35,134	
Dividends (\$2.05 per share)							(45,399 )				(45,399 )	
Distribution of noncontrolling interest earnings										(780 )	(780 )	
Stock awards and options exercised		30							(73 )		(73 )	
Stock repurchases									(2,349 )		(2,349 )	
Conversion of Class A Common Stock to Common Stock		42	1	(42 )	(1 )						-	
Supplemental executive retirement plan						127					127	
Stock-based compensation expense						5,529					5,529	
Net unrealized loss on investments, net of tax benefit of (\$13)								(38 )			(38 )	
Net change in effective portion of hedging contracts, net of tax provision of \$33								169			169	
Amortization of prior service cost, net of tax provision of \$12								45			45	
Foreign currency translation adjustment (3)								256		(247 )	9	
Balance, October 31, 2023	\$ —	28,879	\$ 289	6,483	\$ 64	\$ 236,438	\$ 465,919	\$ 81,727	\$ (283,998 )	\$ 2,479	\$ 502,918	\$ -
	Preferred Stock	Common Stock Shares (1)	Common Stock Amount	Class A Common Stock Shares (2)	Class A Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Noncontrolling Interest	Total Movado Group, Inc. Shareholders' Equity	Redeemable Noncontrolling Interest
Balance, January 31, 2022	\$ —	28,633	\$ 286	6,525	\$ 65	\$ 222,615	\$ 413,587	\$ 85,295	\$ (249,040 )	\$ 1,967	\$ 474,775	\$ 2,311
Net income attributable to Movado Group, Inc.							71,802			1,421	73,223	479
Dividends (\$1.05 per share)							(23,600 )				(23,600 )	
Stock awards and options exercised		150	1			1,042			(1,123 )		(80 )	
Stock repurchases									(28,150 )		(28,150 )	
Supplemental executive retirement plan						94					94	
Stock-based compensation expense						4,246					4,246	
Net unrealized gain on investments, net of tax provision of \$3								9			9	
Net change in effective portion of hedging contracts, net of tax benefit of (\$55)								(279 )			(279 )	
Amortization of prior service cost, net of tax provision of \$11								41			41	
Foreign currency translation adjustment (3)								(18,870 )		(295 )	(19,165 )	(357 )
Balance, October 31, 2022	\$ —	28,783	\$ 287	6,525	\$ 65	\$ 227,997	\$ 461,789	\$ 66,196	\$ (278,313 )	\$ 3,093	\$ 481,114	\$ 2,433

- (1) Each share of common stock is entitled to one vote per share on all matters submitted to a vote of the shareholders.
- (2) Each share of class A common stock is entitled to 10 votes per share on all matters submitted to a vote of the shareholders. Each holder of class A common stock is entitled to convert, at any time, any and all of such shares into the same number of shares of common stock. Each share of class A common stock is converted automatically into common stock in the event that the beneficial or record ownership of such shares of class A common stock is transferred to any person, except to certain family members or affiliated persons deemed "permitted transferees" pursuant to the Company's Restated Certificate of Incorporation, as amended. The class A common stock is not publicly traded, and consequently, there is currently no established public trading market for these shares.
- (3) The currency translation adjustment is not adjusted for income taxes to the extent that it relates to permanent investments of earnings in international subsidiaries.

## NOTE 11 – TREASURY STOCK

On March 25, 2021, the Board approved a share repurchase program under which the Company was authorized to purchase up to \$25.0 million of its outstanding common stock through September 30, 2022, depending on market conditions, share price and other factors. On November 23, 2021, the Board approved a share repurchase program under which the Company is authorized to purchase up to an additional \$50.0 million of its outstanding common stock through November 23, 2024, depending on market conditions, share price and other factors. Under both share repurchase programs, the Company is permitted to purchase shares of its common stock from time to time through open market purchases, repurchase plans, block trades or otherwise.

During the nine months ended October 31, 2023, the Company repurchased a total of 85,722 shares of its common stock under the November 23, 2021 share repurchase program at a total cost of \$2.3 million, or an average of \$27.40 per share. During the nine months ended October 31, 2022, the Company repurchased a total of 795,456 shares of its common stock under the March 25, 2021 share repurchase program and November 23, 2021 share repurchase program at a total cost of \$28.2 million, or an average of \$35.39 per share.

At October 31, 2023, zero remains available for purchase under the Company's March 25, 2021 repurchase program and \$18.6 million remains available for purchase under the Company's November 23, 2021 repurchase program.

There were 2,799 and 28,405 shares of common stock repurchased during the nine months ended October 31, 2023 and 2022, respectively, as a result of the surrender of shares in connection with the vesting of restricted stock awards or stock options. At the election of an employee, shares having an aggregate value on the vesting date equal to the employee's withholding tax obligation may be surrendered to the Company.

## NOTE 12 – ACCUMULATED OTHER COMPREHENSIVE INCOME

The accumulated balances at October 31, 2023 and 2022, and January 31, 2023, related to each component of accumulated other comprehensive income/(loss) are as follows (in thousands):

	October 31, 2023	January 31, 2023	October 31, 2022
Foreign currency translation adjustments	\$ 83,261	\$ 83,005	\$ 65,855
Available-for-sale securities	144	182	181
Cash flow hedges	(2)	(171)	(85)
Unrecognized prior service cost related to defined benefit pension plan	(186)	(231)	(246)
Net actuarial (loss)/gain related to defined benefit pension plan	(1,490)	(1,490)	491
Total accumulated other comprehensive income	<u>\$ 81,727</u>	<u>\$ 81,295</u>	<u>\$ 66,196</u>

Amounts reclassified from accumulated other comprehensive income to operating income in the Consolidated Statements of Operations during the nine months ended October 31, 2023 and October 31, 2022 were \$0.1 million and \$2.2 million, respectively.

## NOTE 13 – REVENUE

### Disaggregation of Revenue

The following table presents the Company's net sales disaggregated by customer type. Sales and usage-based taxes are excluded from net sales (in thousands):

Customer Type	For the Three Months Ended October 31,		For the Nine Months Ended October 31,	
	2023	2022	2023	2022
Wholesale	\$ 154,330	\$ 174,158	\$ 386,767	\$ 440,121
Direct to consumer	32,602	36,495	103,618	114,835
After-sales service	754	744	2,596	2,669
Net Sales	<u>\$ 187,686</u>	<u>\$ 211,397</u>	<u>\$ 492,981</u>	<u>\$ 557,625</u>

The Company's revenue from contracts with customers is recognized at a point in time. The Company's net sales disaggregated by geography are based on the location of the Company's customer (see Note 15 – Segment and Geographic Information).

## Wholesale Revenue

The Company's wholesale revenue consists primarily of revenues from independent distributors, department stores, chain stores, independent jewelry stores and third-party e-commerce retailers. The Company recognizes and records its revenue when obligations under the terms of a contract with the customer are satisfied, and control is transferred to the customer. Transfer of control passes to wholesale customers upon shipment or upon receipt depending on the agreement with the customer and shipping terms. Wholesale revenue is measured as the amount of consideration the Company ultimately expects to receive in exchange for transferring goods. Wholesale revenue is included entirely within the Watch and Accessory Brands segment (see Note 15 – Segment and Geographic Information), consistent with how management makes decisions regarding the allocation of resources and performance measurement.

## Direct to Consumer Revenue

The Company's direct to consumer revenue primarily consists of revenues from the Company's outlet stores, the Company's owned e-commerce websites and concession stores, and consumer repairs. The Company recognizes and records its revenue when obligations under the terms of a contract with the customer are satisfied, and control is transferred to the customer. Control passes to outlet store customers at the time of sale and to substantially all e-commerce customers upon shipment. Direct to Consumer revenue is included in either the Watch and Accessory Brands segment or Company Stores Segment based on how the Company makes decisions about the allocation of resources and performance measurement. Revenue derived from outlet stores and related e-commerce is included within the Company Stores Segment. Other Direct to Consumer revenue (i.e., revenue derived from other Company-owned e-commerce websites, concession stores and consumer repairs) is included within the Watch and Accessory Brands segment. (See Note 15 – Segment and Geographic Information).

## After-Sales Service

All watches sold by the Company come with limited warranties covering the movement against defects in materials and workmanship.

The Company's after-sales service revenues consists of out of warranty service provided to customers and authorized third party repair centers, and sale of watch parts. The Company recognizes and records its revenue when obligations under the terms of a contract with the customer are satisfied and control is transferred to the customer. After-sales service revenue is measured as the amount of consideration the Company ultimately expects to receive in exchange for transferring goods. Revenue from after sales service, including consumer repairs, is included entirely within the Watch and Accessory Brands segment, consistent with how management makes decisions about the allocation of resources and performance measurement.

