

OXFORD INDUSTRIES INC

Form 10-Q

December 11, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended November 1, 2014

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from            to

Commission File Number: 1-4365

OXFORD INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Georgia

(State or other jurisdiction of incorporation or organization)

58-0831862

(I.R.S. Employer Identification No.)

999 Peachtree Street, N.E., Suite 688, Atlanta, Georgia 30309

(Address of principal executive offices)

(Zip Code)

(404) 659-2424

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Smaller reporting company  
..

(Do not check if a smaller reporting  
company)

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

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

| Title of each class         | Number of shares outstanding<br>as of December 5, 2014 |
|-----------------------------|--------------------------------------------------------|
| Common Stock, \$1 par value | 16,473,094                                             |

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## CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

Our SEC filings and public announcements may include forward-looking statements about future events. Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will” and similar expressions identify forward-looking statements, which generally are not historical in nature. We intend for all forward-looking statements contained herein, in our press releases or on our website, and all subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf, to be covered by the safe harbor provisions for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (which Sections were adopted as part of the Private Securities Litigation Reform Act of 1995). Important assumptions relating to these forward-looking statements include, among others, assumptions regarding the impact of economic conditions on consumer demand and spending, particularly in light of general economic uncertainty that continues to prevail, demand for our products, timing of shipments requested by our wholesale customers, labor disputes at key shipping ports, expected pricing levels, competitive conditions, retention of and disciplined execution by key management, the timing and cost of store openings and of planned capital expenditures, weather, costs of products as well as the raw materials used in those products, costs of labor, acquisition and disposition activities, expected outcomes of pending or potential litigation and regulatory actions, access to capital and/or credit markets and the impact of foreign losses on our effective tax rate. Forward-looking statements reflect our current expectations, based on currently available information, and are not guarantees of performance. Although we believe that the expectations reflected in such forward-looking statements are reasonable, these expectations could prove inaccurate as such statements involve risks and uncertainties, many of which are beyond our ability to control or predict. Should one or more of these risks or uncertainties, or other risks or uncertainties not currently known to us or that we currently deem to be immaterial, materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Important factors relating to these risks and uncertainties include, but are not limited to, those described in Part I, Item 1A. Risk Factors contained in our Annual Report on Form 10-K for Fiscal 2013, as updated by Part II, Item 1A. Risk Factors in this report and those described from time to time in our future reports filed with the SEC. We caution that one should not place undue reliance on forward-looking statements, which speak only as of the date on which they are made. We disclaim any intention, obligation or duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## DEFINITIONS

As used in this report, unless the context requires otherwise, “our,” “us” or “we” means Oxford Industries, Inc. and its consolidated subsidiaries; “SG&A” means selling, general and administrative expenses; “SEC” means U.S. Securities and Exchange Commission; “FASB” means Financial Accounting Standards Board; “ASC” means the FASB Accounting Standards Codification; and “GAAP” means generally accepted accounting principles in the United States. Additionally, the terms listed below reflect the respective period noted:

|                            |                                  |
|----------------------------|----------------------------------|
| Fiscal 2015                | 52 weeks ending January 30, 2016 |
| Fiscal 2014                | 52 weeks ending January 31, 2015 |
| Fiscal 2013                | 52 weeks ended February 1, 2014  |
| Fourth Quarter Fiscal 2014 | 13 weeks ending January 31, 2015 |
| Third Quarter Fiscal 2014  | 13 weeks ended November 1, 2014  |
| Second Quarter Fiscal 2014 | 13 weeks ended August 2, 2014    |
| First Quarter Fiscal 2014  | 13 weeks ended May 3, 2014       |
| Fourth Quarter Fiscal 2013 | 13 weeks ended February 1, 2014  |
| Third Quarter Fiscal 2013  | 13 weeks ended November 2, 2013  |
| Second Quarter Fiscal 2013 | 13 weeks ended August 3, 2013    |

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|                               |                                 |
|-------------------------------|---------------------------------|
| First Quarter Fiscal 2013     | 13 weeks ended May 4, 2013      |
| First Nine Months Fiscal 2014 | 39 weeks ended November 1, 2014 |
| First Nine Months Fiscal 2013 | 39 weeks ended November 2, 2013 |

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## OXFORD INDUSTRIES, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(in thousands, except par amounts)

