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, 2017

☐ **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)**	**13-2595932** **(IRS Employer Identification No.)**
650 From Road, Ste. 375 **Paramus, New Jersey** **(Address of Principal Executive Offices)**	**07652-3556** **(Zip Code)**

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 (Do not check if a smaller reporting company) ☐
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 14, 2017 were 16,298,173 and 6,641,950, respectively.

MOVADO GROUP, INC.

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October 31, 2017

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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, 2017	January 31, 2017	October 31, 2016
ASSETS			
Current assets:			
Cash and cash equivalents	$ 155,484	$ 256,279	$ 199,758
Trade receivables, net	132,941	66,847	130,076
Inventories	169,866	153,167	169,402
Other current assets	26,361	28,487	28,096
Total current assets	484,652	504,780	527,332
Property, plant and equipment, net	24,637	34,173	34,867
Deferred and non-current income taxes	23,610	24,837	20,614
Goodwill	56,316	—	—
Other intangibles, net	22,568	1,633	1,730
Other non-current assets	47,783	42,379	39,935
Total assets	$ 659,566	$ 607,802	$ 624,478
LIABILITIES AND EQUITY			
Current liabilities:			
Loans payable to bank, current	$ 5,000	$ 5,000	$ 3,000
Accounts payable	28,014	27,192	22,443
Accrued liabilities	62,666	35,061	52,895
Income taxes payable	5,192	4,149	5,601
Total current liabilities	100,872	71,402	83,939
Loans payable to bank	25,000	25,000	35,000
Deferred and non-current income taxes payable	7,501	3,322	3,145
Other non-current liabilities	38,752	34,085	32,297
Total liabilities	172,125	133,809	154,381
Commitments and contingencies (Note 9)			
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; 27,324,319, 27,176,656 and 27,138,206 shares issued and outstanding, respectively	273	272	271
Class A Common Stock, $0.01 par value, 30,000,000 shares authorized; 6,641,950, 6,644,105 and 6,644,105 shares issued and outstanding, respectively	66	66	66
Capital in excess of par value	189,332	185,354	182,834
Retained earnings	425,649	415,919	413,666
Accumulated other comprehensive income	80,388	76,780	77,057
Treasury Stock, 11,026,671, 10,869,321 and 10,849,321 shares, respectively, at cost	(208,267)	(204,398)	(203,797)
Total Movado Group, Inc. shareholders' equity	487,441	473,993	470,097
Noncontrolling interests	—	—	—
Total equity	487,441	473,993	470,097
Total liabilities and equity	$ 659,566	$ 607,802	$ 624,478

See Notes to Consolidated Financial Statements

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2017	2016	2017	2016
Net sales	$ 190,693	$ 179,818	$ 418,739	$ 421,967
Cost of sales	86,623	81,268	199,406	191,837
Gross profit	104,070	98,550	219,333	230,130
Selling, general, and administrative	78,885	67,479	189,479	183,590
Operating income	25,185	31,071	29,854	46,540
Other expense (Note 3)	—	(1,282)	—	(1,282)
Interest expense	(445)	(333)	(1,191)	(1,039)
Interest income	110	45	361	138
Income before income taxes	24,850	29,501	29,024	44,357
Provision for income taxes (Note 10)	7,490	9,286	10,341	14,450
Net income	17,360	20,215	18,683	29,907
Less: Net income attributed to noncontrolling interests	—	—	—	78
Net income attributed to Movado Group, Inc.	$ 17,360	$ 20,215	$ 18,683	$ 29,829
Basic income per share:				
Weighted basic average shares outstanding	23,079	23,055	23,080	23,074
Net income per share attributed to Movado Group, Inc.	$ 0.75	$ 0.88	$ 0.81	$ 1.29
Diluted income per share:				
Weighted diluted average shares outstanding	23,273	23,230	23,261	23,259
Net income per share attributed to Movado Group, Inc.	$ 0.75	$ 0.87	$ 0.80	$ 1.28
Dividends declared per share	$ 0.13	$ 0.13	$ 0.39	$ 0.39

See Notes to Consolidated Financial Statements

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2017	2016	2017	2016
Comprehensive income, net of taxes:				
Net income including noncontrolling interests	$ 17,360	$ 20,215	$ 18,683	$ 29,907
Net unrealized (loss) / gain on investments, net of tax (benefit) of $(6), $4, $(6) and $1, respectively	(13)	6	(12)	8
Net change in effective portion of hedging contracts, net of tax (benefit) of $88, $(9), $9 and $5, respectively	448	(43)	37	31
Foreign currency translation adjustments	(5,525)	(6,319)	3,583	8,489
Comprehensive income including noncontrolling interests	12,270	13,859	22,291	38,435
Less: Comprehensive income attributed to noncontrolling interests	—	—	—	54
Total comprehensive income attributed to Movado Group, Inc.	$ 12,270	$ 13,859	$ 22,291	$ 38,381

See Notes to Consolidated Financial Statements

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

	Nine Months Ended October 31,	
	2017	2016
Cash flows from operating activities:		
Net income including noncontrolling interests	$ 18,683	$ 29,907
Adjustments to reconcile net income to net cash (used in) operating activities:		
Depreciation and amortization	9,842	8,520
Transactional (gains) / losses	(859)	2,663
Write-down of inventories	1,930	1,967
Deferred income taxes	719	230
Stock-based compensation	3,644	5,663
Impairment of long-term investment	—	1,282
Cost savings initiative	13,437	—
Changes in assets and liabilities:		
Trade receivables	(62,175)	(60,386)
Inventories	(14,562)	(7,657)
Other current assets	1,647	1,540
Accounts payable	334	(5,140)
Accrued liabilities	18,296	12,892
Income taxes payable	373	(917)
Other non-current assets	(5,399)	(5,123)
Other non-current liabilities	4,664	3,718
Net cash (used in) operating activities	(9,426)	(10,841)
Cash flows from investing activities:		
Capital expenditures	(3,575)	(3,847)
Short-term investment	—	(151)
Restricted cash deposits	1,018	(1,156)
Trademarks and other intangibles	(500)	(296)
Acquisition, net of cash acquired	(78,991)	—
Net cash (used in) investing activities	(82,048)	(5,450)
Cash flows from financing activities:		
Proceeds from bank borrowings	—	3,000
Repayments of bank borrowings	—	(5,000)
Stock options exercised and other changes	(626)	(1,256)
Dividends paid	(8,953)	(8,951)
Purchase of incremental ownership of U.K. joint venture	—	(1,320)
Stock repurchase	(3,004)	(3,263)
Net cash (used in) financing activities	(12,583)	(16,790)
Effect of exchange rate changes on cash and cash equivalents	3,262	4,651
Net (decrease) in cash and cash equivalents	(100,795)	(28,430)
Cash and cash equivalents at beginning of period	256,279	228,188
Cash and cash equivalents at end of period	$ 155,484	$ 199,758

See Notes to Consolidated Financial Statements

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, 2017 (the “2017 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, 2017 is derived from the audited annual financial statements, which are included in the Company’s 2017 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 1 – RECLASSIFICATIONS

Certain reclassifications were made to prior years’ financial statement amounts and related note disclosures to conform to fiscal 2018 presentation. As a result of the adoption of ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting,” excess tax benefits and deficiencies related to sharebased compensation are reported as operating activities in the statement of cash flows.

NOTE 2 - CHANGES TO CRITICAL ACCOUNTING POLICIES

As a result of the acquisition of JLB Brands Ltd., the owner of the Olivia Burton brand, in the second quarter of fiscal 2018, the Company has made the following additions to its critical accounting policies related to intangible assets and goodwill (see Note 17 – Acquisitions).

Intangibles

In accordance with applicable guidance, the Company estimates and records the fair value of purchased intangible assets at the time of its acquisition, which in the acquisition of the Olivia Burton brand primarily consist of a trade name and customer relationships. The fair values of these intangible assets are estimated based on independent third-party appraisals. Finite-lived intangible assets are amortized over their respective estimated useful lives and are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying values may not be fully recoverable. Estimates of fair value for finite-lived intangible assets are primarily determined using discounted cash flows, with consideration of market comparisons and recent transactions. This approach uses significant estimates and assumptions, including projected future cash flows, discount rates and growth rates.

Goodwill

At the time of acquisition, in accordance with applicable guidance, the Company records all acquired net assets at their estimated fair values. These estimated fair values are based on management’s assessments and independent third-party appraisals. The excess of the purchase consideration over the aggregate estimated fair values of the acquired net assets is recorded as goodwill.

Goodwill is not amortized but will be assessed for impairment at least annually. Under applicable guidance, the Company generally performs its annual goodwill impairment analysis using a qualitative approach to determine whether it is more likely than not that the fair value of goodwill is less than its carrying value. If, based on the results of the qualitative assessment, it is concluded that it is more likely than not that the fair value of goodwill is less than its carrying value, a quantitative test is performed. The Company early adopted ASU 2017-04 “Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment” (see Note 14 – Accounting Changes and Recent Accounting Pronouncements) on a prospective basis during the second quarter of fiscal 2018 in light of goodwill in the period, associated with the acquisition of the Olivia Burton brand.

The quantitative impairment test is performed to measure the amount of impairment loss, if any. The quantitative impairment test identifies the existence of potential impairment by comparing the fair value of each reporting unit with its carrying value, including goodwill. If a reporting unit's carrying amount exceeds its fair value, the Company will record an impairment charge, as an operating expense item, based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit.

Determination of the fair value of a reporting unit and the fair value of individual assets and liabilities of a reporting unit is based on management's assessment, including the consideration of independent third-party appraisals when necessary. Furthermore, this determination is subjective in nature and involves the use of significant estimates and assumptions. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and the amount of any such charge. Estimates of fair value are primarily determined using discounted cash flows, market comparisons, and recent transactions. These approaches use significant estimates and assumptions, including projected future cash flows, discount rates, growth rates, and determination of appropriate market comparisons.

NOTE 3 – 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 following tables present the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis (in thousands) as of October 31, 2017 and 2016 and January 31, 2017:

		Fair Value at October 31, 2017			
	Balance Sheet Location	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:					
Available-for-sale securities	Other current assets	$ 291	$ —	$ —	$ 291
Short-term investment	Other current assets	156	—	—	156
SERP assets - employer	Other non-current assets	1,538	—	—	1,538
SERP assets - employee	Other non-current assets	35,532	—	—	35,532
Hedge derivatives	Other current assets	—	67	—	67
Total		$ 37,517	$ 67	$ —	$ 37,584
Liabilities:					
SERP liabilities - employee	Other non-current liabilities	$ 35,532	$ —	$ —	$ 35,532
Hedge derivatives	Accrued liabilities	—	685	—	685
Total		$ 35,532	$ 685	$ —	$ 36,217

		Fair Value at January 31, 2017			
	Balance Sheet Location	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:					
Available-for-sale securities	Other current assets	$ 309	$ —	$ —	$ 309
Short-term investment	Other current assets	154	—	—	154
SERP assets - employer	Other non-current assets	1,091	—	—	1,091
SERP assets - employee	Other non-current assets	30,831	—	—	30,831
Hedge derivatives	Other current assets	—	145	—	145
Total		$ 32,385	$ 145	$ —	$ 32,530
Liabilities:					
SERP liabilities - employee	Other non-current liabilities	$ 30,831	$ —	$ —	$ 30,831
Hedge derivatives	Accrued liabilities	—	211	—	211
Total		$ 30,831	$ 211	$ —	$ 31,042

	Balance Sheet Location	Fair Value at October 31, 2016 Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale securities	Other current assets	$ 280	$ —	$ —	$ 280
Short-term investment	Other current assets	150	—	—	150
SERP assets - employer	Other non-current assets	1,464	—	—	1,464
SERP assets - employee	Other non-current assets	28,495	—	—	28,495
Hedge derivatives	Other current assets	—	141	—	141
Total		$ 30,389	$ 141	$ —	$ 30,530
Liabilities:					
SERP liabilities - employee	Other non-current liabilities	$ 28,495	$ —	$ —	$ 28,495
Hedge derivatives	Accrued liabilities	—	391	—	391
Total		$ 28,495	$ 391	$ —	$ 28,886

The fair values of the Company's available-for-sale securities are based on quoted 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 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 carrying amount of debt approximated fair value as of October 31, 2017.

During the three months ended October 31, 2016, the Company determined that an investment in a privately held company experienced an other than temporary impairment and recorded a charge of $1.3 million, in other expenses in the Company's Consolidated Statements of Operations, to reduce the carrying value to zero in the United States location of the Wholesale segment.

NOTE 4 – EQUITY

The components of equity for the nine months ended October 31, 2017 and 2016 are as follows (in thousands):

	Movado Group, Inc. Shareholders' Equity							
	Common Stock (1)	Class A Common Stock (2)	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
Balance, January 31, 2017	$ 272	$ 66	$ 185,354	$ 415,919	$ (204,398)	$ 76,780	$ —	$ 473,993
Net income				18,683				18,683
Dividends				(8,953)				(8,953)
Stock repurchase					(3,004)			(3,004)
Stock options exercised	1		238		(865)			(626)
Supplemental executive retirement plan			96					96
Stock-based compensation expense			3,644					3,644
Net unrealized loss on investments, net of tax benefit of $6						(12)		(12)
Net change in effective portion of hedging contracts, net of tax of $9						37		37
Foreign currency translation adjustment (3)						3,583		3,583
Balance, October 31, 2017	$ 273	$ 66	$ 189,332	$ 425,649	$ (208,267)	$ 80,388	$ —	$ 487,441

	Common Stock (1)	Class A Common Stock (2)	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
Balance, January 31, 2016	$ 270	$ 66	$ 178,118	$ 392,788	$ (199,195)	$ 68,505	$ 595	$ 441,147
Net income				29,829			78	29,907
Dividends				(8,951)				(8,951)
Stock repurchase					(3,263)			(3,263)
Stock options exercised, net of tax of $167	1		(86)		(1,339)			(1,424)
Supplemental executive retirement plan			150					150
Stock-based compensation expense			5,663					5,663
Net unrealized gain on investments, net of tax of $1						8		8
Net change in effective portion of hedging contracts, net of tax of $5						31		31
Joint venture incremental share purchase			(1,011)				(649)	(1,660)
Foreign currency translation adjustment (3)						8,513	(24)	8,489
Balance, October 31, 2016	$ 271	$ 66	$ 182,834	$ 413,666	$ (203,797)	$ 77,057	$ —	$ 470,097

(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 5 – SEGMENT AND GEOGRAPHIC INFORMATION

The Company follows accounting guidance which requires disclosure of segment data based on how management makes decisions about allocating resources to segments and measuring their performance.

The Company conducts its business in two operating segments: Wholesale and Retail. The Company's Wholesale segment includes the designing, manufacturing and distribution of watches of quality owned brands and licensed brands, in addition to revenue generated from after-sales service activities and shipping. The Retail segment includes the Company's retail outlet locations.

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 Americas (excluding the United States), the Middle East and Asia accounted for 35.7%, 8.4%, 6.5% and 4.5%, respectively, of the Company's total net sales for the three months ended October 31, 2017. For the three months ended October 31, 2016, the Company's International operations in Europe, the Americas (excluding the United States), the Middle East and Asia accounted for 23.5%, 7.3%, 7.2% and 5.4%, respectively, of the Company's total net sales.

The Company's International operations in Europe, the Americas (excluding the United States), the Middle East and Asia accounted for 31.7%, 9.4%, 7.8% and 5.2%, respectively, of the Company's total net sales for the nine months ended October 31, 2017. For the nine months ended October 31, 2016, the Company's International operations in Europe, the Americas (excluding the United States), the Middle East and Asia accounted for 23.1%, 8.4%, 8.4% and 5.9%, respectively, of the Company's total net sales. Substantially all of the Company's tangible International assets are located in Switzerland and Hong Kong.

Operating Segment Data for the Three Months Ended October 31, 2017 and 2016 (in thousands):

	Net Sales	
	2017	**2016**
Wholesale:		
Owned brands category	$ 75,138	$ 73,749
Licensed brands category	95,015	86,818
After-sales service and all other	2,159	3,522
Total Wholesale	172,312	164,089
Retail	18,381	15,729
Consolidated total	$ 190,693	$ 179,818

	Operating Income (3) (4)	
	2017	**2016**
Wholesale	$ 22,250	$ 28,697
Retail	2,935	2,374
Consolidated total	$ 25,185	$ 31,071

Operating Segment Data for the Nine Months Ended October 31, 2017 and 2016 (in thousands):

	Net Sales	
	2017	**2016**
Wholesale:		
Owned brands category	$ 154,620	$ 162,428
Licensed brands category	208,914	205,229
After-sales service and all other	6,956	9,601
Total Wholesale	370,490	377,258
Retail	48,249	44,709
Consolidated total	$ 418,739	$ 421,967

	Operating Income (3) (4)	
	2017	**2016**
Wholesale	$ 22,559	$ 39,898
Retail	7,295	6,642
Consolidated total	$ 29,854	$ 46,540

	Total Assets		
	October 31, 2017	**January 31, 2017**	**October 31, 2016**
Wholesale	$ 633,101	$ 584,518	$ 600,885
Retail	26,465	23,284	23,593
Consolidated total	$ 659,566	$ 607,802	$ 624,478

Geographic Location Data for the Three Months Ended October 31, 2017 and 2016 (in thousands):

	Net Sales		Operating Income (3) (4)	
	2017	2016	2017	2016
United States (1)	$ 85,685	$ 101,854	$ 2,971	$ 14,626
International (2)	105,008	77,964	22,214	16,445
Consolidated total	$ 190,693	$ 179,818	$ 25,185	$ 31,071

United States and International net sales are net of intercompany sales of $87.2 million and $75.6 million for the three months ended October 31, 2017 and 2016, respectively.