## NOTE 14 – STOCK-BASED COMPENSATION

Under the Company's Stock Incentive Plan, as amended and restated as of June 22, 2023 (the "Plan"), the Compensation and Human Capital Committee of the Board of Directors, which consists of three of the Company's non-employee directors, has the authority to grant participants incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights and stock awards, for up to 12,000,000 shares of common stock.

### Stock Options:

Stock options granted to participants under the plan generally become exercisable after three years and remain exercisable until the tenth anniversary of the date of grant. All stock options granted under the Plan have an exercise price equal to or greater than the fair market value of the Company's common stock on the grant date.

The table below presents the weighted average assumptions used with the Black-Scholes option-pricing model for the calculation of the fair value of stock options granted during the nine months ended October 31, 2022. There were no stock options granted during the nine months ended October 31, 2023.

	Nine Months Ended October 31, 2022
Expected volatility	51.66 %
Expected life in years	6.0
Risk-free interest rates	2.57 %
Dividend rate	3.00 %
Weighted average fair value per option at date of grant	\$ 14.81



The fair value of the stock options, less expected forfeitures, is amortized on a straight-line basis over the vesting term. Total compensation expense for stock option grants recognized during the three months ended October 31, 2023 and 2022 was \$0.5 million and \$0.6 million, respectively. Total compensation expense for stock option grants recognized during the nine months ended October 31, 2023 and 2022 was \$1.7 million for both periods. As of October 31, 2023, there was \$1.4 million of unrecognized compensation cost related to unvested stock options. These costs are expected to be recognized over a weighted-average period of 1.2 years. Total cash consideration received for stock option exercises during the nine months ended October 31, 2023 and 2022 was zero and \$1.0 million, respectively.

The following table summarizes the Company's stock options activity during the first nine months of fiscal 2024:

	Outstanding Options	Weighted Average Exercise Price per Option	Option Price Per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value \$(000)
Options outstanding at January 31, 2023 (183,101 options exercisable)	1,085,029	\$ 23.84	\$12.42-\$42.12	7.1	\$ 13,367
Granted	—	—	—		
Exercised	—	—	—		
Forfeited	(19,000)	\$ 34.13	\$30.34-\$42.12		
Options outstanding at October 31, 2023	1,066,029	\$ 23.66	\$12.42-\$42.12	6.5	\$ 7,019
Exercisable at October 31, 2023	385,215	\$ 21.60		4.6	\$ 3,356
Expected to vest at October 31, 2023	673,957	\$ 24.71		7.5	\$ 3,662

There were no stock options exercised during the first nine months of fiscal 2024.

#### Stock Awards:

Under the Plan, the Company can also grant stock awards to employees and directors. For the three months ended October 31, 2023 and 2022, compensation expense for stock awards was \$1.4 million and \$0.9 million, respectively. For the nine months ended October 31, 2023 and 2022, compensation expense for stock awards was \$3.8 million and \$2.6 million, respectively. As of October 31, 2023, there was \$7.8 million of unrecognized compensation cost related to unvested stock awards. These costs are expected to be recognized over a weighted-average period of 2.0 years.

The following table summarizes the Company's stock awards activity during the first nine months of fiscal 2024:

	Number of Stock Award Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value \$(000's)
Units outstanding at January 31, 2023	294,148	\$ 28.84		
Units granted	300,633	\$ 28.60		
Units vested	(31,739)	\$ 32.73		
Units forfeited	(4,446)	\$ 28.78		
Units outstanding at October 31, 2023	558,596	\$ 28.49	1.7	\$ 15,562

Stock awards granted by the Company can be classified as either time-based stock awards or performance-based stock awards. Time-based stock awards vest over time in the number of shares established at grant date, subject to continued employment. Performance-based stock awards vest over time subject both to continued employment and to the achievement of corporate financial performance goals. Upon the vesting of a stock award, shares are issued from the pool of authorized shares. The number of shares to be issued related to the outstanding performance-based stock awards can vary from 0% to 200% of the target number of underlying stock award units established at grant date, depending on the extent of the achievement of the predetermined financial goals. There were 2,799 and 28,405 shares of common stock of the Company tendered by the employee for the payment of the employee's withholding tax obligation totaling

\$0.1 million and \$1.1 million for the nine months ended October 31, 2023 and 2022, respectively. The total fair value of stock award units that vested during the first nine months of fiscal 2024 was \$1.0 million.

## NOTE 15 – SEGMENT AND GEOGRAPHIC INFORMATION

The Company conducts its business in two operating segments: Watch and Accessory Brands and Company Stores. The Company’s Watch and Accessory Brands segment includes the designing, manufacturing and distribution of watches and, to a lesser extent, jewelry and other accessories, of owned and licensed brands, in addition to revenue generated from after-sales service activities and shipping. The Company Stores segment includes the Company’s retail outlet business. The Chief Executive Officer of the Company is the chief operating decision maker (“CODM”) and regularly reviews operating results for each of the two operating segments to assess performance and makes operating decisions about the allocation of the Company’s resources.

The Company divides its business into two major geographic locations: United States operations and International, which includes the results of all non-U.S. Company operations. The allocation of geographic revenue is based upon the location of the customer. The Company’s International operations in Europe, the Middle East, the Americas (excluding the United States) and Asia accounted for 34.0%, 13.3%, 8.0% and 3.9%, respectively, of the Company’s total net sales for the three months ended October 31, 2023. For the three months ended October 31, 2022, the Company’s International operations in Europe, the Middle East, the Americas (excluding the United States) and Asia accounted for 36.7%, 9.9%, 6.8% and 5.3%, respectively, of the Company’s total net sales. The Company’s International operations in Europe, the Middle East, the Americas (excluding the United States) and Asia accounted for 31.4%, 13.1%, 9.4% and 4.2%, respectively, of the Company’s total net sales for the nine months ended October 31, 2023. For the nine months ended October 31, 2022, the Company’s International operations in Europe, the Middle East, the Americas (excluding the United States) and Asia accounted for 34.1%, 10.1%, 8.1% and 4.9%, respectively, of the Company’s total net sales.

### Operating Segment Data for the Three Months Ended October 31, 2023 and 2022 (in thousands):

	Net Sales	
	2023	2022
Watch and Accessory Brands:		
Owned brands category	\$ 55,416	\$ 61,585
Licensed brands category	107,355	122,814
After-sales service and all other	2,368	1,766
Total Watch and Accessory Brands	165,139	186,165
Company Stores	22,547	25,232
Consolidated total	\$ 187,686	\$ 211,397

	Operating Income (3)	
	2023	2022
Watch and Accessory Brands	\$ 18,489	\$ 33,626
Company Stores	2,203	4,645
Consolidated total	\$ 20,692	\$ 38,271

### Operating Segment Data as of and for the Nine Months Ended October 31, 2023 and 2022 (in thousands):

	Net Sales	
	2023	2022
Watch and Accessory Brands:		
Owned brands category	\$ 149,436	\$ 171,449
Licensed brands category	272,012	308,190
After-sales service and all other	3,370	4,197
Total Watch and Accessory Brands	424,818	483,836
Company Stores	68,163	73,789
Consolidated total	\$ 492,981	\$ 557,625

	Operating Income (3)	
	2023	2022
Watch and Accessory Brands	\$ 31,907	\$ 78,545
Company Stores	9,332	15,677
Consolidated total	\$ 41,239	\$ 94,222

	Total Assets		
	October 31, 2023	January 31, 2023	October 31, 2022
Watch and Accessory Brands	\$ 703,253	\$ 722,267	\$ 704,953
Company Stores	60,144	65,438	70,727
Consolidated total	<u>\$ 763,397</u>	<u>\$ 787,705</u>	<u>\$ 775,680</u>

**Geographic Location Data for the Three Months Ended October 31, 2023 and 2022 (in thousands):**

	Net Sales		Operating (Loss)/Income (3)	
	2023	2022	2023	2022
United States (1)	\$ 76,575	\$ 87,350	\$ (5,256)	\$ 2,228
International (2)	111,111	124,047	25,948	36,043
Consolidated total	<u>\$ 187,686</u>	<u>\$ 211,397</u>	<u>\$ 20,692</u>	<u>\$ 38,271</u>

United States and International net sales are net of intercompany sales of \$86.8 million and \$105.6 million for the three months ended October 31, 2023 and 2022, respectively.

**Geographic Location Data as of and for the Nine Months Ended October 31, 2023 and 2022 (in thousands):**

	Net Sales		Operating (Loss)/Income (3)	
	2023	2022	2023	2022
United States (1)	\$ 206,602	\$ 238,439	\$ (17,928)	\$ 6,787
International (2)	286,379	319,186	59,167	87,435
Consolidated total	<u>\$ 492,981</u>	<u>\$ 557,625</u>	<u>\$ 41,239</u>	<u>\$ 94,222</u>

United States and International net sales are net of intercompany sales of \$200.3 million and \$303.0 million for the nine months ended October 31, 2023 and 2022, respectively.

- (1) The United States operating (loss)/income included \$14.3 million and \$16.5 million of unallocated corporate expenses for the three months ended October 31, 2023 and 2022, respectively. The United States operating (loss)/income included \$36.0 million and \$42.5 million of unallocated corporate expenses for the nine months ended October 31, 2023 and 2022, respectively.
- (2) The International operating income included \$22.9 million and \$27.6 million of certain intercompany profits related to the Company's supply chain operations for the three months ended October 31, 2023 and 2022, respectively. The International operating income included \$55.4 million and \$65.5 million of certain intercompany profits related to the Company's supply chain operations for the nine months ended October 31, 2023 and 2022, respectively.
- (3) For both the three months ended October 31, 2023 and 2022, and for both the nine months ended October 31, 2023 and 2022, in the United States locations of the Watch and Accessory Brands segment, operating (loss)/income included a charge of \$0.1 million and \$0.2 million, respectively, related to the amortization of intangible assets and deferred compensation associated with the MVMT brand. In addition, in the International locations of the Watch and Accessory Brands segment for the three months ended October 31, 2023 and 2022, and for the nine months ended October 31, 2023 and 2022, operating income included a charge of \$0.3 million, \$0.6 million, \$1.5 million and \$1.9 million, respectively, related to the amortization of acquired intangible assets as a result of the Company's acquisition of the Olivia Burton brand.

	Total Assets		
	October 31, 2023	January 31, 2023	October 31, 2022
United States	\$ 373,812	\$ 425,209	\$ 447,493
International	389,585	362,496	328,187
Consolidated total	<u>\$ 763,397</u>	<u>\$ 787,705</u>	<u>\$ 775,680</u>

	Property, Plant and Equipment, Net		
	October 31, 2023	January 31, 2023	October 31, 2022
United States	\$ 12,212	\$ 13,422	\$ 13,087
International	7,246	5,277	5,120
Consolidated total	<u>\$ 19,458</u>	<u>\$ 18,699</u>	<u>\$ 18,207</u>

## FORWARD-LOOKING STATEMENTS

Statements in this Quarterly Report on Form 10-Q, including, without limitation, statements under Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report, as well as statements in future filings by the Company with the Securities and Exchange Commission (the "SEC"), in the Company's press releases and oral statements made by or with the approval of an authorized executive officer of the Company, which are not historical in nature, are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates, forecasts and projections about the Company, its future performance, the industry in which the Company operates and management's assumptions. Words such as "expects", "anticipates", "targets", "goals", "projects", "intends", "plans", "believes", "seeks", "estimates", "may", "will", "should" and variations of such words and similar expressions are also intended to identify such forward-looking statements. The Company cautions readers that forward-looking statements include, without limitation, those relating to the Company's future business prospects, projected operating or financial results, revenues, working capital, liquidity, capital needs, inventory levels, plans for future operations, expectations regarding capital expenditures, operating efficiency initiatives and other items, cost savings initiatives, and operating expenses, effective tax rates, margins, interest costs, and income as well as assumptions relating to the foregoing. Forward-looking statements are subject to certain risks and uncertainties, some of which cannot be predicted or quantified. Actual results and future events could differ materially from those indicated in the forward-looking statements, due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company's reports filed with the SEC, including, without limitation, the following: general economic and business conditions which may impact disposable income of consumers in the United States and the other significant markets (including Europe) where the Company's products are sold; uncertainty regarding such economic and business conditions, including inflation, elevated interest rates; increased commodity prices and tightness in the labor market; trends in consumer debt levels and bad debt write-offs; general uncertainty related to possible terrorist attacks, natural disasters and pandemics, including the effect of the COVID-19 pandemic and other diseases on travel and traffic in the Company's retail stores and the stores of its wholesale customers; supply disruptions, delivery delays and increased shipping costs; the impact of international hostilities, including the Russian invasion of Ukraine, on global markets, economies and consumer spending, on energy and shipping costs and on the Company's supply chain and suppliers; defaults on or downgrades of sovereign debt and the impact of any of those events on consumer spending; changes in consumer preferences and popularity of particular designs, new product development and introduction; decrease in mall traffic and increase in e-commerce; the ability of the Company to successfully implement its business strategies, competitive products and pricing, including price increases to offset increased costs; the impact of "smart" watches and other wearable tech products on the traditional watch market; seasonality; availability of alternative sources of supply in the case of the loss of any significant supplier or any supplier's inability to fulfill the Company's orders; the loss of or curtailed sales to significant customers; the Company's dependence on key employees and officers; the ability to successfully integrate the operations of acquired businesses without disruption to other business activities; the possible impairment of acquired intangible assets; risks associated with the Company's minority investments in early-stage growth companies and venture capital funds that invest in such companies; the continuation of the Company's major warehouse and distribution centers; the continuation of licensing arrangements with third parties; losses possible from pending or future litigation and administrative proceedings; the ability to secure and protect trademarks, patents and other intellectual property rights; the ability to lease new stores on suitable terms in desired markets and to complete construction on a timely basis; the ability of the Company to successfully manage its expenses on a continuing basis; information systems failure or breaches of network security; complex and quickly-evolving regulations regarding privacy and data protection; the continued availability to the Company of financing and credit on favorable terms; business disruptions; and general risks associated with doing business outside the United States including, without limitation, import duties, tariffs (including retaliatory tariffs), quotas, political and economic stability, changes to existing laws or regulations, and impacts of currency exchange rate fluctuations and success of hedging strategies related thereto.

These risks and uncertainties, along with the risk factors discussed under Item 1A. "Risk Factors" in the Company's 2023 Annual Report on Form 10-K, should be considered in evaluating any forward-looking statements contained in this report or incorporated by reference herein. All forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are qualified by the cautionary statements in this section. The Company undertakes no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report.

## **Critical Accounting Policies and Estimates**

The Company's Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and those significant policies are more fully described in Note 1 to the Company's consolidated financial statements and contained in the Company's 2023 Annual Report on Form 10-K and are incorporated by reference herein. The preparation of these financial statements and the application of certain critical accounting policies require management to make judgments based on estimates and assumptions that affect the information reported. On an on-going basis, management evaluates its estimates and judgments, including those related to sales discounts and markdowns, product returns, bad debt, inventories, income taxes, warranty obligations, useful lives of property, plant and equipment, impairments of long-lived assets, stock-based compensation and contingencies and litigation. Management bases its estimates and judgments about the carrying values of assets and liabilities that are not readily apparent from other sources on historical experience, contractual commitments and on various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Critical accounting policies are those that are most important to the portrayal of the Company's financial condition and the results of operations and require management's most difficult, subjective and complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company's most critical accounting policies have been discussed in the Company's 2023 Annual Report on Form 10-K and are incorporated by reference herein. As of October 31, 2023, there have been no material changes to any of the Company's critical accounting policies.

## **Overview**

The Company conducts its business in two operating segments: Watch and Accessory Brands and Company Stores. The Company's Watch and Accessory Brands segment includes the designing, manufacturing and distribution of watches and, to a lesser extent, jewelry and other accessories, of owned and licensed brands, in addition to revenue generated from after-sales service activities and shipping. The Company Stores segment includes the Company's retail outlet business in the United States and Canada. The Company also operates in two major geographic locations: United States and International, the latter of which includes the results of all non-U.S. Company operations.

The Company divides its watch and accessory business into two principal categories: the owned brands category and the licensed brands category. The owned brands category consists of the Movado®, Concord®, Ebel®, Olivia Burton® and MVMT® brands. Products in the licensed brands category include the following brands manufactured and distributed under license agreements with the respective brand owners: Coach®, Tommy Hilfiger®, Hugo Boss®, Lacoste® and Calvin Klein®.

Gross margins vary among the brands included in the Company's portfolio and also among watch models within each brand. Watches in the Company's owned brands category generally earn higher gross margin percentages than watches in the licensed brands category. The difference in gross margin percentages within the licensed brands category is primarily due to the impact of royalty payments made on the licensed brands. Gross margins in the Company's e-commerce business generally earn higher gross margin percentages than those of the traditional wholesale business. Gross margins in the Company's outlet business are affected by the mix of product sold and may exceed those of the wholesale business since the Company earns margins on its outlet store sales from manufacture to point of sale to the consumer.

## **Recent Developments and Initiatives**

### **COVID-19**

The COVID-19 pandemic and related public health measures materially impacted the Company's operating results for the fiscal year ended January 31, 2021 and continues to affect how the Company and certain of its customers and suppliers operate their businesses to varying degrees. Various containment and mitigation measures that have at times been imposed by governmental and other authorities around the world have adversely affected sales of our products and our supply chain.