Geographic Location Data for the Nine Months Ended October 31, 2017 and 2016 (in thousands):

	Net Sales		Operating (Loss) / Income (3) (4)	
	2017	2016	2017	2016
United States (1)	$ 192,325	$ 228,734	$ (5,409)	$ 12,841
International (2)	226,414	193,233	35,263	33,699
Consolidated total	$ 418,739	$ 421,967	$ 29,854	$ 46,540

United States and International net sales are net of intercompany sales of $211.8 million and $231.5 million for the nine months ended October 31, 2017 and 2016, respectively.

(1) The United States operating income included $15.8 million and $14.3 million of unallocated corporate expenses for the three months ended October 31, 2017 and 2016, respectively. The United States operating income included $29.2 million and $33.0 million of unallocated corporate expenses for the nine months ended October 31, 2017 and 2016, respectively.

(2) The International operating income included $15.7 million and $14.0 million of certain intercompany profits related to the Company’s supply chain operations for the three months ended October 31, 2017 and 2016, respectively. The International operating income included $31.2 million and $30.5 million of certain intercompany profits related to the Company’s supply chain operations for the nine months ended October 31, 2017 and 2016, respectively.

(3) In the United States and International locations of the Wholesale segment, for the three months ended October 31, 2017, operating income included a pre-tax charge of $0.1 million and $6.9 million, respectively, as a result of the Company’s cost savings initiatives. In the United States and International locations of the Wholesale segment, for the nine months ended October 31, 2017, operating (loss) / income included a pre-tax charge of $3.9 million and $9.5 million, respectively, as a result of the Company’s cost savings initiatives.

(4) In the International location of the Wholesale segment, for the three months ended October 31, 2017, operating income included $1.4 million of expenses primarily related to the amortization of acquired assets, as a result of the Company’s acquisition of the Olivia Burton brand. In the United States and International locations of the Wholesale segment, for the nine months ended October 31, 2017, operating (loss) / income included $0.2 million and $5.7 million, respectively, of expenses primarily related to transaction costs and adjustments in acquisition accounting, as a result of the Company’s acquisition of the Olivia Burton brand.

	Total Assets		
	October 31, 2017	January 31, 2017	October 31, 2016
United States	$ 195,659	$ 207,246	$ 242,881
International	463,907	400,556	381,597
Consolidated total	$ 659,566	$ 607,802	$ 624,478

	Property, Plant and Equipment, Net		
	October 31, 2017	January 31, 2017	October 31, 2016
United States	$ 16,762	$ 19,197	$ 20,307
International	7,875	14,976	14,560
Consolidated total	$ 24,637	$ 34,173	$ 34,867

NOTE 6 – INVENTORIES

Inventories consisted of the following (in thousands):

	October 31, 2017	January 31, 2017	October 31, 2016
Finished goods	$ 129,981	$ 112,297	$ 122,721
Component parts	37,920	38,482	43,326
Work-in-process	1,965	2,388	3,355
	$ 169,866	$ 153,167	$ 169,402

NOTE 7 – DEBT AND LINES OF CREDIT

On January 30, 2015, the Company, together with Movado Group Delaware Holdings Corporation, Movado Retail Group, Inc. and Movado LLC (collectively, the "Borrowers"), each a wholly-owned domestic subsidiary of the Company, entered into a Credit Agreement (the "Credit Agreement") with the lenders party thereto and Bank of America, N.A. as administrative agent (in such capacity, the "Agent"). The Credit Agreement provides for a $100.0 million senior secured revolving credit facility (the "Facility") including a $15.0 million letter of credit sub-facility that matures on January 30, 2020, with provisions for uncommitted increases of up to $50.0 million in the aggregate, subject to customary terms and conditions. In connection with the Credit Agreement, the Borrowers also entered into a Security and Pledge Agreement dated as of January 30, 2015 in favor of the Agent (the "Security Agreement").

As of October 31, 2017, $30.0 million in loans were drawn under the Facility. Additionally, approximately $0.3 million in letters of credit, which were outstanding under the Borrower's pre-existing asset-based revolving credit facility that was concurrently terminated when the Credit Agreement became effective, are deemed to be issued and outstanding under the Facility. As of October 31, 2017, availability under the Facility was approximately $69.7 million.

Borrowings under the Facility bear interest at rates selected periodically by the Company at LIBOR plus a spread ranging from 1.25% to 1.75% per annum, based on the Company's consolidated leverage ratio, or at a base rate plus a spread ranging from 0.25% to 0.75% per annum based on the Company's consolidated leverage ratio (as defined in the Credit Agreement). At October 31, 2017, the Company's spreads were 1.25% over LIBOR and 0.25% over the base rate. The Company has also agreed to pay certain fees and expenses and to provide certain indemnities, all of which are customary for such financings.

The borrowings under the Facility are joint and several obligations of the Borrowers and are also cross-guaranteed by each Borrower. In addition, pursuant to the Security Agreement, the Borrowers' obligations under the Facility are secured by first priority liens, subject to permitted liens, on substantially all of the Borrowers' assets other than certain excluded assets. The Security Agreement contains representations, warranties and covenants, which are customary for pledge and security agreements of this type, relating to the creation and perfection of security interests in favor of the Agent over various categories of the Borrowers' assets.

The Credit Agreement contains affirmative and negative covenants binding on the Borrowers and their 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 Borrowers are also subject to a minimum consolidated EBITDA (as defined in the Credit Agreement) test of $50.0 million, measured at the end of each fiscal quarter based on the four most recent fiscal quarters and a consolidated leverage ratio (as defined in the Credit Agreement) covenant not to exceed 2.50 to 1.00, measured as of the last day of each fiscal quarter. As of October 31, 2017, the Company was in compliance with its covenants under the Credit Agreement.

The Credit Agreement contains events of default that are customary for facilities of this type, including, but not limited to, nonpayment of principal, interest, fees and other amounts when due, failure of any representation or warranty to be true in any material respect when made or deemed made, violation of covenants, cross default with material indebtedness, material judgments, material ERISA liability, bankruptcy events, asserted or actual revocation or invalidity of the loan documents, and change of control.

As of October 31, 2017, the Company classified $5.0 million of the outstanding balance under the Facility as current based on voluntary payments estimated to be made in the next twelve months, with the remainder classified as long-term debt based on the 2020 maturity date of the Facility and the Company's intent and ability to refinance its obligations thereunder.

As of October 31, 2017, Bank of America, N.A. issued two irrevocable standby letters of credit in connection with retail and operating facility leases to various landlords and for Canadian payroll to the Royal Bank of Canada. As of October 31, 2017, the Company had outstanding letters of credit totaling $0.3 million with expiration dates through May 31, 2018.

A Swiss subsidiary of the Company maintains unsecured lines of credit with an unspecified maturity with a Swiss bank. As of October 31, 2017 and 2016, these lines of credit totaled 6.5 million Swiss francs and 6.5 million Swiss francs with a dollar equivalent of $6.5 million and $6.4 million, respectively. As of October 31, 2017 and 2016, there were no borrowings against these lines. As of October 31, 2017, two European banks had guaranteed obligations to third parties on behalf of two of the Company's foreign subsidiaries in the dollar equivalent of $1.1 million, in various foreign currencies, of which $0.5 million is a restricted deposit as it relates to lease agreements. As of October 31, 2016, two European banks had guaranteed obligations to third parties on behalf of two of the Company's foreign subsidiaries in the dollar equivalent of $1.2 million in various foreign currencies, of which $0.6 million is a restricted deposit as it relates to lease agreements.

NOTE 8 – EARNINGS PER SHARE

The Company presents net income per share on a basic and diluted basis. Basic earnings per share are computed using weighted-average shares outstanding during the period. Diluted earnings per share are computed using the weighted-average number of shares outstanding adjusted for dilutive common stock equivalents.

The weighted-average number of shares outstanding for basic earnings per share was approximately 23,079,000 and 23,055,000 for the three months ended October 31, 2017 and 2016, respectively. For the three months ended October 31, 2017 and 2016, the number of shares outstanding for diluted earnings per share increased by approximately 194,000 and 175,000, respectively, due to potentially dilutive common stock equivalents issuable under the Company's stock compensation plans and SERP.

For the three months ended October 31, 2017 and 2016, approximately 798,000 and 862,000, respectively, of potentially dilutive common stock equivalents were excluded from the computation of diluted earnings per share because their effect would have been antidilutive.

The weighted-average number of shares outstanding for basic earnings per share was approximately 23,080,000 and 23,074,000 for the nine months ended October 31, 2017 and 2016, respectively. For the nine months ended October 31, 2017 and 2016, the number of shares outstanding for diluted earnings per share increased by approximately 181,000 and 185,000, respectively, due to potentially dilutive common stock equivalents issuable under the Company's stock compensation plans and SERP.

For the nine months ended October 31, 2017 and 2016, approximately 803,000 and 790,000, respectively, of potentially dilutive common stock equivalents were excluded from the computation of diluted earnings per share because their effect would have been antidilutive.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Company has minimum commitments related to the Company's license agreements and endorsement agreements with brand ambassadors. The Company sources, distributes, advertises and sells watches 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 additional 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 sheets. 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.

During the second quarter of fiscal 2018, the Company released to cash $1.0 million in restricted cash deposits that were previously recorded in other current assets on the Company's Consolidated Balance Sheet, related to a certain vendor agreement.

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 disputes the reasonableness of the Company's historical allocation formulas and proposes an alternative methodology that would imply approximately $5.1 million in underpaid duties over the five-year period covered by the statute of limitations, plus possible penalties and interest. The Company believes that U.S. Customs' alternative duty methodology and estimate are not consistent with the Company's facts and circumstances and is disputing U.S. Customs' position. On February 24, 2017, the Company provided U.S. Customs with supplemental analyses and information supporting the Company's historical allocation formulas and is in the process of providing additional information for U.S. Customs' review. Although the Company disagrees with U.S. Customs' position, it cannot predict with any certainty the outcome of this matter. The Company intends to continue to work with U.S. Customs to reach a mutually-satisfactory resolution.

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, 2017, 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 10 – INCOME TAXES

The Company recorded income tax expense of $7.5 million and $9.3 million for the three months ended October 31, 2017 and 2016, respectively.

The effective tax rate was 30.1% and 31.5% for the three months ended October 31, 2017 and 2016, respectively. The decrease in the effective tax rate was primarily due to changes in jurisdictional earnings and the impact of discrete items partially offset by no tax benefit being recognized on losses incurred by certain foreign operations.

The Company recorded income tax expense of $10.3 million and $14.5 million for the nine months ended October 31, 2017 and 2016, respectively.

The effective tax rate was 35.6% and 32.6% for the nine months ended October 31, 2017 and 2016, respectively. The increase in the effective tax rate was primarily due to the impact of discrete items mostly related to the adoption of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," acquisition costs related to the acquisition of the Olivia Burton brand (see Note 17 – Acquisitions for additional disclosures) and no tax benefit being recognized on losses incurred by certain foreign operations, partially offset by changes in jurisdictional earnings.

The effective tax rate for the three and nine months ended October 31, 2017 differs from the U.S. statutory tax rate of 35.0% primarily due to changes in jurisdictional earnings and the impact of discrete items, partially offset by no tax benefit being recognized on losses incurred by certain foreign operations. The effective tax rate for the nine months ended October 31, 2017 also includes an increase primarily due to the adoption of ASU 2016-09 and acquisition costs related to the acquisition of the Olivia Burton brand.

The effective tax rate for the three and nine months ended October 31, 2016 differs from the U.S. statutory tax rate of 35.0% primarily as a result of changes in jurisdictional earnings, partially offset by no tax benefit being recognized on losses incurred by certain foreign operations.

NOTE 11 – DERIVATIVE FINANCIAL INSTRUMENTS

The Company accounts for its derivative financial instruments in accordance with the accounting guidance which requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. 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 and the British Pound. The Company reduces its exposure to the Swiss franc, Euro, British Pound and Japanese Yen exchange rate risks 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 forward contracts to further reduce the net exposures to currency fluctuations. 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. The Company formally assesses, both at the inception and at each financial quarter thereafter, the effectiveness of the derivative instrument hedging the underlying forecasted cash flow transaction. The Company does not exclude any designated cash flow hedges from its effectiveness testing. Any ineffectiveness related to the derivative financial instruments' change in fair value will be recognized as other income in the Consolidated Statements of Operations in the period in which the ineffectiveness was calculated. No ineffectiveness has been recorded in the three and nine months ended October 31, 2017 and 2016.

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.

All of the Company's derivative instruments have liquid markets to assess fair value. The Company does not enter into any derivative instruments for trading purposes.

As of October 31, 2017, the Company's entire net forward contracts hedging portfolio consisted of 23.0 million Swiss francs equivalent, 12.8 million Euros equivalent and 11.3 million British Pounds equivalent, with various expiry dates ranging through April 10, 2018.

The following table summarizes the fair value and presentation in the Consolidated Balance Sheets for derivatives (in thousands):

	Asset Derivatives				Liability Derivatives			
	Balance Sheet Location	October 31, 2017 Fair Value	January 31, 2017 Fair Value	October 31, 2016 Fair Value	Balance Sheet Location	October 31, 2017 Fair Value	January 31, 2017 Fair Value	October 31, 2016 Fair Value
Derivatives not designated as hedging instruments:								
Foreign Exchange Contracts	Other Current Assets	$ —	$ 145	$ 31	Accrued Liabilities	$ 685	$ 211	$ 391
Total Derivative Instruments		$ —	$ 145	$ 31		$ 685	$ 211	$ 391

	Asset Derivatives				Liability Derivatives			
	Balance Sheet Location	October 31, 2017 Fair Value	January 31, 2017 Fair Value	October 31, 2016 Fair Value	Balance Sheet Location	October 31, 2017 Fair Value	January 31, 2017 Fair Value	October 31, 2016 Fair Value
Derivatives designated as hedging instruments:								
Foreign Exchange Contracts	Other Current Assets	$ 67	$ —	$ 110	Accrued Liabilities	$ —	$ —	$ —
Total Derivative Instruments		$ 67	$ —	$ 110		$ —	$ —	$ —

As of October 31, 2017 and 2016, the balance of deferred net gains on derivative financial instruments documented as cash flow hedges included in accumulated other comprehensive income ("AOCI") were immaterial for both periods. The maximum length of time the Company hedges its exposure to the fluctuation in future cash flows for forecasted transactions is 24 months. For the three months ended October 31, 2017, the Company reclassified from AOCI to earnings $0.4 million of net loss, net of tax benefit of $0.1 million. For the nine months ended October 31, 2017, the Company reclassified from AOCI to earnings $0.9 million of net loss, net of tax benefit of $0.2 million. For the three and nine months ended October 31, 2016, the Company reclassified amounts from AOCI to earnings that were immaterial for both periods.

NOTE 12- ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of accumulated other comprehensive income consisted of the following (in thousands):

	Currency Translation Adjustments	Available-for-sale securities	Hedging Contracts	Total
Balance, January 31, 2017	$ 76,569	$ 197	$ 14	$ 76,780
Other comprehensive income / (loss) before reclassifications	3,583	(12)	931	4,502
Amounts reclassified from accumulated other comprehensive income (1)	—	—	(894)	(894)
Net current-period other comprehensive income / (loss)	3,583	(12)	37	3,608
As of October 31, 2017	$ 80,152	$ 185	$ 51	$ 80,388

	Currency Translation Adjustments	Available-for-sale securities	Hedging Contracts	Total
Balance, January 31, 2016	$ 68,265	$ 189	$ 51	$ 68,505
Other comprehensive income / (loss) before reclassifications	8,513	8	(15)	8,506
Amounts reclassified from accumulated other comprehensive loss (1)	—	—	46	46
Net current-period other comprehensive income	8,513	8	31	8,552
As of October 31, 2016	$ 76,778	$ 197	$ 82	$ 77,057

(1) Amounts reclassified to earnings in the Consolidated Statements of Operations.

NOTE 13 – TREASURY STOCK

On August 29, 2017, the Board approved a share repurchase program under which the Company is authorized to purchase up to $50.0 million of its outstanding common stock from time to time, depending on market conditions, share price and other factors. The Company may purchase shares of its common stock through open market purchases, repurchase plans, block trades or otherwise. This authorization expires on August 29, 2020.

On March 31, 2016, the Board approved a share repurchase program under which the Company was authorized to purchase up to $50.0 million of its outstanding common stock from time to time, depending on market conditions, share price and other factors. This program authorized the Company to purchase shares of its common stock through open market purchases, repurchase plans, block trades or otherwise. As of August 29, 2017, this program was canceled and a new share repurchase program was simultaneously approved. During the nine months ended October 31, 2017, under both the new and previously authorized repurchase plans, the Company repurchased a total of 120,507 shares of its common stock at a total cost of approximately $3.0 million or an average cost of $24.93 per share, which included 20,000 shares repurchased from the Movado Group Foundation at a total cost of approximately $0.5 million or $22.90 average per share. During the nine months ended October 31, 2016, under the previously authorized repurchase plan, the Company repurchased a total of 137,499 shares of its common stock at a total cost of approximately $3.3 million or an average cost of $23.73 per share, which included 15,000 shares repurchased from the Movado Group Foundation at a total cost of approximately $0.4 million or $27.67 average per share.

There were 36,843 and 47,310 shares of common stock repurchased during the nine months ended October 31, 2017 and 2016, respectively, as a result of the surrender of shares in connection with the vesting of certain stock awards. 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 to fund the payment of such taxes.

NOTE 14 – ACCOUNTING CHANGES AND RECENT ACCOUNTING PRONOUNCEMENTS

On January 26, 2017, FASB issued ASU 2017-04, “Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment,” which eliminates the requirement to calculate the implied fair value when calculating goodwill, essentially eliminating step two from the goodwill impairment test. The new standard requires goodwill impairment to be based upon the results of step one of the impairment test, which evaluates the extent, if any, by which the carrying value of a reporting unit exceeds its fair value, with any resulting impairment not exceeding the carrying amount of goodwill. The Company early adopted ASU 2017-04 on a prospective basis during the second quarter of fiscal 2018 in light of goodwill in the period, associated with the acquisition of the Olivia Burton brand (see Note 17 – Acquisitions). If the Company's goodwill becomes impaired, the adoption of ASU 2017-04 could make the impairment recorded materially different from what would have been recorded under the previous standard.

On January 5, 2017, FASB issued ASU 2017-01, “Business Combinations: Clarifying the Definition of a Business,” which clarifies the definition of a business. The objective of this ASU is to assist entities in determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The Company early adopted ASU 2017-01 on a prospective basis during the second quarter of fiscal 2018, in connection with the acquisition of the Olivia Burton brand (see Note 17 – Acquisitions). The adoption of this standard did not have a material impact on the Company’s consolidated results of operations or financial position.

On March 30, 2016, FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting,” which amends the accounting for certain aspects of share-based payments to employees. The new guidance requires, among its other provisions, that excess tax benefits (which represent the excess of actual tax benefits received at the date of vesting or settlement over the benefits recognized over the vesting period or upon issuance of share-based payments) and tax deficiencies (which represent the amount by which actual tax benefits received at the date of vesting or settlement is lower than the benefits recognized over the vesting period or upon issuance of share-based payments) be recorded in the income statement as an increase or decrease in income taxes when the awards vest or are settled. This is in comparison to the prior requirement that these excess tax benefits be recognized in additional paid-in capital and these tax deficiencies be recognized either as an offset to accumulated excess tax benefits, if any, or in the income statement. The new guidance also requires excess tax benefits to be classified along with other income tax cash flows as an operating activity in the statement of cash flows rather than, as previously required, a financing activity. The Company adopted the provisions of ASU 2016-09 during the first quarter of fiscal 2018. The Company applied the change in the presentation on the cash flow statement retrospectively, which did not have a material impact on the Company’s consolidated financial statements. In addition, the guidance allows for a policy election to account for forfeitures as they occur, however, the Company continues to apply its policy of estimating forfeiture rates.

On August 28, 2017, FASB issued ASU 2017-12, “Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities,” which expands an entity’s ability to apply hedge accounting for nonfinancial and financial risk components and allows for a simplified approach for fair value hedging of interest rate risk. The new guidance eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The new guidance also simplifies the hedge documentation and effectiveness assessment requirements. For public companies, the standard will be effective for the first interim reporting period within annual periods beginning after December 15, 2018, with early adoption permitted. The new standard must be adopted using a modified retrospective transition with a cumulative effect adjustment recorded to opening retained earnings as of the initial adoption date. The Company is evaluating the impact of the adoption of this guidance on the Company’s consolidated financial statements.

On February 25, 2016, FASB issued ASU 2016-02, “Leases,” which requires lessees to recognize most leases on the balance sheet. This change is expected to increase both reported assets and liabilities. The new lease standard does not substantially change lessor accounting. For public companies, the standard will be effective for the first interim reporting period within annual periods beginning after December 15, 2018, although early adoption is permitted. Lessees and lessors will be required to apply the new standard at the beginning of the earliest period presented in the financial statements in which they first apply the new guidance, using a modified retrospective transition method. The requirements of this standard include a significant increase in required disclosures and will result in a material increase to the company’s total assets and liabilities through recognition of right-of-use assets and related lease liabilities. The Company is analyzing the impact of the adoption of this guidance on the Company’s consolidated financial statements, including assessing changes that might be necessary to information technology systems, processes and internal controls to capture new data and address changes in financial reporting.

On May 28, 2014, FASB issued ASU 2014-09, "Revenue from Contracts with Customers." This pronouncement affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, FASB deferred the effective date of the guidance. The new revenue standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 and allows either a full retrospective adoption to all periods presented or a modified retrospective adoption approach with the cumulative effect of initial application of the revised guidance recognized at the date of initial application. Early adoption is permitted for periods beginning after December 15, 2016. On March 30, 2016, FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Principal versus Agent Considerations)," to clarify the implementation guidance on principal versus agent considerations. On April 14, 2016, FASB issued ASU 2016-10, "Revenue from Contracts with Customers (Identifying Performance Obligations and Licensing)," to clarify the implementation guidance on identifying performance obligations and accounting for licenses of intellectual property. On May 9, 2016, FASB issued ASU 2016-12, "Revenue from Contracts with Customers (Narrow-Scope Improvements and Practical Expedients)," to clarify the implementation guidance on assessing collectability, presentation of sales taxes, noncash consideration and completed contracts and contract modifications at transition. The Company is assessing the impact of the guidance by reviewing its existing customer contracts and current accounting policies and practices to identify differences, if any, that will result from applying the new requirements, including the evaluation of its performance obligations, transaction price, customer payments, transfer of control and principal versus agent considerations. The Company has elected to adopt the new standard under the Modified Retrospective approach and is considering whether it will apply certain of the practical expedients available under the new standard. The Company will continue evaluating the impact, if any, on changes to its business processes, systems and controls to support recognition and disclosure under the new guidance. The Company expects to adopt the new guidance in the beginning of fiscal 2019.

NOTE 15 – OPERATING EFFICIENCY INITIATIVES AND OTHER ITEMS

In fiscal 2016, the Company commenced an initiative to achieve greater operating efficiencies and streamline its operations, primarily at certain of its foreign subsidiaries. The Company recorded a total of $4.0 million of pre-tax expenses during fiscal 2016 and substantially completed the actions under the initiative as of January 31, 2016.

A summary rollforward of costs related to the operating efficiency initiatives and other items is as follows (in thousands):

	Balance at January 31, 2017	Cash payments	Foreign exchange	Accrued balance at October 31, 2017
Severance	$ 78	$ (1)	$ 1	$ 78
Occupancy charges	330	(99)	2	233
Total	$ 408	$ (100)	$ 3	$ 311

NOTE 16 – COST SAVINGS INITIATIVES

As a result of actions taken by the Company in the first quarter of fiscal 2018 to better align its global infrastructure with the current business environment by consolidating certain operations and streamlining functions to reduce costs and improve profitability, the Company recorded $6.3 million of pre-tax expenses primarily for severance and payroll related, other and occupancy charges, predominantly impacting the Company's North American and Swiss operations. The Company recorded an additional $0.1 million of pre-tax expenses in the second quarter of fiscal 2018 related to Other. In light of the changing retail landscape and the growing importance of digital marketing and online sales, the Company also decided in the third quarter of fiscal 2018, to cease its participation in the Baselworld Watch and Jewelry Show. As a result, the Company recorded charges for the write-off of certain fixed assets and other contract termination costs. The Company also wrote-off certain fixed assets related to the reduction of leased space in the Company's Swiss operations. In the third quarter of fiscal 2018, the Company recorded an additional $7.0 million of pre-tax expenses related to fixed assets, severance and payroll related and other. The Company expects the cost savings initiatives to be substantially completed by the end of fiscal 2018.

A summary roll forward of costs related to the cost savings initiatives is as follows (in thousands):

	Fiscal 2018 Charges (2)	Cash payments	Non-cash adjustments	Foreign exchange	Balance in Accrued Liabilities at October 31, 2017
Severance and payroll related (1)	$ 6,061	$ (5,276)	$ (401)	$ 67	$ 451
Fixed assets (1)	5,105	—	(5,105)	—	—
Other (1)	2,172	(73)	(71)	(6)	2,022
Occupancy charges (1)	99	(22)	—	6	83
Total	$ 13,437	$ (5,371)	$ (5,577)	$ 67	$ 2,556

(1) The total severance and payroll related charges of $0.1 million, fixed assets charges of $5.1 million and other charges of $1.8 million are included in SG&A in the Consolidated Statement of Operations for the three months ended October 31, 2017. The total severance and payroll related charges of $6.1 million include $4.7 million in SG&A and $1.4 million in Cost of Sales in the Consolidated Statement of Operations for the nine months ended October 31, 2017. The fixed assets charges of $5.1 million, other charges of $2.2 million and occupancy charges of $0.1 million are included in SG&A in the Consolidated Statement of Operations for the nine months ended October 31, 2017.

(2) The United States and International locations of the Wholesale segment include a pre-tax charge of $0.1 million and $6.9 million, respectively, for the three months ended October 31, 2017. The United States and International locations of the Wholesale segment include a pre-tax charge of $3.9 million and $9.5 million, respectively, for the nine months ended October 31, 2017.

NOTE 17 – ACQUISITIONS

On July 3, 2017, the Company, through a wholly-owned U.K. subsidiary, acquired JLB Brands Ltd., the owner of the Olivia Burton brand, one of the United Kingdom's fastest growing fashion watch and jewelry brands, for $78.2 million, or £60.0 million in cash, subject to working capital and other closing adjustments. After giving effect to the closing adjustments, the purchase price was $79.0 million, or £60.7 million, net of cash acquired of approximately $5.9 million, or £4.5 million. The acquisition was funded with cash on hand of the Company's non-U.S. subsidiaries, and no debt was assumed in the acquisition. The acquisition adds a new brand with significant global growth potential to the Company's portfolio.

The results of the Olivia Burton brand's operations have been included in the consolidated financial statements since the date of acquisition within the International location of the Wholesale segment. In the International location of the Wholesale segment, for the three months ended October 31, 2017, operating income included $1.4 million of expenses primarily related to the amortization of acquired assets, as a result of the Company's acquisition of the Olivia Burton brand. In the United States and International locations of the Wholesale segment, for the nine months ended October 31, 2017, operating (loss) / income included $0.2 million and $5.7 million, respectively, of expenses primarily related to transaction costs and adjustments in acquisition accounting, as a result of the Company's acquisition of the Olivia Burton brand.

The acquisition was accounted for in accordance with FASB Topic ASC 805 ("Business Combinations"), which requires that the total cost of an acquisition be allocated to the tangible and intangible assets acquired and liabilities assumed based upon their respective fair values at the date of acquisition.

The following table summarizes the fair value of the assets acquired and liabilities assumed as of the July 3, 2017 acquisition date (in thousands):

Assets Acquired and Liabilities Assumed		Fair Value
Cash and cash equivalents	$	5,909
Trade receivables, net		3,106
Inventories		4,164
Prepaid expenses and other current assets		913
Property, plant and equipment, net		131
Goodwill		55,322
Trade name and other intangibles		21,415
Total assets acquired		90,960
Accounts payable		608
Accrued liabilities		844
Income taxes payable		643
Deferred and non-current income taxes payable		3,965
Total liabilities assumed		6,060
Total purchase price	$	84,900

Inventories include a step-up adjustment of approximately $0.8 million, which was expensed over the sell-through cycle of three months. The components of Trade name and other intangibles include a trade name of approximately $12.8 million (amortized over 10 years), and customer relationships of $8.6 million (amortized over 6 years).

The Company recorded goodwill of $55.3 million based on the amount by which the purchase price exceeded the fair value of the net assets acquired. Goodwill is not deductible for income tax purposes.

The operating results of the Olivia Burton brand have been included in the Company's Consolidated Financial Statements beginning July 3, 2017. Net sales of the acquired Olivia Burton brand since the date of acquisition through October 31, 2017 were $12.1 million. The Olivia Burton brand's operating income since the date of acquisition was $4.4 million, which excludes unallocated corporate expenses and expenses incurred in non-UK geographies to support the brand.

The following table provides the Company's unaudited pro forma net sales, net income and net income per basic and diluted common share as if the results of operations of the Olivia Burton brand had been included in the Company's operations commencing on February 1, 2016, based on available information relating to operations of the Olivia Burton brand. This pro forma information is not necessarily indicative either of the combined results of operations that actually would have been realized by the Company had the Olivia Burton brand acquisition been consummated at the beginning of the period for which the pro forma information is presented, or of future results.

	Three Months Ended October 31,				Nine Months Ended October 31,			
	2017		2016		2017		2016	
(In thousands, except per share data)	*(Unaudited)*				*(Unaudited)*			
Net sales	$	190,693	$	184,749	$	430,002	$	432,885
Net income	$	18,479	$	21,146	$	24,885	$	30,814
Basic income per share:								
Net income per share attributed to Movado Group, Inc.	$	0.80	$	0.92	$	1.08	$	1.34
Diluted income per share:								
Net income per share attributed to Movado Group, Inc.	$	0.79	$	0.91	$	1.07	$	1.32

The change in the carrying amount of the Company's goodwill, which is included in the International location of the Wholesale segment, is as follows (in thousands):

		Total
Balance at January 31, 2017	$	—
Acquisition of the Olivia Burton brand		55,322
Foreign exchange impact		994
Balance at October 31, 2017	$	56,316

Trade name and other intangible assets consist of the following (in thousands):

	As of October 31, 2017			
	Gross carrying amount	Accumulated amortization	Foreign exchange	Net
Intangible assets subject to amortization:				
Trade name	$ 12,766	$ (433)	$ 251	$ 12,584
Customer relationships	8,598	(486)	168	8,280
Total intangible assets	$ 21,364	$ (919)	$ 419	$ 20,864

Estimated amortization expense for the next five years is: $0.7 million for the remaining three months of fiscal 2018, $2.7 million in fiscal years 2019, through 2023 and $6.3 million in total in the years thereafter.

NOTE 18 – NET INCOME ATTRIBUTED TO MOVADO GROUP, INC. AND TRANSFERS TO NONCONTROLLING INTEREST

The following table summarizes the change from net income attributed to Movado Group, Inc. and transfers to noncontrolling interest (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2017	2016	2017	2016
Net income attributed to Movado Group, Inc.	$ 17,360	$ 20,215	$ 18,683	$ 29,829
Transfers to the noncontrolling interest				
Decrease in Movado Group, Inc.'s paid in capital for purchase of 10% of MGS common shares	—	(1,011)	—	(1,011)
Net transfers to noncontrolling interest	—	(1,011)	—	(1,011)
Change from net income attributed to Movado Group, Inc. and transfers to noncontrolling interest	$ 17,360	$ 19,204	$ 18,683	$ 28,818

On August 4, 2016, Movado Group, Inc. and Majorelle Limited, an English company (“Majorelle”), voluntarily terminated the joint venture agreement they had entered into on January 30, 2013 (the “JV Agreement”) relating to MGS Distribution Limited, an English company (“MGS”). Under the JV Agreement, the Company and Majorelle owned 90% and 10%, respectively, of the issued and outstanding shares of MGS which was formed to distribute the Company’s licensed watch brands in the United Kingdom. The mutual agreement to terminate the JV Agreement was the result of the Company acquiring the remaining shares in MGS from Majorelle, for the purchase price of $1.7 million, thereby increasing its ownership interest in MGS to 100%. Since August 4, 2016, the Company has accounted for MGS (renamed Movado Group UK Limited in September 2017) as a wholly-owned entity.

NOTE 19 – SUBSEQUENT EVENT

On November 6, 2017, the Company announced that it and MGI Luxury Group S.A., a wholly-owned subsidiary of the Company, had entered into an agreement with Hugo Boss Trade Mark Management GmbH & Co. KG pursuant to which the expiration of the existing license agreement for the Hugo Boss brand was extended through December 31, 2023. The agreement also amends certain provisions including minimum sales commitments, royalty rates, marketing and advertising expenditures and other Company obligations.

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, 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, trends in consumer debt levels and bad debt write-offs, general uncertainty related to possible terrorist attacks, natural disasters, the stability of the European Union (including the impact of the June 23, 2016 referendum advising that the United Kingdom exit from the European Union) and 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, the ability of the Company to successfully implement its business strategies, competitive products and pricing, 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 (including the Olivia Burton brand) without disruption to other business activities, the possible impairment of acquired intangible assets including goodwill if the carrying value of any reporting unit were to exceed its fair value, 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, 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, the continued availability to the Company of financing and credit on favorable terms, business disruptions, disease, general risks associated with doing business outside the United States including, without limitation, import duties, tariffs, quotas, political and economic stability, changes to existing laws or regulations, and success of hedging strategies with respect to currency exchange rate fluctuations.

These risks and uncertainties, along with the risk factors discussed under Item 1A. "Risk Factors" in the Company's 2017 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 preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements. These estimates and assumptions also affect the reported amounts of revenues and expenses. Estimates by their nature are based on judgments and available information. Therefore, actual results could materially differ from those estimates under different assumptions and conditions.

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 2017 Annual Report on Form 10-K and are incorporated by reference herein.

See Note 2 – Changes to Critical Accounting Policies for updates to the critical accounting policies disclosed in the Company's 2017 Annual Report on Form 10-K.

Recent Developments

On November 21, 2017, the Board of Directors approved the payment of a cash dividend in the amount of $0.13 for each share of the Company's outstanding common stock and class A common stock. The dividend will be paid on December 15, 2017 to all shareholders of record as of the close of business on December 1, 2017. 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, in its sole discretion.