Although the COVID-19 pandemic's adverse impact on the Company has not been material in recent quarters, the pandemic may continue to affect the Company's results of operations for the foreseeable future due to impacts on supply chains, shipping operations, consumer behavior, spending levels, shopping preferences and tourism.

### **Russia's invasion of Ukraine**

On February 24, 2022, Russia launched a comprehensive invasion of Ukraine. The invasion and the subsequent economic sanctions imposed by some countries have negatively impacted the Company's revenue to the extent the conflict and the sanctions negatively impacted economic conditions and our ability to sell products to customers in the affected region. In response to the invasion, the Company decided in March 2022 to suspend all sales to Russia and Belarus. Sales and assets in Russia, Belarus and Ukraine for all periods presented are immaterial to the Company's results of operations, financial condition and cash flows. In addition, the conflict has

had broader implications on economies outside the region, such as the global inflationary impact of boycotts of Russian oil and gas by other countries and the blockade of Ukrainian grain exports.

## Results of Operations Overview

The following is a discussion of the results of operations for the three and nine months ended October 31, 2023 compared to the three and nine months ended October 31, 2022, along with a discussion of the changes in financial condition during the first nine months of fiscal 2024. The Company's results of operations for the first nine months of fiscal 2024 should not be deemed indicative of the results that the Company will experience for the full year of fiscal 2024. See "Recent Developments and Initiatives" above. See also "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended January 31, 2023 filed with the Securities and Exchange Commission on March 23, 2023.

## Results of operations for the three months ended October 31, 2023 as compared to the three months ended October 31, 2022

*Net Sales:* Comparative net sales by business segment were as follows (in thousands):

	Three Months Ended October 31,	
	2023	2022
Watch and Accessory Brands:		
United States	\$ 55,295	\$ 63,391
International	109,844	122,774
Total Watch and Accessory Brands	165,139	186,165
Company Stores:		
United States	21,280	23,959
International	1,267	1,273
Total Company Stores	22,547	25,232
Net Sales	<u>\$ 187,686</u>	<u>\$ 211,397</u>

Comparative net sales by categories were as follows (in thousands):

	Three Months Ended October 31,	
	2023	2022
Watch and Accessory Brands:		
Owned brands category	\$ 55,416	\$ 61,585
Licensed brands category	107,355	122,814
After-sales service and all other	2,368	1,766
Total Watch and Accessory Brands	165,139	186,165
Company Stores	22,547	25,232
Net Sales	<u>\$ 187,686</u>	<u>\$ 211,397</u>

### Net Sales

Net sales for the three months ended October 31, 2023 were \$187.7 million, representing a \$23.7 million or 11.2% decrease from the prior year period. This decrease is attributable to the Watch and Accessory Brands segment and, to a lesser extent, the Company Stores segment. For the three months ended October 31, 2023, fluctuations in foreign currency exchange rates positively impacted net sales by \$4.9 million when compared to the prior year period. Excluding this \$4.9 million impact, net sales would have decreased by 13.5% as compared to the prior year period.

### Watch and Accessory Brands Net Sales

Net sales for the three months ended October 31, 2023 in the Watch and Accessory Brands segment were \$165.1 million, below the prior year period by \$21.0 million, or 11.3%. The decrease in net sales was primarily due to decreased volumes resulting from lower demand in the Company's wholesale customers in both the United States and International locations and a decrease in online retail, partially offset by the positive impact of fluctuations in foreign exchange rates.

### United States Watch and Accessory Brands Net Sales

Net sales for the three months ended October 31, 2023 in the United States locations of the Watch and Accessory Brands segment were \$55.3 million, below the prior year period by \$8.1 million, or 12.8%, resulting primarily from decreased volumes due to lower demand in the Company's wholesale customers in both the owned and licensed brand categories and a decrease in online retail. The net sales recorded in the owned brands category decreased \$6.2 million, or 13.1%, and net sales recorded in the licensed brand category decreased \$2.9 million, or 17.9%.

#### *International Watch and Accessory Brands Net Sales*

Net sales for the three months ended October 31, 2023 in the International locations of the Watch and Accessory Brands segment were \$109.8 million, below the prior year by \$12.9 million, or 10.5%, which included fluctuations in foreign currency exchange rates that positively impacted net sales by \$4.9 million when compared to the prior year period. The decrease in net sales was mainly in the licensed brands category primarily due to decreased volumes resulting from lower demand in the Company's wholesale customers and a decrease in online retail, partially offset by the positive impact of fluctuations in foreign exchange rates. Net sales in the owned brands category were essentially flat compared to the prior year period reflecting decreases in Europe and Asia offset by increases across the Middle East. Net sales in the licensed brands category decreased \$12.5 million, or 11.8%, primarily due to net sales decreases in Europe, Asia and the Americas (excluding the United States), partially offset by a net sales increase in the Middle East.

#### *Company Stores Net Sales*

Net sales for the three months ended October 31, 2023 in the Company Stores segment were \$22.5 million, \$2.7 million or 10.6% below the prior year period. The net sales decrease was primarily due to sales mix in the Company stores and a decrease in sales from the Company's online outlet store at [www.movadocompanystore.com](http://www.movadocompanystore.com). As of both October 31, 2023 and 2022, the Company operated 55 retail outlet locations.

#### *Gross Profit*

Gross profit for the three months ended October 31, 2023 was \$102.3 million or 54.5% of net sales as compared to \$121.0 million or 57.3% of net sales in the prior year period. The decrease in gross profit of \$18.7 million was primarily due to lower net sales combined with a lower gross margin percentage. The decrease in the gross margin percentage of approximately 280 basis points for the three months ended October 31, 2023 reflected an unfavorable impact of sales mix of approximately 300 basis points and the decreased leveraging of certain fixed costs as a result of lower sales of approximately 70 basis points, partially offset by decreased shipping costs of approximately 70 basis points and a positive impact of fluctuations in foreign exchange rates of approximately 20 basis points.

#### *Selling, General and Administrative ("SG&A")*

SG&A expenses for the three months ended October 31, 2023 were \$81.6 million, representing a decrease from the prior year period of \$1.1 million, or 1.4%. The decrease in SG&A expenses was primarily due to the following factors: a decrease in performance-based compensation of \$3.8 million; a decrease in allowance for expected credit losses of \$0.4 million; and a decrease of \$0.3 million in amortization expense related to certain intangible assets being fully amortized. These decreases in SG&A expenses were partially offset by an increase in payroll related expenses of \$1.7 million, higher marketing expenses of \$0.9 million and an increase in professional fees of \$0.3 million. For the three months ended October 31, 2023, fluctuations in foreign currency rates related to the foreign subsidiaries unfavorably impacted SG&A expenses by \$1.7 million when compared to the prior year period.

#### *Watch and Accessory Brands Operating Income*

For the three months ended October 31, 2023, the Company recorded operating income of \$18.5 million in the Watch and Accessory Brands segment which includes \$14.3 million of unallocated corporate expenses as well as \$22.9 million of certain intercompany profits related to the Company's supply chain operations. For the three months ended October 31, 2022, the Company recorded operating income of \$33.6 million in the Watch and Accessory Brands segment which included \$16.5 million of unallocated corporate expenses as well as \$27.6 million of certain intercompany profits related to the Company's supply chain operations. The decrease in operating income was the result of a decrease in gross profit of \$16.3 million, partially offset by a decrease in SG&A expenses of \$1.2 million when compared to the prior year period. The decrease in gross profit of \$16.3 million was primarily the result of lower net sales combined with a lower gross margin percentage primarily due to an unfavorable impact of sales mix and the decreased leveraging of certain fixed costs as a result of lower sales, partially offset by decreased shipping costs and a positive impact of fluctuations in foreign exchange rates. The decrease in SG&A expenses of \$1.2 million was primarily due to the following factors: a decrease in performance-based compensation of \$3.8 million; a decrease in allowance for expected credit losses of \$0.4 million; and a decrease of \$0.3 million in amortization expense related to certain intangible assets being fully amortized. These decreases in SG&A expenses were partially offset by an increase in payroll related expenses of \$1.5 million, higher marketing expenses of \$0.9 million and an increase in professional fees of \$0.3 million.