On November 6, 2017, the Company announced that it and MGI Luxury Group S.A., a wholly-owned subsidiary of the Company, had entered into an agreement with Hugo Boss Trade Mark Management GmbH & Co. KG pursuant to which the expiration of the existing license agreement for the Hugo Boss brand was extended through December 31, 2023. The agreement also amends certain provisions including minimum sales commitments, royalty rates, marketing and advertising expenditures and other Company obligations.

On October 24, 2017, the Company entered into an amendment to its lease agreement dated December 21, 2000 (as previously amended, the "Lease") with Mack-Cali Realty L.P. ("Lessor") pursuant to which the Company leases its corporate headquarters from Lessor at 650 From Road, Paramus, New Jersey. The amendment extends the term of the Lease through June 30, 2030, and provides the Company with an option to renew the term of the Lease for one additional extension period of five years through June 30, 2035.

On August 29, 2017, the Board of Directors approved the payment of a cash dividend in the amount of $0.13 for each share of the Company's outstanding common stock and class A common stock.

On August 29, 2017, the Board of Directors approved a share repurchase program under which the Company is authorized to purchase up to $50.0 million of its outstanding common stock from time to time, depending on market conditions, share price and other factors. The Company may purchase shares of its common stock through open market purchases, repurchase plans, block trades or otherwise. This authorization expires on August 29, 2020. Concurrent with this approval, the Board of Directors cancelled the previously authorized $50 million share buyback program which would have expired on September 30, 2017.

On July 3, 2017, the Company, through a wholly-owned U.K. subsidiary, acquired JLB Brands Ltd., the owner of the Olivia Burton brand, one of the United Kingdom's fastest growing fashion watch and jewelry brands, for $78.2 million, or £60.0 million in cash, subject to working capital and other closing adjustments. After giving effect to the closing adjustments, the purchase price was $79.0 million, or £60.7 million, net of cash acquired of approximately $5.9 million, or £4.5 million. The acquisition was funded with cash on hand of the Company's non-U.S. subsidiaries, and no debt was assumed in the acquisition. The acquisition adds a new brand with significant global growth potential to the Company's portfolio. The results of the Olivia Burton brand's operations have been included in the consolidated financial statements since the date of acquisition within the International location of the Wholesale segment.

On May 25, 2017, the Board of Directors approved the payment of a cash dividend in the amount of $0.13 for each share of the Company's outstanding common stock and class A common stock.

On March 20, 2017, the Company announced cost savings initiatives to better align its global infrastructure with the current business environment by consolidating certain operations and streamlining functions to reduce costs and improve profitability. The cost savings initiatives include a reduction in the Company's workforce in its North American and Swiss operations as well as charges for fixed assets, occupancy, and other expenses. In light of the changing retail landscape and the growing importance of digital marketing and online sales, the Company also decided in the third quarter of fiscal 2018, to cease its participation in the Baselworld Watch and Jewelry Show. As a result, the Company recorded charges for the write-off of certain fixed assets and other contract termination costs. The Company expects these actions to yield approximately $12.0 million of pre-tax savings in fiscal 2018, which will be reinvested in marketing and other areas of its operations. For the nine months ended October 31, 2017, the Company recorded a total of $13.4 million of pre-tax expenses in connection with these actions and expects the cost savings initiatives to be substantially completed by the end of fiscal 2018.

Overview

The Company conducts its business primarily in two operating segments: Wholesale and Retail. The Company's Wholesale segment includes the designing, manufacturing and distribution of watches of quality owned and licensed brands, in addition to revenue generated from after-sales service activities and shipping. The Retail segment includes the Company's retail outlet locations. The Company also operates in two major geographic locations: United States operations and International, the latter of which includes the results of all non-U.S. Company operations.

As of July 31, 2017, the Company divides its watch business into two principal categories: the owned brands category and the licensed brands category. The owned brands category consists of the Movado®, Olivia Burton®, Ebel®, Concord® and ESQ® Movado brands. Previously, the Company classified the Movado®, Ebel®, Concord® and ESQ® Movado brands together as a category referred to as luxury brands. Watches in the licensed brands category include the following brands manufactured and distributed under license agreements with the respective brand owners: Coach®, HUGO BOSS®, Juicy Couture®, Lacoste®, Tommy Hilfiger®, SCUDERIA FERRARI® and Rebecca Minkoff® and Uri Minkoff®. These changes to the Company's watch brand categories did not change the Company's operating segments.

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 the impact of royalty payments made on the licensed brands. 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.

Results of operations for the three months ended October 31, 2017 as compared to the three months ended October 31, 2016

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

	Three Months Ended October 31, 2017	Three Months Ended October 31, 2016
Wholesale:		
United States	$ 67,304	$ 86,125
International	105,008	77,964
Total Wholesale	172,312	164,089
Retail	18,381	15,729
Net Sales	$ 190,693	$ 179,818

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

	Three Months Ended October 31, 2017	Three Months Ended October 31, 2016
Wholesale:		
Owned brands category	$ 75,138	$ 73,749
Licensed brands category	95,015	86,818
After-sales service and all other	2,159	3,522
Total Wholesale	172,312	164,089
Retail	18,381	15,729
Consolidated total	$ 190,693	$ 179,818

Net sales for the three months ended October 31, 2017 were $190.7 million, above the prior year period by $10.9 million or 6.0%. For the three months ended October 31, 2017, fluctuations in foreign currency exchange rates favorably impacted net sales by $1.1 million when compared to the prior year period.

Net sales for the three months ended October 31, 2017 in the Wholesale segment were $172.3 million, above the prior year period by $8.2 million or 5.0%. The increase in net sales was primarily the result of an increase in net sales in the International location of the Wholesale segment, partially offset by a decrease in net sales in the United States location of the Wholesale segment.

Net sales for the three months ended October 31, 2017 in the United States location of the Wholesale segment were $67.3 million, below the prior year period by $18.8 million or 21.9%, driven by net sales decreases in both the licensed brands and owned brands categories. The net sales decreases recorded in the licensed and owned brands categories were $10.2 million, or 39.3%, and $8.5 million, or 14.5%, respectively. The net sales decreases in both categories reflected the overall U.S. watch market, which continues to be challenging and unpredictable, as well as declining traffic in malls, traditional department stores and jewelry chain stores. The net sales decrease in the owned brands category included an offset of U.S. sales attributable to the acquisition of the Olivia Burton brand.

Net sales for the three months ended October 31, 2017 in the International location of the Wholesale segment were $105.0 million, above the prior year by $27.0 million or 34.7%, which included fluctuations in foreign currency exchange rates which favorably impacted net sales by $1.1 million when compared to the prior year period. This increase was primarily driven by net sales increases in both the licensed brands and owned brands categories. The net sales increase in the licensed brands category was $18.4 million, or 30.1%, primarily due to net sales increases in Europe, Latin America, the Middle East and Asia. The net sales increase recorded in the owned brands category was $9.9 million, or 64.7%, primarily due to sales increases in Europe and Asia. The net sales increase in the owned brands category included sales attributable to the acquisition of the Olivia Burton brand.

Net sales for the three months ended October 31, 2017 in the Retail segment were $18.4 million, above the prior year period by $2.7 million, or 16.9%, as a result of higher sales in both comparable and non-comparable stores resulting from better product mix and higher conversion rates as products resonate well with customers and operating more outlet locations in the current period. As of October 31, 2017, the Company operated 41 retail outlet locations and as of October 31, 2016, the Company operated 40 retail outlet locations.

Gross Profit. Gross profit for the three months ended October 31, 2017 was $104.1 million or 54.6% of net sales as compared to $98.6 million or 54.8% of net sales in the prior year period. The increase in gross profit of $5.5 million was primarily due to higher net sales partially offset by a lower gross margin percentage. The decrease in the gross margin percentage of approximately 20 basis points for the three months ended October 31, 2017, resulted primarily from an unfavorable shift in channel and product mix of approximately 50 basis points and an unfavorable impact of approximately 30 basis points related to the amortization of the inventory step-up adjustment due to the acquisition of the Olivia Burton brand in the current period. These unfavorable impacts were partially offset by the Company's cost savings initiatives of approximately 30 basis points and a favorable impact of fluctuations in foreign currency exchange rates of approximately 30 basis points.

Selling, General and Administrative ("SG&A"). SG&A expenses for the three months ended October 31, 2017 were $78.9 million, representing an increase from the prior year period of $11.4 million or 16.9%. The increase in SG&A expenses was attributable to charges related to the Company's cost savings initiatives of $7.0 million, primarily due to the write-off of certain fixed assets and contract termination costs related to the Company's decision to no longer participate at the Baselworld Watch and Jewelry Show and the write-off of certain fixed assets related to the reduction of leased space in the Company's Swiss operations. Also contributing to the increase in SG&A expenses were higher performance-based compensation of $1.5 million, higher distribution costs of $1.3 million, higher marketing expenses of $1.2 million and $0.8 million of expenses related to the Company's acquisition of the Olivia Burton brand related to the amortization of acquired intangible assets. These increases in SG&A expenses were partially offset by a decrease in compensation and benefit expenses of $1.0 million (which included additional expenses related to the acquisition of the Olivia Burton brand and operating more outlet locations), primarily related to the Company's cost savings initiatives, which predominately included a reduction in the Company's workforce in the Company's North American and Swiss operations.

Wholesale Operating Income. In the three months ended October 31, 2017 and 2016, respectively, the Company recorded Wholesale segment operating income of $22.2 million and $28.7 million, which includes $15.8 million and $14.3 million of unallocated corporate expenses as well as $15.7 million and $14.0 million of certain intercompany profits related to the Company's supply chain operations. The $6.5 million decrease in operating income was the net result of higher SG&A expenses of $10.5 million, partially offset by a higher gross profit of $4.0 million when compared to the prior year period. The increase in SG&A expenses was attributable to charges related to the Company's cost savings initiatives of $7.0 million, primarily due to the write-off of certain fixed assets and contract termination costs related to the Company's decision to no longer participate at the Baselworld Watch and Jewelry Show and the write-off of certain fixed assets related to the reduction of leased space in the Company's Swiss operations. Also contributing to the increase in SG&A expenses were higher performance-based compensation of $1.5 million, higher distribution costs of $1.3 million, higher marketing expenses of $1.2 million and $0.8 million of expenses related to the Company's acquisition of the Olivia Burton brand related to the amortization of acquired intangible assets. These increases in SG&A expenses were partially offset by a decrease in compensation and benefit expenses of $1.2 million (which included additional expenses related to the acquisition of the Olivia Burton brand), primarily related to the Company's cost savings initiatives, which predominately included a reduction in the Company's workforce in the Company's North American and Swiss operations. The increase in gross profit of $4.0 million was primarily due to higher net sales.

U.S. Wholesale Operating Income. In the United States location of the Wholesale segment, during the three months ended October 31, 2017 and 2016, respectively, the Company recorded a breakeven and $12.2 million in operating income, which included unallocated corporate expenses of $15.8 million and $14.3 million. The decrease in operating income of $12.2 million was the net result of lower gross profit of $12.6 million, partially offset by lower SG&A expenses of $0.4 million. The decrease in gross profit of $12.6 million was due to lower net sales and a lower gross margin percentage. The decrease in SG&A expenses of $0.4 million was attributable to a decrease in compensation and benefit expenses of $1.8 million due to lower headcount related to the Company's cost savings initiatives, lower stock-based compensation expense of $0.4 million, partially offset by higher performance-based compensation of $1.3 million and higher marketing expense of $0.7 million.

International Wholesale Operating Income. In the International location of the Wholesale segment, during the three months ended October 31, 2017 and 2016, respectively, the Company recorded operating income of $22.2 million and $16.4 million, which included $15.7 million and $14.0 million of certain intercompany profits related to the Company's International supply chain operations. The increase in operating income of $5.8 million was primarily due to higher gross profit of $16.7 million, partially offset by higher SG&A expenses of $10.9 million. The increase in gross profit of $16.7 million was primarily due to higher net sales and, to lesser extent, a higher gross margin percentage. The increase in SG&A expenses of $10.9 million was attributable to charges related to the Company's cost savings initiatives of $7.0 million, primarily due to the write-off of certain fixed assets and contract termination costs related to the Company's decision to no longer participate at the Baselworld Watch and Jewelry Show and the write-off of certain fixed assets related to the reduction of leased space in the Company's Swiss operations. Also contributing to the increase in SG&A expenses were higher distribution costs of $1.3 million, $0.8 million of expenses related to the Company's acquisition of the Olivia Burton brand, which primarily included the amortization of acquired intangible assets, higher compensation and benefit expenses of $0.6 million, (which included additional expenses related to the acquisition of the Olivia Burton brand) and higher marketing expenses of $0.5 million.

Retail Operating Income. Operating income of $2.9 million and $2.4 million was recorded in the Retail segment for the three months ended October 31, 2017 and 2016, respectively. The increase in operating income of $0.5 million was the result a higher gross profit of $1.4 million partially offset by higher SG&A expenses of $0.9 million. The higher gross profit was the result of higher net sales partially offset by a lower gross margin percentage. The increase in SG&A expenses of $0.9 million was primarily due to higher compensation, benefit and occupancy expenses related to operating more outlet locations when compared to the prior year period.

Other Expense. The Company recorded other expense of $1.3 million for the three months ended October 31, 2016. The Company had a long-term investment in a privately held company, accounted for under the cost method, with a carrying value of $1.3 million. Due to the increasingly competitive and difficult market conditions, the operating performance and business outlook for the Company's long-term investment declined significantly during the three months ended October 31, 2016. As such, the Company determined the investment experienced an other than temporary impairment and recorded a charge of $1.3 million, to reduce the carrying value to zero in the United States location of the Wholesale segment.

Income Taxes. The Company recorded income tax expense of $7.5 million and $9.3 million for the three months ended October 31, 2017 and 2016, respectively.

The effective tax rate was 30.1% and 31.5% for the three months ended October 31, 2017 and 2016, respectively. The decrease in the effective tax rate was primarily due to changes in jurisdictional earnings and the impact of discrete items partially offset by no tax benefit being recognized on losses incurred by certain foreign operations.

The effective tax rate for the three months ended October 31, 2017 differs from the U.S. statutory tax rate of 35.0% primarily due to changes in jurisdictional earnings and the impact of discrete items, partially offset by no tax benefit being recognized on losses incurred by certain foreign operations.

The effective tax rate for the three months ended October 31, 2016 differs from the U.S. statutory tax rate of 35.0% primarily as a result of changes in jurisdictional earnings, partially offset by no tax benefit being recognized on losses incurred by certain foreign operations.

Net Income Attributed to Movado Group, Inc. The Company recorded net income attributed to Movado Group, Inc. of $17.4 million and $20.2 million for the three months ended October 31, 2017 and 2016, respectively.

Results of operations for the nine months ended October 31, 2017 as compared to the nine months ended October 31, 2016

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

	Nine Months Ended October 31, 2017	Nine Months Ended October 31, 2016
Wholesale:		
United States	$ 144,076	$ 184,025
International	226,414	193,233
Total Wholesale	370,490	377,258
Retail	48,249	44,709
Net Sales	$ 418,739	$ 421,967

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

	Nine Months Ended October 31, 2017	Nine Months Ended October 31, 2016
Wholesale:		
Owned brands category	$ 154,620	$ 162,428
Licensed brands category	208,914	205,229
After-sales service and all other	6,956	9,601
Total Wholesale	370,490	377,258
Retail	48,249	44,709
Consolidated total	$ 418,739	$ 421,967

Net sales for the nine months ended October 31, 2017 were $418.7 million, below the prior year period by $3.2 million or 0.8%. For the nine months ended October 31, 2017, fluctuations in foreign currency exchange rates unfavorably impacted net sales by $2.1 million when compared to the prior year period.

Net sales for the nine months ended October 31, 2017 in the Wholesale segment were $370.5 million, below the prior year period by $6.8 million or 1.8%. The decrease in net sales was the result of a decrease in net sales in the United States location of the Wholesale segment, partially offset by an increase in net sales in the International location of the Wholesale segment.

Net sales for the nine months ended October 31, 2017 in the United States location of the Wholesale segment were $144.1 million, below the prior year period by $40.0 million or 21.7%, driven by net sales decreases in both the owned brands and licensed brands categories. The net sales decreases recorded in the owned and licensed brands categories were $20.4 million, or 16.4%, and $18.8 million, or 35.1%, respectively. The sales decreases in both categories reflected the overall watch market, which continues to be challenging and unpredictable, as well as declining traffic in malls, traditional department stores and jewelry chain stores. The sales decrease in the licensed brands category included an offset of the launch of Rebecca Minkoff and Uri Minkoff brand watches during the second quarter of fiscal 2018. The sales decrease in the owned brands category included an offset of U.S. sales attributable to the Olivia Burton brand in the current period.

Net sales for the nine months ended October 31, 2017 in the International location of the Wholesale segment were $226.4 million, above the prior year by $33.2 million or 17.2%, which included fluctuations in foreign currency exchange rates which unfavorably impacted net sales by $2.1 million when compared to the prior year period. This increase was primarily driven by net sales increases in both the licensed brands and owned brands categories. The net sales increase in the licensed brands category was $22.5 million, or 14.9%, primarily due to sales increases in Europe, the Middle East, Latin America and Asia. The net sales increase recorded in the owned brands category was $12.6 million, or 33.4%, primarily due to sales increases in Europe, Asia and Latin America. The net sales increase in the owned brands category included sales attributable to the Olivia Burton brand in the current period.

Net sales for the nine months ended October 31, 2017 in the Retail segment were $48.2 million, above the prior year period by $3.5 million, or 7.9%, as a result of higher sales in both comparable and non-comparable stores resulting from better product mix and higher conversion rates as products resonate well with customers and operating more outlet locations in the current period.

Gross Profit. Gross profit for the nine months ended October 31, 2017 was $219.3 million or 52.4% of net sales as compared to $230.1 million or 54.5% of net sales in the prior year period. The decrease in gross profit of $10.8 million was primarily due to lower net sales and a lower gross margin percentage. The decrease in the gross margin percentage of approximately 210 basis points for the nine months ended October 31, 2017, resulted primarily from an unfavorable shift in channel and product mix of approximately 170 basis points, severance related to the Company's cost savings initiative of approximately 30 basis points, an unfavorable impact of fluctuations in foreign currency exchange rates of approximately 20 basis points, and an unfavorable impact of approximately 20 basis points related to the amortization of the inventory step-up adjustment due to the acquisition of the Olivia Burton brand in the current period. These unfavorable impacts were partially offset by the Company's cost savings initiatives of approximately 30 basis points.

Selling, General and Administrative ("SG&A"). SG&A expenses for the nine months ended October 31, 2017 were $189.5 million, representing an increase from the prior year period of $5.9 million or 3.2%. The increase in SG&A expenses was attributable to a $12.0 million charge related to the Company's cost savings initiatives and $5.1 million of expenses related to the Company's acquisition of the Olivia Burton brand, which primarily included transaction costs and the amortization of acquired intangible assets. Also contributing to the increase in SG&A expenses were higher performance-based compensation of $1.8 million and higher distribution costs of $1.6 million. These increases in SG&A expenses were partially offset by a decrease in compensation and benefit expenses of $6.6 million, (which included additional expenses related to the acquisition of the Olivia Burton brand and operating more outlet locations) primarily due to the Company's cost savings initiatives, which predominately included a reduction in the Company's workforce in the Company's North American and Swiss operations, and the non-recurrence of a $1.8 million charge related to the retirement announcement of the Company's former Vice Chairman and Chief Operating Officer, which occurred in the prior year period. Also contributing to the decrease in SG&A expenses were the fluctuations in foreign currency exchange rates of $3.9 million (resulting from a $1.0 million transactional gain in the current period compared to a $2.2 million transactional loss in the prior year period and $0.7 million of which arose from the translation of foreign subsidiary results), lower marketing expenses of $1.5 million and lower customer related expenses of $2.1 million, primarily due to a recovery of $0.8 million of the allowances for uncollectible receivables from a customer in the current period that were initially recorded in the comparable period last year.

Wholesale Operating Income. In the nine months ended October 31, 2017 and 2016, respectively, the Company recorded Wholesale segment operating income of $22.6 million and $39.9 million, which includes $29.2 million and $33.0 million of unallocated corporate expenses as well as $31.2 million and $30.5 million of certain intercompany profits related to the Company's supply chain operations. The $17.3 million decrease in operating income was the net result of a decrease in gross profit of $12.3 million and higher SG&A expenses of $5.0 million when compared to the prior year period. The decrease in gross profit of $12.3 million was primarily due to lower net sales and lower gross margin percentage. The increase in SG&A expenses was attributable to a $12.0 million charge related to the Company's cost savings initiatives and $5.1 million of expenses related to the Company's acquisition of the Olivia Burton brand, which primarily included transaction costs and the amortization of acquired intangible. Also contributing to the increase in SG&A expenses were higher performance-based compensation of $1.8 million and higher distribution costs of $1.6 million. These increases in SG&A expenses were partially offset by a decrease in compensation and benefit expenses of $6.7 million, (which included additional expenses related to the acquisition of the Olivia Burton brand) primarily due to the Company's cost savings initiatives, which predominately included a reduction in the Company's workforce in the Company's North American and Swiss operations, and the non-recurrence of a $1.8 million charge related to the retirement announcement of the Company's former Vice Chairman and Chief Operating Officer, which occurred in the prior year period. Also contributing to the decrease in SG&A expenses were the fluctuations in foreign currency exchange rates of $3.9 million (resulting from a $1.0 million transactional gain in the current period compared to a $2.2 million transactional loss in the prior year period and $0.7 million of which arose from the translation of foreign subsidiary results), lower marketing expenses of $1.5 million and lower customer related expenses of $2.1 million, primarily due to a recovery of $0.8 million of the allowances for uncollectible receivables from a customer in the current period that were initially recorded in the comparable period last year.

U.S. Wholesale Operating Loss / Income. In the United States location of the Wholesale segment, during the nine months ended October 31, 2017 and 2016, respectively, the Company recorded operating loss of $12.7 million and an operating income of $6.2 million, which included unallocated corporate expenses of $29.2 million and $33.0 million. The decrease in operating income of $18.9 million was the net result of lower gross profit of $27.7 million, partially offset by lower SG&A expenses of $8.8 million. The decrease in gross profit of $27.7 million was due to lower sales and a lower gross margin percentage. The decrease in SG&A expenses of $8.8 million was primarily attributable to lower compensation and benefit expenses of $8.7 million due to the Company's cost savings initiatives, and the non-recurrence of a $1.8 million charge related to the retirement announcement of the Company's former Vice Chairman and Chief Operating Officer, which occurred in the prior year period, and lower marketing expense of $2.2 million and lower customer related expenses of $1.4 million, primarily due to a recovery of $0.8 million of the allowances for uncollectible receivables from a customer in the current period and a charge of $0.8 million to allowances for uncollectible receivables in the prior year period, partially offset by a $3.7 million charge related to the Company's cost savings initiatives and higher performance based compensation expense of $1.5 million.

International Wholesale Operating Income. In the International location of the Wholesale segment, during the nine months ended October 31, 2017 and 2016, respectively, the Company recorded operating income of $35.3 million and $33.7 million, which included $31.2 million and $30.5 million of certain intercompany profits related to the Company's International supply chain operations. The increase in operating income of $1.6 million was primarily due to higher gross profit of $15.3 million, partially offset by higher SG&A expenses of $13.8 million. The increase in gross profit of $15.3 million was primarily due to higher net sales partially offset by a lower gross margin percentage. The increase in SG&A expenses of $13.8 million was primarily attributable to an $8.3 million charge related to the Company's cost savings initiatives, $4.9 million of expenses related to the Company's acquisition of the Olivia Burton brand, which included transaction costs and the amortization of acquired intangible assets, and higher compensation and benefit expenses of $2.1 million (which included additional expenses related to the acquisition of the Olivia Burton brand), higher distribution costs of $1.6 million and higher marketing of $0.7 million, partially offset by the fluctuations in foreign currency exchange rates of $3.9 million (resulting from a $1.0 million transactional gain in the current period compared to a $2.2 million transactional loss in the prior year period and $0.7 million of which arose from the translation of foreign subsidiary results).

Retail Operating Income. Operating income of $7.3 million and $6.6 million was recorded in the Retail segment for the nine months ended October 31, 2017 and 2016, respectively. The increase in operating income of $0.7 million was the result of an increase in gross profit of $1.5 million, partially offset by an increase in SG&A expenses of $0.8 million, when compared to the prior year period. The increase in gross profit of $1.5 million was primarily due to higher net sales, partially offset by a lower gross margin percentage. The increase in SG&A expenses of $0.8 million was primarily due to higher compensation, benefit and occupancy expenses related to operating more outlet locations when compared to the prior year period.

Other Expense. The Company recorded other expense of $1.3 million for the nine months ended October 31, 2016. The Company had a long-term investment in a privately held company, accounted for under the cost method, with a carrying value of $1.3 million. Due to the increasingly competitive and difficult market conditions, the operating performance and business outlook for the Company's long-term investment declined significantly during the three months ended October 31, 2016. As such, the Company determined the investment experienced an other than temporary impairment and recorded a charge of $1.3 million, to reduce the carrying value to zero.

Income Taxes. The Company recorded income tax expense of $10.3 million and $14.5 million for the nine months ended October 31, 2017 and 2016, respectively.

The effective tax rate was 35.6% and 32.6% for the nine months ended October 31, 2017 and 2016, respectively. The increase in the effective tax rate was primarily due to the impact of discrete items mostly related to the adoption of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," acquisition costs related to the acquisition of the Olivia Burton brand and no tax benefit being recognized on losses incurred by certain foreign operations, partially offset by changes in jurisdictional earnings.

The effective tax rate for the nine months ended October 31, 2017 differs from the U.S. statutory tax rate of 35.0% primarily due to changes in jurisdictional earnings and the impact of discrete items, partially offset by no tax benefit being recognized on losses incurred by certain foreign operations, as well as an increase primarily due to the adoption of ASU 2016-09 and acquisition costs related to the acquisition of the Olivia Burton brand.

The effective tax rate for the nine months ended October 31, 2016 differs from the U.S. statutory tax rate of 35.0% primarily as a result of changes in jurisdictional earnings, partially offset by no tax benefit being recognized on losses incurred by certain foreign operations.

Net Income Attributed to Movado Group, Inc. The Company recorded net income attributed to Movado Group, Inc. of $18.7 million and $29.8 million for the nine months ended October 31, 2017 and 2016, respectively.

LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2017 and October 31, 2016, respectively, the Company had $155.5 million and $199.8 million of cash and cash equivalents, $143.9 million and $194.6 million of which consisted of cash and cash equivalents at the Company's foreign subsidiaries. The majority of the foreign cash balances are associated with earnings that the Company has asserted are permanently reinvested, and which are required to support continued growth outside the United States through funding of capital expenditures, operating expenses and similar cash needs of the foreign operations. The Company has recorded a federal tax liability of $2.9 million related to $12.6 million of pre-2013 foreign earnings which have been earmarked for future repatriation. A deferred tax liability has not been recorded for the remaining undistributed foreign earnings of approximately $330 million, because the Company intends to permanently reinvest such earnings in its foreign operations. It is, therefore, not practicable to estimate the amount of tax that may be payable on the future possible distribution of these earnings.

Cash used in operating activities was $9.4 million and $10.8 million for the nine months ended October 31, 2017 and 2016, respectively. The $9.4 million of cash used in operating activities for the nine months ended October 31, 2017, was primarily due to an unfavorable change in working capital as presented on the consolidated statements of cash flows of $56.1 million, partially offset by favorable non-cash items of $28.7 million, which included a $13.4 million charge related to the Company's cost savings initiatives, and net income of $18.7 million. The unfavorable change in working capital of $56.1 million was primarily due to the increases in accounts receivable as a result of the seasonality of sales and the normal building of inventory in anticipation of the holiday selling season in the fourth quarter of the current fiscal year, as well as inventory build related to the acquisition of the Olivia Burton brand, partially offset by higher accrued liabilities. Included in the change in working capital were $5.4 million of payments related to the Company's cost savings initiatives. The $10.8 million of cash used in operating activities for the nine months ended October 31, 2016, was primarily due to an unfavorable change in working capital as presented on the cash flow of $59.7 million, partially offset by favorable non-cash items of $20.3 million and net income for the period of $29.9 million. The unfavorable change in working capital of $59.7 million was primarily due to the increases in accounts receivable as a result of the seasonality of sales and the building of inventory in anticipation of the holiday selling season, partially offset by higher accrued liabilities.

Cash used in investing activities was $82.0 million and $5.5 million for the nine months ended October 31, 2017 and 2016, respectively. The cash used in investing activities for the nine months ended October 31, 2017 was primarily for the acquisition, net of cash acquired, of the Olivia Burton brand and capital expenditures primarily related to the opening and renovations of the Company's retail outlet locations and capital expenditures related to the construction of shop-in-shops at some of the Company's wholesale customers. The cash used in investing activities for the nine months ended October 31, 2016 was primarily for restricted cash deposits and capital expenditures related to the construction of shop-in-shops at some of the Company's wholesale customers, computer hardware and software and spending on tooling and design.

Cash used in financing activities was $12.6 million and $16.8 million for the nine months ended October 31, 2017 and 2016, respectively. Cash used in financing activities for the nine months ended October 31, 2017 included the payment of dividends, the repurchase of shares of the Company's common stock, and the surrender of shares in connection with the vesting of certain stock awards. Cash used in financing activities for the nine months ended October 31, 2016 included the payment of dividends, the repayments of bank borrowings, the surrender of shares in connection with the vesting of certain stock awards, the repurchase of shares of the Company's common stock and the purchase of the remaining incremental ownership in a joint venture.

On January 30, 2015, the Company, together with Movado Group Delaware Holdings Corporation, Movado Retail Group, Inc. and Movado LLC (collectively, the "Borrowers"), each a wholly-owned domestic subsidiary of the Company, entered into a Credit Agreement (the "Credit Agreement") with the lenders party thereto and Bank of America, N.A. as administrative agent (in such capacity, the "Agent"). The Credit Agreement provides for a $100.0 million senior secured revolving credit facility (the "Facility") including a $15.0 million letter of credit sub-facility that matures on January 30, 2020, with provisions for uncommitted increases of up to $50.0 million in the aggregate, subject to customary terms and conditions. In connection with the Credit Agreement, the Borrowers also entered into a Security and Pledge Agreement dated as of January 30, 2015 in favor of the Agent (the "Security Agreement").

As of October 31, 2017, $30.0 million in loans were drawn under the Facility. Additionally, approximately $0.3 million in letters of credit, which were outstanding under the Borrower's pre-existing asset-based revolving credit facility that was concurrently terminated when the Credit Agreement became effective, are deemed to be issued and outstanding under the Facility. As of October 31, 2017, availability under the Facility was approximately $69.7 million.

Borrowings under the Facility bear interest at rates selected periodically by the Company at LIBOR plus a spread ranging from 1.25% to 1.75% per annum, based on the Company's consolidated leverage ratio, or at a base rate plus a spread ranging from 0.25% to 0.75% per annum based on the Company's consolidated leverage ratio (as defined in the Credit Agreement). At October 31, 2017, the Company's spreads were 1.25% over LIBOR and 0.25% over the base rate. The Company has also agreed to pay certain fees and expenses and to provide certain indemnities, all of which are customary for such financings.

The borrowings under the Facility are joint and several obligations of the Borrowers and are also cross-guaranteed by each Borrower. In addition, pursuant to the Security Agreement, the Borrowers' obligations under the Facility are secured by first priority liens, subject to permitted liens, on substantially all of the Borrowers' assets other than certain excluded assets. The Security Agreement contains representations, warranties and covenants, which are customary for pledge and security agreements of this type, relating to the creation and perfection of security interests in favor of the Agent over various categories of the Borrowers' assets.

The Credit Agreement contains affirmative and negative covenants binding on the Borrowers and their 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 Borrowers are also subject to a minimum consolidated EBITDA (as defined in the Credit Agreement) test of $50.0 million, measured at the end of each fiscal quarter based on the four most recent fiscal quarters and a consolidated leverage ratio (as defined in the Credit Agreement) covenant not to exceed 2.50 to 1.00, measured as of the last day of each fiscal quarter. As of October 31, 2017, the Company was in compliance with its covenants under the Credit Agreement.

The Credit Agreement contains events of default that are customary for facilities of this type, including, but not limited to, nonpayment of principal, interest, fees and other amounts when due, failure of any representation or warranty to be true in any material respect when made or deemed made, violation of covenants, cross default with material indebtedness, material judgments, material ERISA liability, bankruptcy events, asserted or actual revocation or invalidity of the loan documents, and change of control.

As of October 31, 2017, the Company classified $5.0 million of the outstanding balance under the Facility as current based on voluntary payments estimated to be made in the next twelve months, with the remainder classified as long-term debt based on the 2020 maturity date of the Facility and the Company's intent and ability to refinance its obligations thereunder.

As of October 31, 2017, Bank of America, N.A. issued two irrevocable standby letters of credit in connection with retail and operating facility leases to various landlords and for Canadian payroll to the Royal Bank of Canada. As of October 31, 2017, the Company had outstanding letters of credit totaling $0.3 million with expiration dates through May 31, 2018.

A Swiss subsidiary of the Company maintains unsecured lines of credit with an unspecified maturity with a Swiss bank. As of October 31, 2017 and 2016, these lines of credit totaled 6.5 million Swiss francs and 6.5 million Swiss francs with a dollar equivalent of $6.5 million and $6.4 million, respectively. As of October 31, 2017 and 2016, there were no borrowings against these lines. As of October 31, 2017, two European banks had guaranteed obligations to third parties on behalf of two of the Company's foreign subsidiaries in the dollar equivalent of $1.1 million, in various foreign currencies, of which $0.5 million is a restricted deposit as it relates to lease agreements. As of October 31, 2016, two European banks had guaranteed obligations to third parties on behalf of two of the Company's foreign subsidiaries in the dollar equivalent of $1.2 million in various foreign currencies, of which $0.6 million is a restricted deposit as it relates to lease agreements.

The Company paid dividends of $0.39 per share or approximately $9.0 million for both the nine months ended October 31, 2017 and 2016.

On November 21, 2017, the Board of Directors approved the payment of a cash dividend in the amount of $0.13 for each share of the Company's outstanding common stock and class A common stock. The dividend will be paid on December 15, 2017 to all shareholders of record as of the close of business on December 1, 2017. 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, in its sole discretion.

On August 29, 2017, the Board of Directors approved the payment of a cash dividend in the amount of $0.13 for each share of the Company's outstanding common stock and class A common stock.

On May 25, 2017, the Board of Directors approved the payment of a cash dividend in the amount of $0.13 for each share of the Company's outstanding common stock and class A common stock.

On March 20, 2017, the Board of Directors approved the payment of a cash dividend in the amount of $0.13 for each share of the Company's outstanding common stock and class A common stock.