#### *U.S. Watch and Accessory Brands Operating Loss*

In the United States locations of the Watch and Accessory Brands segment, for the three months ended October 31, 2023, the Company recorded an operating loss of \$7.3 million which includes unallocated corporate expenses of \$14.3 million. For the three months ended October 31, 2022 the Company recorded an operating loss of \$2.2 million in the United States locations of the Watch and Accessory Brands segment which included unallocated corporate expenses of \$16.5 million. The increase in operating loss was the result of lower gross profit of \$6.2 million, partially offset by a decrease in SG&A expenses of \$1.1 million when compared to the prior year period. The decrease in gross profit of \$6.2 million was primarily the result of lower net sales, combined with a lower gross margin percentage primarily due to an unfavorable impact of sales mix and the decreased leveraging of certain fixed costs as a result of lower sales, partially offset by decreased shipping costs. The decrease in SG&A expenses of \$1.1 million was primarily due to a decrease in performance-based compensation of \$3.8 million. The decrease in SG&A expense was partially offset by an increase in payroll related expenses of \$1.1 million, higher marketing expenses of \$0.7 million and an increase in professional fees of \$0.3 million.

#### *International Watch and Accessory Brands Operating Income*

In the International locations of the Watch and Accessory Brands segment, for the three months ended October 31, 2023, the Company recorded operating income of \$25.8 million which includes \$22.9 million of certain intercompany profits related to the Company's International supply chain operations. For the three months ended October 31, 2022 the Company recorded operating income of \$35.9 million in the International locations of the Watch and Accessory Brands segment which included \$27.6 million of certain intercompany profits related to the Company's supply chain operations. The decrease in operating income was the result of lower gross profit of \$10.2 million, partially offset by a decrease in SG&A expenses of \$0.1 million. The decrease in gross profit of \$10.2 million was primarily the result of lower net sales, combined with a lower gross margin percentage primarily due to an unfavorable impact of sales mix and the decreased leveraging of certain fixed costs as a result of lower sales, partially offset by decreased shipping costs and a positive impact of fluctuations in foreign exchange rates. The decrease in SG&A expenses of \$0.1 million was primarily due to the following factors: a decrease in allowance for expected credit losses of \$0.4 million; and a decrease of \$0.3 million in amortization expense related to certain intangible assets being fully amortized. These decreases in SG&A expenses were partially offset by an increase in payroll related expenses of \$0.4 million and higher marketing expenses of \$0.2 million.

#### *Company Stores Operating Income*

The Company recorded operating income of \$2.2 million and \$4.6 million in the Company Stores segment for the three months ended October 31, 2023 and 2022, respectively. The decrease in operating income of \$2.4 million was primarily related to a decrease in gross profit of \$2.3 million, mainly due to lower net sales combined with a lower gross margin percentage, and higher SG&A expenses of \$0.1 million, reflecting a \$0.2 million increase in payroll related expenses. As of both October 31, 2023, and 2022, the Company Stores segment operated 55 retail outlet locations.

#### *Other Non-Operating Income, net*

The Company recorded other income of \$1.6 million primarily due to interest income for the three months ended October 31, 2023.

The Company recorded other income of \$0.4 million primarily due to interest income for the three months ended October 31, 2022.

#### *Interest Expense*

Interest expense was \$0.1 million primarily due to the payment of unused commitment fees for both the three months ended October 31, 2023 and 2022. There were no borrowings under the Company's revolving credit facility during the three months ended October 31, 2023 and 2022.

#### *Income Taxes*

The Company recorded an income tax provision of \$4.5 million and \$8.4 million for the three months ended October 31, 2023 and 2022, respectively.

The effective tax rate was 20.4% and 21.9% for the three months ended October 31, 2023 and 2022, respectively. The significant components of the effective tax rate changed primarily due to changes in jurisdictional earnings and return to provision adjustments recorded in the prior year.

#### *Net Income Attributable to Movado Group, Inc.*

The Company recorded net income attributable to Movado Group, Inc. of \$17.4 million and \$29.3 million for the three months ended October 31, 2023 and 2022, respectively.

## Results of operations for the nine months ended October 31, 2023 as compared to the nine months ended October 31, 2022

*Net Sales:* Comparative net sales by business segment were as follows (in thousands):

	Nine Months Ended October 31,	
	2023	2022
Watch and Accessory Brands:		
United States	\$ 141,918	\$ 168,173
International	282,900	315,663
Total Watch and Accessory Brands	424,818	483,836
Company Stores:		
United States	64,684	70,266
International	3,479	3,523
Total Company Stores	68,163	73,789
Net Sales	<u>\$ 492,981</u>	<u>\$ 557,625</u>

Comparative net sales by categories were as follows (in thousands):

	Nine Months Ended October 31,	
	2023	2022
Watch and Accessory Brands:		
Owned brands category	\$ 149,436	\$ 171,449
Licensed brands category	272,012	308,190
After-sales service and all other	3,370	4,197
Total Watch and Accessory Brands	424,818	483,836
Company Stores	68,163	73,789
Net Sales	<u>\$ 492,981</u>	<u>\$ 557,625</u>

### *Net Sales*

Net sales for the nine months ended October 31, 2023 were \$493.0 million, representing a \$64.6 million or 11.6% decrease from the prior year period. This decrease is attributable to the Watch and Accessory Brands segment and, to a lesser extent, the Company Stores segment. For the nine months ended October 31, 2023, fluctuations in foreign currency exchange rates positively impacted net sales by \$5.7 million when compared to the prior year period. Excluding this \$5.7 million impact, net sales would have decreased by 12.6% as compared to the prior year period.

### *Watch and Accessory Brands Net Sales*

Net sales for the nine months ended October 31, 2023 in the Watch and Accessory Brands segment were \$424.8 million, below the prior year period by \$59.0 million, or 12.2%. The decrease in net sales was primarily due to decreased volumes resulting from lower demand in the Company's wholesale customers in both the United States and International locations and a decrease in online retail, partially offset by the positive impact of fluctuations in foreign exchange rates.

### *United States Watch and Accessory Brands Net Sales*

Net sales for the nine months ended October 31, 2023 in the United States locations of the Watch and Accessory Brands segment were \$141.9 million, below the prior year period by \$26.3 million, or 15.6%, resulting primarily from decreased volumes due to lower demand in the Company's wholesale customers in both the owned and licensed brand categories and a decrease in online retail. The net sales recorded in the owned brands category decreased \$20.3 million, or 15.8%, and net sales recorded in the licensed brand category decreased \$7.6 million, or 19.4%.

### *International Watch and Accessory Brands Net Sales*

Net sales for the nine months ended October 31, 2023 in the International locations of the Watch and Accessory Brands segment were \$282.9 million, below the prior year by \$32.8 million, or 10.4%, which included fluctuations in foreign currency exchange rates that positively impacted net sales by \$5.7 million when compared to the prior year period. The decrease in net sales was in both the owned and licensed brand categories primarily due to decreased volumes resulting from lower demand in the Company's wholesale customers.

and a decrease in online retail, partially offset by the positive impact of fluctuations in foreign exchange rates. The net sales decrease recorded in the owned brands category was \$1.7 million, or 4.1%, primarily due to net sales decreases in Europe. The net sales decrease in the licensed brands category was \$28.6 million, or 10.6%, primarily due to net sales decreases in Europe, the Americas (excluding the United States) and Asia, partially offset by a net sales increase in the Middle East.

#### *Company Stores Net Sales*

Net sales for the nine months ended October 31, 2023 in the Company Stores segment were \$68.2 million, \$5.6 million or 7.6% below the prior year period. The net sales decrease was primarily due to sales mix in the Company stores and a decrease in sales from the Company's online outlet store at [www.movadocompanystore.com](http://www.movadocompanystore.com), partially offset by new store openings. As of both October 31, 2023 and 2022, the Company operated 55 retail outlet locations.

#### *Gross Profit*

Gross profit for the nine months ended October 31, 2023 was \$273.6 million or 55.5% of net sales as compared to \$324.6 million or 58.2% of net sales in the prior year period. The decrease in gross profit of \$51.0 million was primarily due to lower net sales combined with a lower gross margin percentage. The decrease in the gross margin percentage of approximately 270 basis points for the nine months ended October 31, 2023 reflected an unfavorable impact of sales mix of approximately 220 basis points, the decreased leveraging of higher fixed costs over lower sales of approximately 60 basis points and a negative impact of fluctuations in foreign exchange rates of approximately 30 basis points, partially offset by decreased shipping costs of approximately 40 basis points.

#### *Selling, General and Administrative ("SG&A")*

SG&A expenses for the nine months ended October 31, 2023 were \$232.4 million, representing an increase from the prior year period of \$2.0 million, or 0.9%. The increase in SG&A expenses was primarily due to the following factors: an increase in payroll related expenses of \$8.7 million; and an increase in travel and entertainment expenses of \$0.8 million. These increases in SG&A expenses were partially offset by a decrease in performance-based compensation of \$6.0 million and lower marketing expenses of \$1.6 million. For the nine months ended October 31, 2023, fluctuations in foreign currency rates related to the foreign subsidiaries unfavorably impacted SG&A expenses by \$2.2 million when compared to the prior year period.