Cash at October 31, 2017 amounted to $155.5 million compared to $199.8 million at October 31, 2016. The decrease in cash is primarily the result of the acquisition of the Olivia Burton brand, the payout of dividends, capital expenditures and the repayment of bank borrowings, partially offset by cash provided by operating activities.

Management believes that the cash on hand in addition to the expected cash flow from operations and the Company's short-term borrowing capacity will be sufficient to meet its working capital needs for at least the next twelve months.

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 14 to the accompanying unaudited consolidated financial statements for a description of certain accounting changes and recent accounting pronouncements which may impact our consolidated financial statements in future reporting periods.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Risk

The Company's primary market risk exposure relates to foreign currency exchange risk. 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 and the British Pound. The Company reduces its exposure to the Swiss franc, Euro, British Pound 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.

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. To the extent that the Company does not engage in a hedging program, any change in the Swiss franc, Euro, British Pound and Japanese Yen exchange rates to local currency have an equal effect on the Company's earnings.

As of October 31, 2017, the Company's entire net forward contracts hedging portfolio consisted of 23.0 million Swiss francs equivalent, 12.8 million Euros equivalent and 11.3 million British Pounds equivalent, with various expiry dates ranging through April 10, 2018 compared to a portfolio of 30.0 million Swiss francs equivalent, 11.8 million Euros equivalent and 7.7 million British Pounds equivalent with various expiry dates ranging through March 14, 2017 as of October 31, 2016. If the Company were to settle its Swiss franc forward contracts at October 31, 2017 and 2016, the net result would be a loss of $0.4 million, net of tax benefit of $0.3 million and a loss of $0.2 million, net of tax benefit of $0.1 million, respectively. If the Company were to settle its Euro forward contracts at October 31, 2017 and 2016, the net result would be an immaterial gain in both periods. As of October 31, 2017 and 2016, the Company's British Pound forward contracts had no value. The Company had no Swiss franc, Euro or British Pound option contracts related to cash flow hedges as of October 31, 2017 and 2016, respectively.

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. Contracts that meet the requirements of qualified hedges 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. Changes in the fair value of contracts that are not qualified hedges are recognized in the period they arise. The Company did not hold any future contracts in its gold hedge portfolio as of October 31, 2017 and 2016; 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

The Company has certain debt obligations with variable interest rates, which are based on LIBOR plus a spread ranging from 1.25% to 1.75% or on a base rate plus a spread ranging from 0.25% to 0.75% per annum. The Company does not hedge these interest rate risks. As of October 31, 2017, the Company had $30.0 million in outstanding debt. The Company estimates that a 1% increase in interest rates would decrease the Company's annual income by approximately $0.3 million. For additional information concerning potential changes to future interest obligations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources."

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. 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 has been no change in the Company’s internal control over financial reporting during the three months ended October 31, 2017, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting. On July 3, 2017, the Company acquired JLB Brands Ltd., the owner of the Olivia Burton brand. In conducting its evaluation of the effectiveness of internal control over financial reporting as of October 31, 2017, the Company excluded JLB Brands Ltd. from that evaluation in accordance with the rules relating to recently-acquired entities.

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. As of October 31, 2017, 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.

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 disputes the reasonableness of the Company's historical allocation formulas and proposes an alternative methodology that would imply approximately $5.1 million in underpaid duties over the five-year period covered by the statute of limitations, plus possible penalties and interest. The Company believes that U.S. Customs' alternative duty methodology and estimate are not consistent with the Company's facts and circumstances and is disputing U.S. Customs' position. On February 24, 2017, the Company provided U.S. Customs with supplemental analyses and information supporting the Company's historical allocation formulas and is in the process of providing additional information for U.S. Customs' review. Although the Company disagrees with U.S. Customs' position, it cannot predict with any certainty the outcome of this matter. The Company intends to continue to work with U.S. Customs to reach a mutually-satisfactory resolution.

Item 1A. Risk Factors

As of October 31, 2017, there have been no material changes to any of the risk factors previously reported in the Company's 2017 Annual Report on Form 10-K.

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

On August 29, 2017, the Board of Directors approved a share repurchase program under which the Company is authorized to purchase up to $50.0 million of its outstanding common stock from time to time, depending on market conditions, share price and other factors. Under the program the Company is authorized to purchase shares of its common stock through open market purchases, repurchase programs, block trades or otherwise. This authorization expires on August 29, 2020. During the three months ended October 31, 2017, the Company repurchased a total of 49,000 shares of its common stock in the open market at a total cost of approximately $1.3 million or an average cost of $27.52 per share.

There were 4,798 shares of common stock repurchased during the three months ended October 31, 2017 as a result of the surrender of shares in connection with the vesting of certain stock awards. 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 to fund the payment of such taxes.

The following table summarizes information about the Company's purchases for the three months ended October 31, 2017 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, 2017 – August 31, 2017	4,798	$ 27.29	—	$ 50,000,000
September 1, 2017 – September 30, 2017	20,000	27.28	20,000	49,454,435
October 1, 2017 – October 31, 2017	29,000	27.69	29,000	48,651,310
Total	53,798	$ 27.50	49,000	$ 48,651,310

Item 6. Exhibits

10.1	Thirteenth Amendment to Lease dated October 24, 2017 between Mack-Cali Realty, L.P., as landlord, and the Registrant, as tenant, further amending the lease dated as of December 21, 2000.
10.2	Term Sheet dated October 11, 2017 governing the amendment and restatement of the Amended and Restated License Agreement, effective as of January 1, 2012 by and between MGI Luxury Group, S.A. and Hugo Boss Trademark Management GmbH & Co. KG.
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, 2017 filed with the SEC, formatted in Extensible Business Reporting Language (XBRL): (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.

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.
(Registrant)

Dated: November 21, 2017

By: /s/ Sallie A. DeMarsilis
Sallie A. DeMarsilis
Senior Vice President,
Chief Financial Officer and
Principal Accounting Officer

Exhibit 10.1

THIRTEENTH AMENDMENT TO LEASE

1. **PARTIES**

1.1 THIS AGREEMENT made the 24th day of October, 2017 is between **MACK-CALI REALTY, L.P.** ("**Lessor**") whose address is c/o MackCali Realty Corporation, Harborside 3, 210 Hudson Street, Suite 400, Jersey City, New Jersey 07311 and **MOVADO GROUP, INC.** ("**Lessee**"), whose address is 650 From Road, Ste. 375, Paramus, NJ 07652-3556.

2. **STATEMENT OF FACTS**

2.1 Lessor and Lessee entered into a Lease dated December 21, 2000, as amended by First Amendment to Lease dated December 21, 2000, Second Amendment to Lease dated July 26, 2001, Third Amendment to Lease dated November 6, 2001, Fourth Amendment to Lease dated March 15, 2002, Fifth Amendment to Lease dated October 20, 2003, Sixth Amendment to Lease dated August 2, 2005, Seventh Amendment to Lease dated February 4, 2008, letter agreement dated February 14, 2008, Eighth Amendment to Lease dated August 18, 2008, and a Ninth Amendment to Lease dated November 25, 2008, Tenth Amendment to Lease dated March 10, 2011, Eleventh Amendment to Lease dated July 12, 2013 and Twelfth Amendment to Lease dated November 5, 2013 (hereinafter collectively, the "**Lease**") covering 98,326 gross rentable square feet on the third (3rd) and fourth (4th) floors ("**Premises**") in the building located at Mack Centre II, One Mack Drive, Paramus, New Jersey ("**Building**"); and

2.2 The Expiration Date of the Lease is June 30, 2018; and

2.3 The parties desire to extend the Term of the Lease applicable to only that portion of the Premises consisting of 90,050 gross rentable square feet on the third (3rd) and fourth (4th) floors (defined as the "**Existing Premises**" in the Eleventh Amendment to Lease and Twelfth Amendment to Lease) and shown on Exhibit A attached hereto and made a part hereof, for a period to commence on July 1, 2018, so that the Term applicable to the balance of the Premises consisting of 8,276 gross rentable square feet on the fourth floor of the Building (defined as the "**Expansion Premises**" in the Eleventh Amendment to Lease and Twelfth Amendment to Lease and shown on Exhibit A to the Eleventh Amendment to Lease), and shown on Exhibit A attached hereto and made a part hereof, not being renewed by Tenant, shall expire on June 30, 2018; and

2.4 The parties desire to amend certain terms of the Lease as set forth below.

3. **AGREEMENT**

NOW, THEREFORE, in consideration of the terms, covenants and conditions hereinafter set forth, Lessor and Lessee agree as follows:

3.1 The above recitals are incorporated herein by reference.

3.2 All capitalized and non-capitalized terms used in this Agreement which are not separately defined herein but are defined in the Lease shall have the meaning given to any such term in the Lease.

3.3 The Term of the Lease applicable to the Existing Premises shall be extended for a twelve (12) year period commencing on July 1, 2018 and expiring at 11:59 p.m. on June 30, 2030 ("**Extension Term**"). The Expiration Date shall be, and the Term shall end on, June 30, 2030 and Paragraphs 9 and 17 of the Preamble to the Lease shall be deemed amended accordingly.

3.4 Lessor hereby leases to Lessee and Lessee hereby hires from Lessor the Existing Premises in its "AS-IS" condition for the Extension Term, as defined herein, under the terms and conditions set forth in the Lease as amended by this Agreement. Lessor shall have no obligation to perform any tenant improvement work in the Existing Premises, except that Lessor shall, at its sole cost and expense, replace the existing window blinds in the Existing Premises with new building standard window blinds. Such work will be completed within one hundred twenty (120) days following the date of full execution and delivery of this Agreement. Lessee shall cooperate with Lessor during the performance of Lessor's work, as necessary, to allow Lessor access to perform its work. Following the date of full execution and delivery of this Agreement, Lessor shall coordinate the performance of Lessor's work with Lessee. Such work shall be performed during normal business hours and using Building Standard materials. Entry by Lessor and the performance of work by Lessor in the Existing Premises shall not entitle Lessee to any claim against Lessor for interruption of business or to any abatement in rent and shall not constitute a constructive or partial eviction. Lessor shall use commercially reasonable efforts to minimize interference with the conduct of business by Lessee in the Existing Premises in performing said work.

3.5 Lessee, at its sole cost and expense, shall perform improvement work to the Premises in accordance with Exhibit B attached hereto and made a part hereof. Notwithstanding anything herein or in the Lease to the contrary, Lessor shall provide Lessee with a tenant improvement allowance of TWO MILLION TWO HUNDRED FIFTY ONE THOUSAND TWO HUNDRED FIFTY AND 00/100 DOLLARS ($2,251,250.00) ("**Lessor's Construction Allowance**"). ONE MILLION THREE HUNDRED FIFTY THOUSAND SEVEN HUNDRED FIFTY AND 00/100 DOLLARS ($1,350,750.00) of Lessor's Construction Allowance may be used by Lessee for soft costs and furniture, fixtures and equipment ("**Non-Construction Costs**"). Lessor's Construction Allowance shall be paid to Lessee pursuant to Exhibit B.

3.6 Commencing on July 1, 2018, the following shall be effective:

a. The Fixed Basic Rent applicable to the Existing Premises shall be as follows and Paragraph 10 of the Preamble shall be deemed amended accordingly:

Period	**Yearly Rate**	**Monthly Installment**	**Annual Rate Per Rentable Sq. Ft.**
July 1, 2018 through September 30, 2020	$2,206,225.00	$183,852.08	$24.50
October 1, 2020 through September 30, 2021	$2,250,349.50	$187,529.13	$24.99
October 1, 2021 through September 30, 2022	$2,295,356.49	$191,279.71	$25.49
October 1, 2022 through September 30, 2023	$2,341,263.62	$195,105.30	$26.00
October 1, 2023 through September 30, 2024	$2,388,088.89	$199,007.41	$26.52
October 1, 2024 through September 30, 2025	$2,435,850.67	$202,987.56	$27.05
October 1, 2025 through September 30, 2026	$2,484,567.68	$207,047.31	$27.59
October 1, 2026 through September 30, 2027	$2,534,259.04	$211,188.25	$28.14
October 1, 2027 through September 30, 2028	$2,584,944.22	$215,412.02	$28.71
October 1, 2028 through September 30, 2029	$2,636,643.10	$219,720.26	$29.28
October 1, 2029 through June 30, 2030	$2,689,375.96	$224,114.66	$29.87

Notwithstanding the foregoing, provided that the Lease is in full force and effect and Lessee is not in material default thereunder, Lessee shall have no obligation to pay the Monthly Installments of Fixed Basic Rent applicable to the Existing Premises for the first fifteen (15) full calendar months of the Extension Term (i.e. July 1, 2018 through and including

September 30, 2019). The Rent Commencement Date applicable to the Existing Premises for the Extension Term shall be October 1, 2019.

b. Commencing July 1, 2018, Lessee shall pay Lessor, as Additional Rent, Lessee's Percentage (25.84%) applicable to the Existing Premises of the increased cost to Lessor for each of the categories set forth in Article 23 Additional Rent of the Lease over the Base Period Costs set forth below. Notwithstanding the foregoing, Lessee shall have no obligation to pay Lessee's Percentage of the increased cost to Lessor over the Base Period Costs set forth below for the first twelve (12) months of the Extension Term (i.e. July 1, 2018 through and including June 30, 2019).

c. The Base Period Costs shall remain unchanged through June 30, 2018. As of July 1, 2018, the Base Period Costs applicable to the Existing Premises shall be based on a calendar year (as opposed to a fiscal year) and shall be as follows and Paragraph 2 of the Preamble to the Lease shall be deemed amended accordingly:

(A) Base Operating Costs: Those Operating Costs incurred for the Building and Office Building Area during the Calendar Year 2018.

(B) Base Real Estate Taxes: Those Real Estate Taxes incurred for the Building and Office Building Area during Calendar Year 2018.

(C) Base Utility and Energy Costs: Those Utility and Energy Costs incurred for the Building and Office Building Area during Calendar Year 2018.

d. Lessee shall continue to pay the cost of electricity pursuant to Article 22 Building Standard Office Electrical Service of the Lease.

e. Parking Spaces as defined in Paragraph 14 of the Preamble to the Lease shall be decreased by a total of thirty-three (33) parking spaces, of which twenty-six (26) shall be unassigned and seven (7) shall be assigned.

3.7 Effective July 1, 2018, clause f (Books and Reports) of Article 23 (Additional Rent) of the Lease shall be amended by deleting all references therein to "Certified Public Accounting firm" and inserting, in lieu thereof, "Certified Public Accounting firm or other reputable firm with expertise in the apportionment of common area charges by commercial landlords."

3.8 Effective July 1, 2018, Article 51 After Hours Use of the Lease shall be amended, as follows:

(i) The references therein to "FORTY FIVE AND 00/100 DOLLARS ($45.00) per hour per zone for air conditioning service and THIRTY AND 00/100 DOLLARS ($30.00) per hour per zone for heating services" shall be deleted and replaced by "FIFTY AND 00/100 DOLLARS ($50.00) per hour per zone for air conditioning service and THIRTY FIVE AND 00/100 DOLLARS ($35.00) per hour per zone for heating services."

(ii) The reference to "SEVENTY FIVE AND 00/100 DOLLARS ($75.00) per hour in the aggregate for air conditioning service (regardless of the number of zones used) and "FORTY EIGHT AND 00/100 DOLLARS ($48.00) per hour in the aggregate for heating services (regardless of the number of zones used)" shall be deleted and replaced by "EIGHTY AND 00/100 DOLLARS($80.00) per hour in the aggregate for air conditioning service (regardless of the number of zones used) and "FIFTY THREE AND 00/100 DOLLARS ($53.00) per hour in the aggregate for heating services (regardless of the number of zones used)."

(iii) Notwithstanding anything in Article 51 to the contrary, the aforesaid hourly charges for after hours air conditioning and heating services shall not be subject to increase based upon the percentage increase of the utility rates and other component costs of providing such services over the Base Rate.

3.9 Lessee does hereby agree to surrender and vacate the Expansion Premises (hereinafter, the "**Surrender Premises**") in the condition called for in the Lease and to pay Fixed Basic Rent and Additional Rent applicable to the Surrender Premises, as provided for in the Lease, until June 30, 2018 (the "**Surrender Date**"). However, if Tenant has not vacated the Surrender Premises by the Surrender Date, Tenant shall become a tenant from month to month in the Surrender Premises under the provisions provided in Article 25 Holdover Tenancy of the Lease.

3.10 Lessee, at its sole cost and expense, shall perform all work necessary to separate the Surrender Premises from the balance of the fourth floor of the Building including, without limitation, removal of all low voltage wiring and demising the Surrender Premises from the balance of the fourth floor in accordance with all applicable code requirements and using Building standard methods and materials (all such work shall be referred to as "**Demising Work**"); provided that Lessor shall at its own cost and expense separate the electric, HVAC, fire and life safety systems of the Surrender Premises from the balance of the fourth floor. Tenant shall complete the Demising Work by the Surrender Date. If the Demising Work has not been substantially completed by the date falling thirty (30) days after the Surrender Date **(time being of the essence),** then, provided Lessor has given Lessee a written notice referencing this Section and Lessee fails to substantially complete the Demising Work within ten (10) days after Lessee receives such written notice, Lessor, may perform such Demising Work at Lessee's expense and such costs shall, at Lessor's option, be deducted from any unused Lessor's Construction Allowance or payable as Additional Rent.