#### *Watch and Accessory Brands Operating Income*

For the nine months ended October 31, 2023, the Company recorded operating income of \$31.9 million in the Watch and Accessory Brands segment which includes \$36.0 million of unallocated corporate expenses as well as \$55.4 million of certain intercompany profits related to the Company's supply chain operations. For the nine months ended October 31, 2022, the Company recorded operating income of \$78.5 million in the Watch and Accessory Brands segment which included \$42.5 million of unallocated corporate expenses as well as \$65.5 million of certain intercompany profits related to the Company's supply chain operations. The decrease in operating income was the result of a decrease in gross profit of \$45.1 million combined with higher SG&A expenses of \$1.5 million when compared to the prior year period. The decrease in gross profit was primarily the result of lower net sales combined with a lower gross margin percentage primarily due to an unfavorable impact of sales mix, the decreased leveraging of higher fixed costs over lower sales and a negative impact of fluctuations in foreign exchange rates, partially offset by lower shipping costs. The increase in SG&A expenses of \$1.5 million was primarily due to the following factors: an increase in payroll related expenses of \$7.8 million; an increase in travel and entertainment expenses of \$0.8 million; and an increase in professional fees of \$0.4 million. These increases in SG&A expenses were partially offset by a decrease in performance-based compensation of \$5.9 million and lower marketing expenses of \$1.6 million.

#### *U.S. Watch and Accessory Brands Operating Loss*

In the United States locations of the Watch and Accessory Brands segment, for the nine months ended October 31, 2023, the Company recorded an operating loss of \$26.7 million which includes unallocated corporate expenses of \$36.0 million. For the nine months ended October 31, 2022 the Company recorded an operating loss of \$8.1 million in the United States locations of the Watch and Accessory Brands segment which included unallocated corporate expenses of \$42.5 million. The increase in operating loss was the result of lower gross profit of \$20.3 million, partially offset by a decrease in SG&A expenses of \$1.7 million when compared to the prior year period. The decrease in gross profit of \$20.3 million was primarily the result of lower net sales, combined with a lower gross margin percentage primarily due to an unfavorable impact of sales mix, the decreased leveraging of higher fixed costs over lower sales, partially offset by lower shipping costs. The decrease in SG&A expenses of \$1.7 million was primarily due to the following factors: a decrease in performance-based compensation of \$5.9 million; and lower marketing expenses of \$2.0 million. These decreases in SG&A expenses were partially offset by an increase in payroll related expenses of \$5.4 million, an increase in travel and entertainment expenses of \$0.4 million and an increase in professional fees of \$0.2 million.

### *International Watch and Accessory Brands Operating Income*

In the International locations of the Watch and Accessory Brands segment, for the nine months ended October 31, 2023, the Company recorded operating income of \$58.6 million which includes \$55.4 million of certain intercompany profits related to the Company's International supply chain operations. For the nine months ended October 31, 2022 the Company recorded operating income of \$86.7 million in the International locations of the Watch and Accessory Brands segment which included \$65.5 million of certain intercompany profits related to the Company's supply chain operations. The decrease in operating income was the result of lower gross profit of \$24.8 million combined with higher SG&A expenses of \$3.3 million. The decrease in gross profit of \$24.8 million was primarily the result of lower net sales, combined with a lower gross margin percentage primarily due to an unfavorable impact of sales mix, the decreased leveraging of higher fixed costs over lower sales and a negative impact of fluctuations in foreign exchange rates, partially offset by lower shipping costs. The increase in SG&A expenses of \$3.3 million was primarily due to the following factors: an increase in payroll related expenses of \$2.5 million; higher marketing expenses of \$0.4 million; an increase in travel and entertainment expenses of \$0.4 million; and an increase in professional fees of \$0.2 million.

### *Company Stores Operating Income*

The Company recorded operating income of \$9.3 million and \$15.7 million in the Company Stores segment for the nine months ended October 31, 2023 and 2022, respectively. The decrease in operating income of \$6.4 million was primarily related to a decrease in gross profit of \$6.0 million, mainly due to lower net sales combined with a lower gross margin percentage, and higher SG&A expenses of \$0.4 million, reflecting a \$0.9 million increase in payroll related expenses, partially offset by a decrease of \$0.3 million in professional service fees. As of both October 31, 2023, and 2022, the Company Stores segment operated 55 retail outlet locations.

### *Other Non-Operating Income, net*

For the nine months ended October 31, 2023, the Company recorded other income, net of \$4.2 million primarily due to interest income, partially offset by a \$0.5 million impairment related to an equity investment that sold its business and assets in which the Company expects to receive little or no return on its investment.

The Company recorded other income of \$0.7 million primarily due to interest income for the nine months ended October 31, 2022.

### *Interest Expense*

Interest expense was \$0.4 million primarily due to the payment of unused commitment fees for both the nine months ended October 31, 2023 and 2022. There were no borrowings under the Company's revolving credit facility during the nine months ended October 31, 2023 and 2022.

### *Income Taxes*

The Company recorded an income tax provision of \$9.9 million and \$20.9 million for the nine months ended October 31, 2023 and 2022, respectively.

The effective tax rate was 22.0% and 22.1% for the nine months ended October 31, 2023 and 2022, respectively. The significant components of the effective tax rate changed primarily due to the release of certain foreign valuation allowances in the prior year and a limitation on a portion of the foreign tax credits and deductions related to the tax on GILTI, partially offset by return to provision adjustments recorded in the prior year.

### *Net Income Attributable to Movado Group, Inc.*

The Company recorded net income attributable to Movado Group, Inc. of \$34.6 million and \$71.8 million for the nine months ended October 31, 2023 and 2022, respectively.

## **LIQUIDITY AND CAPITAL RESOURCES**

At October 31, 2023 and October 31, 2022, the Company had \$201.0 million and \$186.7 million, respectively, of cash and cash equivalents. Of this total, \$130.5 million and \$56.7 million, respectively, consisted of cash and cash equivalents at the Company's foreign subsidiaries.

At October 31, 2023 the Company had working capital of \$412.1 million as compared to \$398.3 million at October 31, 2022. The increase in working capital was primarily the result of a decrease in accounts payable, accrued liabilities and accrued payroll and benefits and an increase in cash, partially offset by a decrease in inventories. The Company defines working capital as the difference between current assets and current liabilities.

The Company had \$7.4 million of cash provided by operating activities for the nine months ended October 31, 2023 as compared to \$23.6 million of cash used in operating activities for the nine months ended October 31, 2022. Cash provided by operating activities for

the nine months ended October 31, 2023 included net income of \$35.1 million, positively adjusted by \$15.5 million related to non-cash items. Cash provided by operating activities for the nine months ended October 31, 2023 included an increase in accrued liabilities of \$12.3 million primarily as a result of timing of payments and a \$10.8 million decrease in investment in inventories primarily due to timing of receipts to align with sales levels, partially offset by an increase of \$42.0 million in trade receivables as a result of timing of receipts and change in sales mix, a change in income taxes of \$14.5 million primarily due to timing of payments, a decrease in accounts payable of \$7.5 million primarily due to timing of payments and a decrease in accrued payroll and benefits of \$7.0 million primarily as a result of payments of performance-based compensation. Cash used in operating activities for the nine months ended October 31, 2022 was primarily due to a \$66.2 million increase in investment in inventories, an increase of \$50.0 million in trade receivables and a decrease in accrued payroll of \$9.2 million, partially offset by net income of \$73.7 million and an increase in accrued liabilities of \$19.6 million.

Cash used in investing activities was \$8.8 million for the nine months ended October 31, 2023 as compared to cash used in investing activities of \$7.6 million for the nine months ended October 31, 2022. The cash used in the nine months ended October 31, 2023 was primarily related to capital expenditures of \$6.6 million primarily due to new computer software and leasehold improvements and \$2.0 million of long-term investments. Cash used in investing activities for the nine months ended October 31, 2022 included \$4.7 million of capital expenditures and \$2.7 million of long-term investments.

Cash used in financing activities was \$48.6 million for the nine months ended October 31, 2023 as compared to cash used in financing activities of \$51.9 million for the nine months ended October 31, 2022. The cash used in the nine months ended October 31, 2023 included \$45.4 million in dividends paid, which included a special cash dividend of \$1.00 per share, and \$2.3 million in stock repurchased in the open market. Cash used in financing activities for the nine months ended October 31, 2022 included \$28.2 million in stock repurchased in the open market and \$23.6 million in dividends paid.

On October 12, 2018, the Company, together with Movado Group Delaware Holdings Corporation, Movado Retail Group, Inc. and Movado LLC (together with the Company, the "U.S. Borrowers"), each a wholly owned domestic subsidiary of the Company, and Movado Watch Company S.A. and MGI Luxury Group S.A., each a wholly owned Swiss subsidiary of the Company, entered into an Amended and Restated Credit Agreement (as subsequently amended, the "Credit Agreement") with the lenders party thereto and Bank of America, N.A. as administrative agent (in such capacity, the "Agent"). As a result of the merger of Movado Watch Company S.A. into MGI Luxury Group S.A. in July 2022, MGI Luxury Group S.A. (subsequently renamed MGI Luxury Group GmbH as a result of the conversion of its corporate form) became the sole Swiss subsidiary of the Company party to the Credit Agreement (in such capacity, the "Swiss Borrower" and, together with the U.S. Borrowers, the "Borrowers"). The Credit Agreement provides for a \$100.0 million senior secured revolving credit facility (the "Facility") and has a maturity date of October 28, 2026. The Facility includes a \$15.0 million letter of credit subfacility, a \$25.0 million swingline subfacility and a \$75.0 million sublimit for borrowings by the Swiss Borrower, with provisions for uncommitted increases to the Facility of up to \$50.0 million in the aggregate subject to customary terms and conditions. The Credit Agreement contains affirmative and negative covenants binding on the Company and its subsidiaries that are customary for credit facilities of this type, including, but not limited to, restrictions and limitations on the incurrence of debt and liens, dispositions of assets, capital expenditures, dividends and other payments in respect of equity interests, the making of loans and equity investments, mergers, consolidations, liquidations and dissolutions, and transactions with affiliates (in each case, subject to various exceptions).

The borrowings under the Facility are joint and several obligations of the Borrowers and are also cross-guaranteed by each Borrower, except that the Swiss Borrower is not liable for, nor does it guarantee, the obligations of the U.S. Borrowers. In addition, the Borrowers' obligations under the Facility are secured by first priority liens, subject to permitted liens, on substantially all of the U.S. Borrowers' assets other than certain excluded assets. The Swiss Borrower does not provide collateral to secure the obligations under the Facility.

As of both October 31, 2023, and October 31, 2022, there were no amounts of loans outstanding under the Facility. Availability under the Facility was reduced by the aggregate number of letters of credit outstanding, issued in connection with retail and operating facility leases to various landlords and for Canadian payroll to the Royal Bank of Canada, totaling approximately \$0.3 million at both October 31, 2023 and October 31, 2022. At October 31, 2023, the letters of credit have expiration dates through May 31, 2024. As of both October 31, 2023, and October 31, 2022, availability under the Facility was \$99.7 million. For additional information regarding the Facility, see Note 5 – Debt and Lines of Credit to the Consolidated Financial Statements.

The Company had weighted average borrowings under the Facility of zero during both the three and nine months ended October 31, 2023 and 2022, respectively.

A Swiss subsidiary of the Company maintains unsecured lines of credit with a Swiss bank that are subject to repayment upon demand. As of October 31, 2023, and 2022, these lines of credit totaled 6.5 million Swiss Francs for both periods, with a dollar equivalent of \$7.1 million and \$6.5 million, respectively. As of October 31, 2023, and 2022, there were no borrowings against these lines. As of October 31, 2023 and 2022, two European banks had guaranteed obligations to third parties on behalf of two of the Company's foreign

subsidiaries in the dollar equivalent of \$1.5 million and \$1.1 million, respectively, in various foreign currencies, of which \$0.8 million (\$0.1 million was refunded in November) and \$0.5 million, respectively, was a restricted deposit as it relates to lease agreements.

Cash paid for interest, including unused commitments fees, was \$0.2 million for both the nine-month periods ended October 31, 2023 and October 31, 2022, respectively.

From time to time the Company may make minority investments in growth companies in the consumer products sector and other sectors relevant to its business, including certain of the Company's suppliers and customers, as well as in venture capital funds that invest in companies in media, entertainment, information technology and technology-related fields and in digital assets. During fiscal 2022, the Company committed to invest up to \$21.5 million in such investments. The Company funded approximately \$5.3 million of these commitments through fiscal 2023 and an additional \$2.0 million during the first nine months of fiscal 2024 and may be called upon to satisfy capital calls in respect of the remaining \$14.2 million in such commitments at any time during a period generally ending ten years after the first capital call in respect of a given commitment. One consumer products company in which the Company made an equity investment in fiscal year 2022 sold its business and assets in the first quarter of fiscal 2024 in a transaction that is expected to yield little or no return for equity holders. As a result, the Company fully impaired its \$0.5 million investment in this entity in the first quarter of fiscal 2024.

On March 23, 2023, the Company declared a special cash dividend of \$1.00 per share, as well as a quarterly cash dividend of \$0.35 per share, both paid on April 19, 2023, to shareholders of record on April 5, 2023. The total dividends of \$29.9 million were paid on April 19, 2023. The Company paid cash dividends of \$0.35 per share, or \$7.7 million, during the three months ended July 31, 2023; and \$0.35 per share, or \$7.8 million, during the three months ended October 31, 2023. The Company paid cash dividends of \$0.35 per share, or \$7.9 million, during the three months ended April 30, 2022; \$0.35 per share, or \$7.9 million, during the three months ended July 31, 2022; and \$0.35 per share, or \$7.8 million, during the three months ended October 31, 2022. Although the Company currently expects to continue to declare cash dividends in the future, the decision of whether to declare any future cash dividend, including the amount of any such dividend and the establishment of record and payment dates, will be determined, in each quarter, by the Board of Directors, in its sole discretion.

On March 25, 2021, the Board approved a share repurchase program under which the Company was authorized to purchase up to \$25.0 million of its outstanding common stock through September 30, 2022, depending on market conditions, share price and other factors. On November 23, 2021, the Board approved a share repurchase program under which the Company is authorized to purchase up to an additional \$50.0 million of its outstanding common stock through November 23, 2024, depending on market conditions, share price and other factors. Under both share repurchase programs, the Company is permitted to purchase shares of its common stock from time to time through open market purchases, repurchase plans, block trades or otherwise. During the nine months ended October 31, 2023, the Company repurchased a total of 85,722 shares of its common stock under the November 23, 2021 share repurchase program at a total cost of \$2.3 million, or an average of \$27.40 per share. At October 31, 2023, zero remains available for purchase under the Company's March 25, 2021 repurchase program and \$18.6 million remains available for purchase under the Company's November 23, 2021 repurchase program. During the nine months ended October 31, 2022, the Company repurchased a total of 795,456 shares of its common stock under the March 25, 2021 share repurchase program and November 23, 2021 share repurchase program at a total cost of \$28.2 million, or an average of \$35.39 per share.

#### **Off-Balance Sheet Arrangements**

The Company does not have off-balance sheet financing or unconsolidated special-purpose entities.

#### **Accounting Changes and Recent Accounting Pronouncements**

See Note 2- Recent Accounting Pronouncements to the accompanying unaudited Consolidated Financial Statements for a description of recent accounting pronouncements which may impact the Company's Consolidated Financial Statements in future reporting periods.

#### *Item 3. Quantitative and Qualitative Disclosures About Market Risk*

##### **Foreign Currency Exchange Rate Risk**

The Company's primary market risk exposure relates to foreign currency exchange risk (see Note 6 – Derivative Financial Instruments to the Consolidated Financial Statements). A significant portion of the Company's purchases are denominated in Swiss Francs and, to a lesser extent, the Japanese Yen. The Company also sells to third-party customers in a variety of foreign currencies, most notably the Euro, Swiss Franc and the British Pound. The Company reduces its exposure to the Swiss Franc, Euro, British Pound, Chinese Yuan and Japanese Yen exchange rate risk through a hedging program. Under the hedging program, the Company manages most of its foreign currency exposures on a consolidated basis, which allows it to net certain exposures and take advantage of natural offsets. In the event

these exposures do not offset, from time to time the Company uses various derivative financial instruments to further reduce the net exposures to currency fluctuations, predominately forward and option contracts. Certain of these contracts meet the requirements of qualified hedges. In these circumstances, the Company designates and documents these derivative instruments as a cash flow hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transactions. Changes in the fair value of hedges designated and documented as a cash flow hedge and which are highly effective, are recorded in other comprehensive income until the underlying transaction affects earnings, and then are later reclassified into earnings in the same account as the hedged transaction. The earnings impact is mostly offset by the effects of currency movements on the underlying hedged transactions. To the extent that the Company does not engage in a hedging program, any change in the Swiss Franc, Euro, British Pound, Chinese Yuan and Japanese Yen exchange rates to local currency would have an equal effect on the Company's earnings.