3.11 Lessee shall continue to have the option to renew the Lease pursuant to Rider A (Option to Extend) of the Lease (as amended in Section 3.10 of the Tenth Amendment), mutatis mutandis; provided, however, Paragraph (c) of Rider A (Option to Extend) is hereby further amended to read in its entirety as follows:

"If Lessee exercises its option for the Extension Term, the Fixed Basic Rent during the Extension Term shall be the fair market rent for the Premises, as hereinafter defined".

3.12 Lessee shall continue to have the right of first offer pursuant to Rider B (Right of First Offer) of the Lease; provided, however, the first sentence of Rider B (Right of First Offer) is hereby amended to read in its entirety as follows:

"Subject to the provisions of this Rider B, Lessee shall have the option to lease from Lessor the Surrender Space on the fourth floor after the initial leasing of such Surrender Space to a third party after the Surrender Date (hereinafter, "**Additional Space**") at the expiration of the existing space lease(s) for such Additional Space (or after initial leasing of such Surrender Space, subject to the existing rights of any other current tenant(s) (or its (their) successor(s) in interest) to with respect to such Additional Space".

3.13 (a) So long as Lessee is in occupancy of at least fifty percent (50%) of the Premises, Lessee, at its sole cost and expense, may install and maintain one (1) exterior building sign on the exterior façade the Building, provided that the design, construction and location of such signage shall be subject to Lessor's approval, which shall not be unreasonably withheld, conditioned or delayed, and provided further, that: (1) such signage is not prohibited by any applicable code, ordinance, statute, rule or regulation or by any action or rule of any landmark commission having jurisdiction, which prohibition Lessor represents and warrants it has no knowledge of, and (2) all consents necessary from all governmental authorities and landmark commissions having jurisdiction, if any, are reasonably obtainable and are first obtained by Lessee, at its sole cost, but Lessor agrees to cooperate with Lessee in obtaining any such consent, provided that Lessor shall have no obligation to incur any out-of-pocket expense in connection therewith unless Lessee agrees to promptly reimburse Lessor for such expense. Such signage on the Building shall be non-exclusive to Lessee and Lessor shall have the right to install or permit other tenants or third-party to install signage on the exterior façade of the Building.

(b) Lessee will bear the costs associated with creating, designing, manufacturing, and installing the signage set forth in Section (a) above. Lessee shall otherwise insure and maintain the signage to Lessor's reasonable satisfaction.

(c) Upon termination or expiration of this Lease or of Lessee's right to possession of the Premises, or upon the failure of Lessee to occupy at least fifty percent (50%) of the Premises, if Lessor desires that the exterior signage set forth in Section (a) above be removed, then Lessee shall, at Lessee's sole expense, remove such signage and restore and repair all parts of the Building affected by the installation or removal of said signage, to the condition existing prior to its installation, reasonable wear and tear, and damage by fire or other casualty, excepted.

3.14 Lessor shall, at its sole cost and expense, perform base building work on the first and third floors of the Building and the outside area of the Building, as described on Exhibit C Base Building Work, attached hereto (collectively, the "**Base Building Work**"). Lessor shall apply for permits for said Base Building Work (to the extent necessary) and covenants and agrees to complete said Base Building Work within one (1) year from the date of issuance of permits for the Base Building Work.

3.15 Lessor's addresses for the purpose of Article 44 Notices of the Lease shall be as follows:

If to Lessor: c/o Mack-Cali Realty Corporation
Harborside 3
210 Hudson Street, Suite 400
Jersey City, NJ 07311
Attention: Chief Executive Officer

With copies to: c/o Mack-Cali Realty Corporation
Harborside 3
210 Hudson Street, Suite 400
Jersey City, NJ 07311
Attention: General Counsel

3.16 Each of Lessor and Lessee represent and warrant to the other that no broker brought about this transaction, other than Cresa New Jersey, and each agrees to indemnify and hold the other harmless from any and all claims of any other broker claiming to have dealt with such party, arising out of or in connection with negotiations of, or entering into of, this Agreement.

3.17 Except as expressly amended herein, the Lease shall remain in full force and effect as if the same had been set forth in full herein, and Lessor and Lessee hereby ratify and confirm all of the terms and conditions thereof.

3.18 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns.

3.19 Each party agrees that it will not raise or assert as a defense to any obligation under the Lease or this Agreement or make any claim that the Lease or this Agreement is invalid or unenforceable due to any failure of this document to comply with ministerial requirements including, but not limited to, requirements for corporate seals, attestations, witnesses, notarizations, or other similar requirements, and each party hereby waives the right to assert any such defense or make any claim of invalidity or unenforceability due to any of the foregoing.

This Agreement may be executed in multiple counterparts, each of which, when assembled to include an original signature for each party contemplated to sign this Agreement, will constitute a complete and fully executed original. All such fully executed counterparts will collectively constitute a single agreement. Lessee expressly agrees that if the signature of Lessor and/or Lessee on this Agreement is not an original, but is a digital, mechanical or electronic reproduction (such as, but not limited to, a photocopy, fax, e-mail, PDF, Adobe image, JPEG, telegram, telex or telecopy), then such digital, mechanical or electronic reproduction shall be as enforceable, valid and binding as, and the legal equivalent to, an authentic and traditional ink-onpaper original wet signature penned manually by its signatory.

IN WITNESS WHEREOF, Lessor and Lessee have hereunto set their hands and seals the date and year first above written, and acknowledge one to the other that they possess the requisite authority to enter into this transaction and to sign this Agreement.

LESSOR **MACK-CALI REALTY, L.P.**	LESSEE **MOVADO GROUP, INC.**
By: Mack-Cali Realty Corporation, its general partner	
By: /s/ Christopher DeLorenzo Christopher M. DeLorenzo Executive Vice President of Leasing	By: /s/ Mitchell Sussis Name: Mitchell Sussis Title: Senior VP

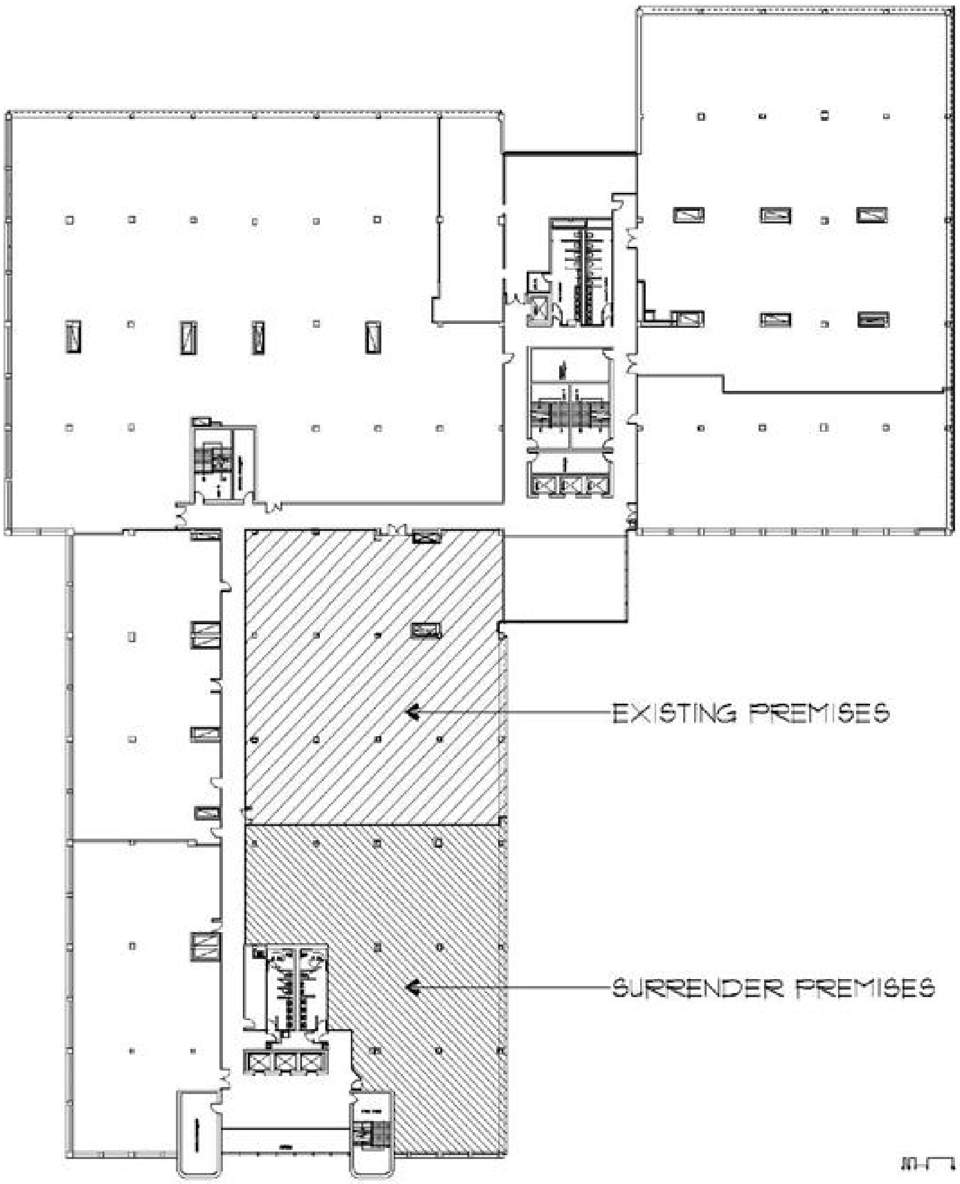
EXHIBIT A

EXHIBIT A

LOCATION OF PREMISES

Movado Group Inc.

7/07/17



MACK-CALI CENTRE II - J2
650 FROM ROAD
PARAMUS, NJ

FOURTH FLOOR

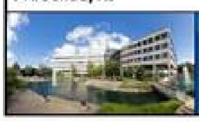


EXHIBIT B

LESSEE'S WORK AND ALTERATIONS

Lessee may make the alterations required for Lessee's use of the Premises (hereinafter the "Work") subject to the following:

a. Lessee, at its sole cost and expense, shall prepare and submit to Lessor, for Lessor's and governmental approval, the following descriptive information, detailed architectural and engineering drawings and specifications (hereinafter the "Plans") for the Work. The Plans shall be as complete and finished as required to completely describe the Work and shall include, but not be limited to, the following:

   i. Demolition Plans depicting all existing conditions to be removed, abandoned or cut patched.

   ii. Architectural floor plans depicting partition locations and types; door location, size, and hardware types.

   iii. Structural plans, if required, depicting new structural components and their connections to existing elements.

   iv. Electrical plans depicting any new and existing electrical wiring, devices, fixtures and equipment.

   v. Mechanical plans depicting any new plumbing, piping, heating, ventilating, air conditioning equipment, and duct work and its connections to existing elements.

   vi. Life Safety System plans depicting all new or altered alarm system fixtures, devices, detectors and wiring within the Premises and their connection to existing systems.

   vii. Coordinated reflected ceiling plan showing ceiling systems and materials and all of the above items and their proximity to one another.

   viii. Finish plans showing locations and types of all interior finishes with a schedule of all proposed materials and manufacturers.

   The Plans shall provide for all systems and construction components complying with the requirements of all governmental authorities and insurance bodies having jurisdiction over the Building.

b. The Plans for the Work are subject to Lessor's prior written approval which shall not be unreasonably withheld, provided, however, that Lessor may in any event disapprove the Plans if they are incomplete, inadequate or inconsistent with the terms of the Lease or with the quality and architecture of the Building. Lessor agrees to approve or disapprove the Plans within three (3) business days of receipt of same (the "Lessor's Approval Period") and if not disapproved within Lessor's Approval Period and after one (1) business day's notice from Lessee notifying Lessor of such failure to disapprove then the plans shall be deemed approved. If Lessor disapproves the Plans or any portion thereof, Lessor shall promptly notify Lessee thereof and of the revisions which Lessor reasonably requires in order to obtain Lessor's approval. Lessee shall, at its sole cost and expense, submit the Plans, in such form as may be necessary, with the appropriate governmental agencies for obtaining required permits and certificates. Any changes required by any governmental agency affecting the Work or the Plans shall be complied with by Lessee in completing said Work at Lessee's sole cost and expense. Lessee shall submit completed Plans to Lessor simultaneously with Lessee's submission of said plans to the local building department.

2. Lessor shall permit Lessee to solicit competitive pricing and select its own general and/or individual subcontractors to perform the Work in its sole cost subject to the following:

   a. All general contractors shall be subject to Lessor's prior written approval, which shall not be unreasonably withheld.

   b. Intentionally omitted.

c. Lessee shall be permitted to use the same team of architects and contractors who built Lessee's current office space on the third floor of the Building or any other architects and contractors selected by Lessee and approved by Lessor in its reasonable discretion.

d. Lessee shall use the Base Building Sub-Contractors and their respective trades as set forth in Paragraph 7 below or any other sub-contractors and trades selected by Lessee and approved by Lessor in its reasonable discretion.

e. Lessee notifies Lessor in writing of Lessee's selection of general and subcontractors.

f. All costs associated with the bidding process soliciting competitive pricing will be at the sole cost and expense of the Lessee.

3. Intentionally omitted.

4. If Lessee elects to engage another general contractor, or individual sub-contractors, Lessee shall, at its sole cost and expense, complete the Work. Lessee shall complete such Work through its own contractors in accordance with the following terms and conditions:

a. Lessee's workmen and mechanics shall work in harmony and not interfere with the labor employed by Lessor, Lessor's mechanics or contractors or by any other Lessee or their mechanic or contractors, if any. If at any time Lessee and/or its contractors cause disharmony or interference with the operation of the Building, Lessor shall give fortyeight (48) hours written notice to Lessee and Lessee shall promptly resolve any dispute so that the tenor of the construction process and the operation of the Building is returned to that which existed prior to Lessor's notice. Such entry by Lessee's contractors shall be deemed controlled by all of the terms, covenants, provisions and conditions of the Lease.

b. Prior to the commencement of the Work, Lessee shall provide Lessor with evidence of Lessee's contractors and sub-contractors carrying such worker's compensation, general liability, personal and property insurance required by law and in amounts no less than the amounts set forth in Paragraph 8 herein. Lessor shall not be liable in any way for any injury, loss or damage which may occur to any portion of the Work, Lessee's decorations, or installments so made, the same being solely at Lessee's risk.

c. All proposed Building System work, including the preparation of the plans and specifications identified herein, shall be approved by Lessor's engineers (the "Engineering Review"), such approval not to be unreasonably withheld, and the reasonable cost thereof shall be Lessee's responsibility.

d. Lessor shall afford Lessee and its contractors the opportunity to use the Building facilities in order to enable Lessee and its contractors to perform the Work, provided however, that Lessee and its contractors shall remain responsible for the scheduling and transportation of materials and equipment used in the performance of such work. Lessee shall give Lessor adequate prior notice with regard to the scheduling and transportation of materials in and out of the Building. Lessor shall furnish, at Lessor's expense, water, electricity, heat and ventilation during the performance of the Work during regular construction trade hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, exclusive of trade holidays. Scavenger service shall be provided by Lessor at Lessee's expense.

e. If Lessor has reasonable basis to claim that the plans or work to be installed or installed by Lessee and its sub-contractors is deficient or may cause harm to the Premises, Building or other tenants of the Building or is otherwise inconsistent with the terms of the Lease and further provided Lessor does not have the required in-house expertise to review or inspect such work then Lessor may require inspections to be made by Lessor's Base Building Sub-Contractors and Lessee shall reimburse Lessor for those actual out of pocket expenses (the "Inspection Fees").

f. Lessee shall be responsible for all cleaning and removal of debris necessitated by the performance of the Work. If Lessee fails to provide such cleaning and removal, the same may be performed by Lessor on Lessee's behalf (except if the debris is only located within the Premises, Lessor shall give Lessee three (3) days notice prior to performing such work) and Lessee will pay Lessor an amount equal to the contractor's charge therefor.

g. Neither the outside appearance nor the strength of the Building or of any of its structural parts shall be affected by the Work.

h. The proper functioning of any of the Building Systems shall not be adversely affected or the usage of such systems by Lessee shall not be materially increased above the projected usage of such systems indicated by the current plans and specifications of the Building.

i. Lessee and its general and sub-contractors shall be bound by and observe all of the conditions and covenants contained in the Lease and this Exhibit B.

j. Lessor shall designate a “Project Manager” as its representative in the Building who shall be responsible for coordination and supervision of the Work as it pertains to the daily operation of the Building. The Project Manager and his subordinates shall be granted access to the Premises at all times during the construction period.

5. Any part of the Work other than Lessee’s trade fixtures and equipment within the Premises shall become the property of the Lessor upon installation. Furthermore, with respect to any material and installation which is part of the Work, pursuant to Article 5 of the Lease, Lessee shall not be entitled to remove (unless replaced with equivalent property), pledge or sell same unless otherwise agreed to in writing by Lessor and Lessee. No refund, credit, or removal of said items shall be permitted at the termination of the Lease. Items installed that are not integrated in any such way with other common building materials do not fall under this Paragraph 5 (Example: shelving, furniture, trade fixtures equipment).

6. Lessor shall provide a cash contribution of up to TWO MILLION TWO HUNDRED FIFTY ONE THOUSAND TWO HUNDRED FIFTY AND 00/100 DOLLARS ($2,251,250.00) (“Lessor’s Construction Allowance”) for payment of the costs associated with the completion of The Work; provided that reimbursement for Non-Construction Costs shall not in the aggregate exceed the sum of ONE MILLION THREE HUNDRED FIFTY THOUSAND SEVEN HUNDRED FIFTY AND 00/100 DOLLARS ($1,350,750.00). Lessor’s Construction Allowance shall be payable by progress payments to Lessee on a monthly basis, for the work performed to date and/or for materials delivered to the Premises during the previous month, less a retainage ("**Retainage**") of ten percent (10%) of that portion of each progress payment relating to construction work in respect of any project for which a Certificate of Occupancy is required (each, a “**Construction Project**”). Such progress payments shall be made within fifteen (15) days next following Lessor’s receipt of Lessee’s requisition and compliance by Lessee of the Payment Conditions (as hereinafter defined). For purposes of this paragraph, “Payment Conditions” in respect of any progress payment related to a Construction Project shall mean: (i) a requisition signed by an officer of Lessee, which requisition shall set forth the names of each contractor and subcontractor to whom payment is due and the amount thereof; (ii) copies of partial waivers of lien from all contractors, subcontractors and materialman associated with such Work; and (iii) a written certification from Lessee certifying that, after giving effect to such progress payment, the total progress payments for both Construction Projects and NonConstruction Costs does not exceed $2,251,250 minus the accumulated Retainage. For purposes of this paragraph, “Payment Conditions” in respect of any progress payment for NonConstruction Costs shall mean: (i) copies of paid invoices for the applicable soft costs, furniture, fixtures and/or equipment; and (ii) a written certification from Lessee certifying that, after giving effect to such progress payment, the total progress payments for Non-Construction Costs does not exceed $1,350,750. The final payment, including the Retainage, of Lessor’s Construction Allowance shall be payable upon substantial completion of one hundred (100%) of the Work and within fifteen (15) days of Lessor’s receipt of the following:

a. Copy of the Certificate of Occupancy (temporary and permanent) issued by the local construction official;

b. AIA Document G704, Certificate of substantial completion issued and signed by Lessee’s Architect;

c. Release of Lien statements from the general and all sub-contractors associated with the Work;

d. A set of reproducible drawings of the Plans and a “CAD” file (in .DWG or .DXF format) of the “As-Built” Plans;

e. Lessee has paid all sums due and owing Lessor under the Lease and this Exhibit B; and

f. Copies of paid invoices evidencing the cost of the Work.

7. The Base Building Sub-Contractors are:

Fire Sprinkler Contractor
"To be provided by Lessor upon request from Lessee."

Electrical Contractor
"To be provided by Lessor upon request from Lessee."

Plumbing Contractor
"To be provided by Lessor upon request from Lessee."

HVAC Contractor
"To be provided by Lessor upon request from Lessee."

8. Lessee's Contractor's Insurance:

a. The Lessee shall require any and all contractors of the Lessee performing work on or about the Premises to obtain and/or maintain specific insurance coverage for events which could occur while operations are being performed and which could occur after the completion of the work. The insurance coverage of the contractor shall be at least equal to the coverage required by Article 30 of the Lease and the contractor shall name Lessor and, if requested, Mortgagee as additional insureds on all policies of liability insurance.

b. The contractor shall purchase and maintain such insurance as will protect itself and Lessor and Lessee from claims set forth below which may arise out of or result from its operations under the contract and after contract completion with Lessee, whether such operations are performed by the contractor or by any subcontractor or by anyone directly or indirectly employed by any of them or by anyone for whose acts any of them may be liable. The insurance coverage shall include but not be limited to protection for:

i. Claims under Workers or Workmens Compensation, Disability Benefits, and other Employee Benefit Acts;

ii. Claims for damages because of bodily injury, occupational sickness, disease or death of its employees;

iii. Claims for damages because of bodily injury, sickness, disease, or death of any person other than its employees;

iv. Claims for damages insured by the usual personal injury liability coverages which are sustained by (i) any person as a result of an offense directly or indirectly related to the employment of such person by the contractor, or (ii) by any other person;

v. Claims for damages, other than to the work itself, because of injury to or destruction of tangible property, including loss of use resulting therefrom;

vi. Claims for damages because of bodily injury or death of any person and/or property damage arising out of the ownership, maintenance, or use of any motor vehicle; and

vii. To the extent typical in the industry, Claims arising out of the contractor's work which include the foregoing, but not limited thereto, which may occur while operations are being performed and claims arising out of the contractor's work which may occur after operations are completed.

c. Lessee shall secure evidence of Lessee's contractor's insurance coverage adequate to protect Lessor and Lessee.

d. The contract between the Lessee and its contractor shall require that the Lessee's contractor hold the Lessor harmless in a form and manner substantially equivalent to the indemnity agreement in Article 33, "Indemnification" of the Lease agreement.

e. Lessee shall cause to be executed a waiver of all subrogation rights their contractors have or may have against Lessor and any Mortgagee involved in the Premises in any way, for damages caused by fire or other perils so insured.

-END-

EXHIBIT C

BASE BUILDING WORK

First Floor Common Areas

1. Lessor shall install building standard directional signage in the South Lobby directing visitors to the North Lobby for Movado's main entrance.

2. Lessor shall perform the following renovations on the Common Areas of the first floor of the Building:
   Floors:
   Replace all carpet with: Broadloom - 36oz. Atlas Carpet / Interloop, Microwave /Patterned Loop carpet.
   Walls:
   Replace all existing vinyl wall covering with: Wolf Gordon Type II Wallcovering Paint all previously painted surfaces with: Benjamin Moore ProMar 200 Zero
   Ceilings / Lighting:
   2'x4' LED basket fixtures and square or circular downlighting to replace existing fixtures in order to achieve a 200 lumen minimum for lobbies and common hallways.

3. All Common Area bathrooms on the first (1st) floor to be renovated as follows:
   Floors:
   Tile - Porcelain Ceramic Tile / Custom Installation
   Walls:
   Porcelain Ceramic Tile installed at wet walls and lavatories.
   Vinyl Wall Covering Wolf Gordon Type II Vinyl Wallcovcring on all other walls
   Accessories:
   Partitions – Hadrian powder coated Steel Partitions
   Countertops – Quartz Top
   Sinks / Faucets – Kohler Verticyl Square Sink w/ Sloan Sensor Activated ESD faucet
   Toilets / Flush Valves – Motion Sensor / American Standard
   Urinals / Flush Valves – Motion Sensor / American Standard
   Accessories – Dispensers / Receptacles – ASI Specialist: hands free soap dispensers and paper towel dispensers.
   All work in this section 3 shall be performed in accordance with all applicable code requirements, including but not limited to those relating to the Americans with Disabilities Act of 1990 as amended.

4. Elevators shall be reviewed by Lessor's consultant to ensure their proper function.

5. Lessor shall use reasonable efforts to have a third party install and maintain during the Term of the Lease, an ATM in an area on the first floor of the Building as designated by Lessor.

Outside Areas:

1. Lessor shall supply and install 5 picnic table with seating in an area designated by Lessor.

2. Lessor shall fill and seal the portion of the east lot, where Lessee's reserved parking is currently located, in order to minimize ponding. Should Lessor not remedy this condition to Lessee's reasonable satisfaction, Lessee's reserved parking shall be relocated to a mutually acceptable location or locations.

3. Lessor shall make reasonable efforts minimize flooding in north parking by inspecting the retention basin into which the storm sewer drains, and removing any debris or other blockages. Lessor shall request that the Paramus DPW inspect and remove any debris or other blockages in the Sprout Brook stream running adjacent to the Property.

4. Lessor shall to modify the fountains to reduced the height of its spray to no more than 4-5' high.

5. Lessor shall repair and refinish the small bridge walkway to eastern lot.

6. Lessor shall replace any damaged or missing plants on the Property with like materials.

Third floor of the Building:

1. Lessor shall perform the following renovations to the Common Area hallways on the third floor of the Building:
   Floors:
   Replace all carpet with: Broadloom – 36oz. Atlas Carpet / Interloop, Microwave / Patterned Loop carpet (Budget of $40 per square yard). Installation, pattern, and color shall be selected and approved by Movado's Architect. Movado's Architect may substitute the aforementioned manufacturer provided the newly specified material does not increase costs related thereto. Carpet wall base.
   Walls:
   Replace all existing vinyl wall covering with: woven wallcovering (budget $40 per linear yard) Paint all previously painted surfaces with: Benjamin Moore ProMar 200 Zero Installation, pattern, and color shall be selected and approved by Movado's Architect. Movado's Architect may substitute the aforementioned manufacturer provided the newly specified material does not increase costs related thereto. Paint all previously painted surfaces with: Benjamin Moore ProMar 200 Zero
   Ceilings / Lighting:
   2'x4' LED basket fixtures and square or circular downlighting to replace existing fixtures Replace all ceiling tiles with Armstrong Ceiling Tile – Cirrus Second Look II (existing grid to remain). Movado's Architect may substitute the aforementioned manufacturer provided the newly specified material does not increase costs related thereto. 2X2 square downlight. Ceiling grid to be painted if required.

2. All bathrooms on the third (3rd) floor to be renovated as follows:
   Floors:
   Tile - Porcelain Ceramic Tile / Custom Installation with Movado approval as to the color and installation pattern. (budget: $7.00 per square foot for the tiles)
   Walls:
   Porcelain Ceramic Tile installed at wet walls and lavatories.
   Vinyl Wall Covering with: Wolf Gordon Type II Wallcovering Installation, pattern, and color shall be selected and approved by Movado's Architect. Movado's Architect may substitute the aforementioned manufacturer provided the newly specified material does not increase costs related thereto. (budget: $7.00 per sq ft for tiles and $40 per linear yard for the Wall covering).
   Accessories:
   Partitions – Hadrian powder coated Steel Partitions
   Countertops - Quartz Top
   Sinks /Faucets - Kohler Verticyl Square Sink w/ Sloan Sensor Activated ESD faucet
   Toilets / Flush Valves – Motion Sensor / American Standard
   Urinals / Flush Valves– Motion Sensor / American Standard
   Accessories – Dispensers / Receptacles – ASI Specialties hands free soap dispensers and paper towel
   Ceilings / Lighting:
   2'x4' LED basket fixtures and square or circular downlighting to replace existing fixtures (existing light-cove to remain) in order to achieve a 200 lumen minimum for lobbies and common hallways.

   Replace all ceiling tiles with Armstrong Ceiling Tile – Cirrus (existing grid to remain).

   Installation, pattern, and color for this section 2 shall be selected and approved by Movado's Architect. Movado's Architect may substitute the aforementioned manufacturers provided the newly specified materials specified do not increase costs related thereto.

3. Lessor shall balance and inspect of all moduline boxes within the Premises to ensure their proper functioning. Any moduline boxes that are not functioning shall be replaced or repaired.

4. Install four (4) fan powered VAV boxes with reheat elements in the 3rd floor executive and HR.

5. Replacement of Blinds:

   At Tenant's option Landlord at its expense shall install one of the following per the terms of this Agreement:
   Mecho M5 in Soho fabric -3% openness

EXHIBIT 10.2*

TERM SHEET
MGI Luxury Group - Hugo Boss
October 11, 2017

Subject to the approval of the Supervisory Board of HUGO BOSS AG this Term Sheet sets out the principal terms for an amended and restated License Agreement between HUGO BOSS Trade Mark Management GmbH & Co. KG, Germany with its branch HUGO BOSS Trade Mark Management GmbH & Co. KG, D-Metzingen, Branch CH-Zug, Switzerland ("Hugo Boss") and MGI Luxury Group S.A. The License Agreement will continue to remain in full force and effect with the exception of the following points which will become binding with the execution by the parties and approval of the Supervisory Board of HUGO BOSS AG and will subsequently be reflected in the amended and restated license agreement.

Licensor	HUGO BOSS Trade Mark Management GmbH & Co. KG Dieselstrasse 12 D-72555 Metzingen Germany With its Branch HUGO BOSS Trade Mark Management GmbH & Co KG D- Metzingen Branch Ch-Zug Baarerstr. 131 CH- 6300 Zug
Licensee	MGI Luxury Group S.A. Bahnhofplatz 2B CH-2502 Bienne Switzerland With a guarantee of the mother company Movado Group Inc.
Product(s)	Traditional Watches for Men & Women Technology-Enabled Watches for Men & Women (in particular Smart Watches, Software Enabled Watches and Connected Watches e.g. Display Watches, Analog-Smart Watches, Hybrid Smartwatches, Trackers)
Term	This Agreement enters into force retroactive on January 1, 2018, and, unless sooner terminated as herein provided, expires on December 31, 2023. Not later than 18 months before the final expiration of the Agreement the contracting parties shall enter into negotiations for the purpose of agreeing on an extension of this Agreement. Such extension (if any) shall be effective only upon the signature and delivery by each of the parties of a definitive written instrument extending the term of this Agreement. Amendment of clause 17.2: HUGO BOSS may terminate the Agreement if for two successive calendar years (beginning after calendar year 2017) only the minimum license fees are paid. In this case the notice period for termination is two months before the end of the half calendar year following the relevant time periods. For the avoidance of doubt, all payment obligations of Licensee under this Agreement shall continue during such half year period.

***** CONFIDENTIAL PORTIONS OF THIS EXHIBIT IDENTIFIED BY ASTERISK (*) HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") PURSUANT TO RULE 24b-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED ("1934 ACT").

Net Sales	"Net Sales" shall mean Gross Sales of Licensed Products, sold by Licensee or its affiliates, at wholesale basis is arms-length transactions to independent retailers or distributors, Licensee Retail Stores and Licensor Retail Stores, after the deduction of: (a) actual credits for returns that Licensee actually authorizes and receives, not exceeding in any year an amount equal to * of Licensee's total sales of Licensed Products in such year; and (b) actual, reasonable and normal trade discounts and allowances to independent third parties (including Licensor Retail Stores but not Licensee's affiliates/Licensee Retails Stores), including but not limited to volume and early payment discounts that are defined as credits to a customer after delivery and that Licensee actually grants in writing to the extend auditable, not exceeding in any year an amount equal to * of Licensee's total sales of Licensed Products in such year; and (c) expressly excluding Marketing Spend and cooperative advertising.
Currency	CHF (except USD for additional Marketing Spendings by Movado Group Inc.)
Guaranteed Minimum Net Sales for initial term	Licensee shall pay to HUGO BOSS a minimum annual license fee each year equal to * of the amount which is * of the target Net Sales for such year under the Business Plan. Below Guaranteed Minimum Annual Fee (Guaranteed Minimum Royalty (GMR and Guaranteed Minimum Advertising (GMA)) schedule:

Year	Net Sales Projection (CHF)	Minimum Net Sales (CHF)	GMR (CHF)	GMA (CHF)	GMR+ GMA (CHF)
2018	*	*	*	*	*
2019	*	*	*	*	*
2020	*	*	*	*	*
2021	*	*	*	*	*
2022	*	*	*	*	*
2023	*	*	*	*	*

Product Royalty	All Licensed Products: * of Total Net Sales
Advertising Royalty:	All Licensed Products: * of Total Net Sales
Marketing Spend	* Marketing Contribution New clause: Licensee will propose a detail BTL yearly Investment plan, by investment category and country, to Licensor for approval at the latest by October of previous year, and will provide quarterly spend appraisals. The Marketing Contribution will be auditable by Licensor.

* CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT.

Licensor Retail Stores	Licensee will pay Product Royalty and Ad Royalty and give a discount of * on Products to be sold at Licensor's owned Full-Priced retail stores. Parties will use their best efforts to ensure that Product will have a permanent presence in these stores with mutually agreed presentation standards. Licensee will grant Licensor an annual return right of * of the Products.
Licensor Outlet Stores	Licensee will pay Product Royalty and Ad Royalty grant a discount of * on Products to be sold at Licensor's Outlet Stores. Parties will use their best efforts to ensure that Product will have a permanent presence in these stores with mutually agreed presentation standards. There are no return rights from Licensor's Outlet Stores.
Connected / Smart Watch Data	Customer data (excluding anonymous data) is property of HUGO BOSS
Dedicated Team	Commitment to expand the current dedicated team in addition to the existing team as shown in attached chart.
Additional Marketing Spendings	Movado Group Inc. will invest an additional * of marketing investment in 2018 to kick off the growth which will be invested as follows: For Boss: * * * * For Hugo : * * For the following years, until 2023, Movado Group Inc will continue to invest additional funds at the same value of * yearly and a total additional investment of * to ensure driving sales and brand messaging.

MGI Luxury Group S.A.	Place, Date	Paramus, NJ 11 October 2017
	Printed Name	Mitchell Sussis, Attorney-in-Fact
	Signature	/s/ Mitchell Sussis
Movado Group Inc.	Place, Date	Paramus, NJ 11 October 2017
	Printed Name	Efraim Grinberg, Chairman and CEO
	Signature	/s/ Efraim Grinberg
HUGO BOSS	Place, Date	Zug 13 October 2017
	Printed Name	Andrea Giacomelli Paul Daly
	Signature	/s/ Andrea Giacomelli /s/ Paul Daly

***** CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT.

Personnel 100% dedicated to HUGO BOSS watches

*

***** CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 ACT.

EXHIBIT 31.1

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 21, 2017

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

EXHIBIT 31.2

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 21, 2017

/s/ Sallie A. DeMarsilis
Sallie A. DeMarsilis
Senior Vice President,
Chief Financial Officer and
Principal Accounting Officer

EXHIBIT 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

In connection with the quarterly report on Form 10-Q of Movado Group, Inc. (the “Company”) for the quarter ended October 31, 2017, 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 21, 2017

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

EXHIBIT 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

In connection with the quarterly report on Form 10-Q of Movado Group, Inc. (the “Company”) for the quarter ended October 31, 2017, 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 21, 2017

/s/ Sallie A. DeMarsilis

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