From time to time the Company uses forward exchange contracts, which do not meet the requirements of qualified hedges, to offset its exposure to certain foreign currency receivables and liabilities. These forward contracts are not designated as qualified hedges and, therefore, changes in the fair value of these derivatives are recognized in earnings in the period they arise, thereby offsetting the current earnings effect resulting from the revaluation of the related foreign currency receivables and liabilities.

As of October 31, 2023, the Company's entire net forward contracts hedging portfolio consisted of 20.7 million Chinese Yuan equivalent, 28.0 million Swiss Francs equivalent, 24.7 million U.S. dollars equivalent, 27.6 million Euros equivalent (including 3.0 million Euros designated as cash flow hedges) and 5.8 million British Pounds equivalent with various expiry dates ranging through April 4, 2024, compared to a portfolio of 35.1 million Chinese Yuan equivalent, 40.0 million Swiss Francs equivalent, 24.4 million U.S. dollars equivalent, 41.0 million Euros equivalent (including 14.0 million Euros designated as cash flow hedges) and 7.5 million British Pounds equivalent with various expiry dates ranging through April 20, 2023, as of October 31, 2022. If the Company were to settle its Swiss Franc forward contracts at October 31, 2023, the result would be a \$0.6 million loss. If the Company were to settle its Euro forward contracts at October 31, 2023, the result would be an immaterial loss. As of October 31, 2023, the Company's British Pound, Chinese Yuan and US Dollar forward contracts had no gain or loss.

### **Commodity Risk**

The Company considers its exposure to fluctuations in commodity prices to be primarily related to gold used in the manufacturing of the Company's watches. Under its hedging program, the Company can purchase various commodity derivative instruments, primarily futures contracts. When held, these derivatives are documented as qualified cash flow hedges, and the resulting gains and losses on these derivative instruments are first reflected in other comprehensive income, and later reclassified into earnings, partially offset by the effects of gold market price changes on the underlying actual gold purchases. The Company did not hold any future contracts in its gold hedge portfolio as of October 31, 2023 and 2022; thus, any changes in the gold purchase price will have an equal effect on the Company's cost of sales.

### **Debt and Interest Rate Risk**

Floating rate debt at October 31, 2023 and 2022 was zero for both periods. During the nine months ended October 31, 2023, the Company had no weighted average borrowings. The Company does not hedge these interest rate risks.

#### *Item 4. Controls and Procedures*

##### **Evaluation of Disclosure Controls and Procedures**

The Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. However, it should be noted that a control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that its objectives will be met and may not prevent all errors or instances of fraud.

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as such terms are defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective at a reasonable assurance level as of the end of the period covered by this report.

##### **Changes in Internal Control Over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the three months ended October 31, 2023, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II – OTHER INFORMATION

### *Item 1. Legal Proceedings*

The Company is involved in legal proceedings and claims from time to time, in the ordinary course of its business. Legal reserves are recorded in accordance with the accounting guidance for contingencies. Contingencies are inherently unpredictable and it is possible that results of operations, balance sheets or cash flows could be materially and adversely affected in any particular period by unfavorable developments in, or resolution or disposition of, such matters. For those legal proceedings and claims for which the Company believes that it is probable that a reasonably estimable loss may result, the Company records a reserve for the potential loss. For proceedings and claims where the Company believes it is reasonably possible that a loss may result that is materially in excess of amounts accrued for the matter, the Company either discloses an estimate of such possible loss or range of loss or includes a statement that such an estimate cannot be made.

In December 2016, U.S. Customs and Border Protection (“U.S. Customs”) issued an audit report concerning the methodology used by the Company to allocate the cost of certain watch styles imported into the U.S. among the component parts of those watches for tariff purposes. The report disputed the reasonableness of the Company’s historical allocation formulas and proposed an alternative methodology that would imply \$5.1 million in underpaid duties for all imports that entered the United States during the audit period which extended from August 1, 2011 through July 15, 2016, plus possible penalties and interest. Although the Company believes that U.S. Customs’ alternative duty methodology and estimate are not consistent with the Company’s facts and circumstances and has consistently disputed U.S. Customs’ position, the Company established reserves for a portion of the alleged underpayment indicated in the audit report. Between February 2017 and January 2021, the Company made numerous submissions to U.S. Customs containing supplemental analyses and information in response to U.S. Customs’ information requests. On May 1, 2023, the statute of limitations lapsed with respect to all entries encompassed by the audit period. As a result, during the second quarter of fiscal 2024, the Company released the reserves that it had established in respect of those entries.

In addition to the above matters, the Company is involved in other legal proceedings and contingencies, the resolution of which is not expected to materially affect its financial condition, future results of operations, or cash flows.

### *Item 1A. Risk Factors*

As of October 31, 2023, there have been no material changes to any of the risk factors previously reported in the Company’s 2023 Annual Report on Form 10-K.

### *Item 2. Unregistered Sales of Equity Securities and Use of Proceeds*

On March 25, 2021, the Board approved a share repurchase program under which the Company was authorized to purchase up to \$25.0 million of its outstanding common stock from time to time through September 30, 2022, depending on market conditions, share price and other factors. On November 23, 2021, the Board approved a share repurchase program under which the Company is authorized to purchase up to an additional \$50.0 million of its outstanding common stock through November 23, 2024, depending on market conditions, share price and other factors. Under both share repurchase programs, the Company is permitted to purchase shares of its common stock through open market purchases, repurchase plans, block trades or otherwise. During the three months ended October 31, 2023, the Company repurchased a total of 69,722 shares of its common stock at a total cost of \$1.9 million, or an average of \$27.49 per share.

At the election of an employee, upon the vesting of a stock award or the exercise of a stock option, shares of common stock having an aggregate value on the vesting of the award or the exercise date of the option, as the case may be, equal to the employee’s withholding tax obligation may be surrendered to the Company by netting them from the vested shares issued. Similarly, shares having an aggregate value equal to the exercise price of an option may be tendered to the Company in payment of the option exercise price and netted from the shares of common stock issued upon the option exercise. There were no shares repurchased during the three months ended October 31, 2023, as a result of the surrender of shares of common stock in connection with the vesting of restricted stock awards or stock options; however there was a reduction of 739 shares repurchased during the three months ended October 31, 2023, related to activity during the three months ended July 31, 2023.



The following table summarizes information about the Company's purchases for the three months ended October 31, 2023 of equity securities that are registered by the Company pursuant to Section 12 of the Securities Exchange Act of 1934, as amended:

### Issuer Repurchase of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Amount that May Yet Be Purchased Under the Plans or Programs
August 1, 2023 – August 31, 2023	1,261	\$ 26.56	2,000	\$ 20,502,539
September 1, 2023 – September 30, 2023	40,000	27.06	40,000	19,420,062
October 1, 2023 – October 31, 2023	27,722	28.17	27,722	18,639,162
Total	68,983	\$ 27.50	69,722	\$ 18,639,162

### Item 5. Other Information

During the quarterly period ended October 31, 2023, none of the Company's directors or officers informed the Company of the adoption, modification or termination of a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as those terms are defined in Item 408 of Regulation S-K.

- 31.1 [Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following financial information from Movado Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended October 31, 2023 filed with the SEC, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to the Consolidated Financial Statements. XBRL Instance Document – the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document.
- 104 Cover Page Interactive Data File, formatted in Inline Extensible Business Reporting Language (iXBRL).

**SIGNATURE**

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.

**MOVADO GROUP, INC.**

Dated: November 30, 2023

By: /s/ Linda Feeney  
Linda Feeney  
Senior Vice President,  
Principal Accounting Officer  
(duly authorized signatory and principal accounting officer)

## CERTIFICATIONS

I, Efraim Grinberg, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Movado Group, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 30, 2023

/s/ Efraim Grinberg

Efraim Grinberg  
Chairman of the Board of Directors and Chief  
Executive Officer

## CERTIFICATIONS

I, Sallie A. DeMarsilis, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Movado Group, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 30, 2023

/s/ Sallie A. DeMarsilis

Sallie A. DeMarsilis  
Executive Vice President,  
Chief Operating Officer,  
Chief Financial Officer and  
Principal Accounting Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Movado Group, Inc. (the “Company”) for the quarter ended October 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”) the undersigned hereby certifies, in the capacity indicated below and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 30, 2023

/s/ Efraim Grinberg

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Efraim Grinberg  
Chairman of the Board of Directors and Chief  
Executive Officer

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CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Movado Group, Inc. (the “Company”) for the quarter ended October 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) the undersigned hereby certifies, in the capacity indicated below and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 30, 2023

/s/ Sallie A. DeMarsilis

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Sallie A. DeMarsilis  
Executive Vice President,  
Chief Operating Officer,  
Chief Financial Officer and  
Principal Accounting Officer