|                                             | November 1,<br>2014 | February 1,<br>2014 | November 2,<br>2013 |
|---------------------------------------------|---------------------|---------------------|---------------------|
| <b>ASSETS</b>                               |                     |                     |                     |
| Current Assets:                             |                     |                     |                     |
| Cash and cash equivalents                   | \$6,275             | \$8,483             | \$9,310             |
| Receivables, net                            | 80,185              | 75,277              | 71,205              |
| Inventories, net                            | 145,790             | 143,712             | 123,987             |
| Prepaid expenses, net                       | 28,475              | 23,095              | 27,280              |
| Deferred tax assets                         | 21,855              | 20,465              | 20,104              |
| Total current assets                        | 282,580             | 271,032             | 251,886             |
| Property and equipment, net                 | 151,509             | 141,519             | 143,710             |
| Intangible assets, net                      | 170,493             | 173,023             | 174,643             |
| Goodwill                                    | 17,401              | 17,399              | 17,205              |
| Other non-current assets, net               | 23,711              | 24,332              | 23,508              |
| Total Assets                                | \$645,694           | \$627,305           | \$610,952           |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                     |                     |                     |
| Current Liabilities:                        |                     |                     |                     |
| Accounts payable                            | \$66,008            | \$75,527            | \$56,692            |
| Accrued compensation                        | 23,280              | 18,412              | 14,864              |
| Income tax payable                          | —                   | 6,584               | —                   |
| Other accrued expenses and liabilities      | 26,464              | 26,030              | 25,445              |
| Contingent consideration                    | 12,431              | 2,500               | 2,500               |
| Short-term debt                             | 4,043               | 3,993               | 2,307               |
| Total current liabilities                   | 132,226             | 133,046             | 101,808             |
| Long-term debt                              | 143,516             | 137,592             | 164,414             |
| Non-current contingent consideration        | —                   | 12,225              | 12,156              |
| Other non-current liabilities               | 55,678              | 51,520              | 49,926              |
| Non-current deferred income taxes           | 33,405              | 32,759              | 35,652              |
| Commitments and contingencies               |                     |                     |                     |
| Shareholders' Equity:                       |                     |                     |                     |
| Common stock, \$1.00 par value per share    | 16,473              | 16,416              | 16,410              |
| Additional paid-in capital                  | 117,622             | 114,021             | 113,578             |
| Retained earnings                           | 172,907             | 153,344             | 141,337             |
| Accumulated other comprehensive loss        | (26,133)            | (23,618)            | (24,329)            |
| Total shareholders' equity                  | 280,869             | 260,163             | 246,996             |
| Total Liabilities and Shareholders' Equity  | \$645,694           | \$627,305           | \$610,952           |

See accompanying notes.



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## OXFORD INDUSTRIES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(in thousands, except per share amounts)

|                                                  | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | First Nine<br>Months Fiscal<br>2014 | First Nine<br>Months Fiscal<br>2013 |
|--------------------------------------------------|------------------------------|------------------------------|-------------------------------------|-------------------------------------|
| Net sales                                        | \$219,457                    | \$197,506                    | \$723,352                           | \$666,733                           |
| Cost of goods sold                               | 106,511                      | 92,721                       | 317,663                             | 291,024                             |
| Gross profit                                     | 112,946                      | 104,785                      | 405,689                             | 375,709                             |
| SG&A                                             | 114,991                      | 104,434                      | 360,619                             | 329,883                             |
| Change in fair value of contingent consideration | 69                           | 68                           | 206                                 | 206                                 |
| Royalties and other operating income             | 4,720                        | 4,268                        | 13,036                              | 12,704                              |
| Operating income                                 | 2,606                        | 4,551                        | 57,900                              | 58,324                              |
| Interest expense, net                            | 788                          | 1,195                        | 2,782                               | 3,173                               |
| Net earnings before income taxes                 | 1,818                        | 3,356                        | 55,118                              | 55,151                              |
| Income taxes                                     | 1,892                        | 2,467                        | 25,154                              | 24,833                              |
| Net (loss) earnings                              | \$(74)                       | ) \$889                      | \$29,964                            | \$30,318                            |
| Net (loss) earnings per share:                   |                              |                              |                                     |                                     |
| Basic                                            | \$—                          | \$0.05                       | \$1.82                              | \$1.84                              |
| Diluted                                          | \$—                          | \$0.05                       | \$1.82                              | \$1.84                              |
| Weighted average shares outstanding:             |                              |                              |                                     |                                     |
| Basic                                            | 16,435                       | 16,406                       | 16,426                              | 16,463                              |
| Diluted                                          | 16,435                       | 16,435                       | 16,461                              | 16,492                              |
| Dividends declared per share                     | \$0.21                       | \$0.18                       | \$0.63                              | \$0.54                              |

See accompanying notes.

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OXFORD INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(in thousands)

|                                                       | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | First Nine<br>Months Fiscal<br>2014 | First Nine<br>Months Fiscal<br>2013 |
|-------------------------------------------------------|------------------------------|------------------------------|-------------------------------------|-------------------------------------|
| Net (loss) earnings                                   | \$(74                        | ) \$889                      | \$29,964                            | \$30,318                            |
| Other comprehensive (loss) income, net of taxes:      |                              |                              |                                     |                                     |
| Foreign currency translation (loss) gain              | (3,066                       | ) 1,266                      | (2,957                              | ) (96                               |
| Net unrealized gain on cash flow hedges               | 634                          | 3                            | 442                                 | 352                                 |
| Total other comprehensive (loss) income, net of taxes | (2,432                       | ) 1,269                      | (2,515                              | ) 256                               |
| Comprehensive (loss) income                           | \$(2,506                     | ) \$2,158                    | \$27,449                            | \$30,574                            |

See accompanying notes.

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OXFORD INDUSTRIES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)  
 (in thousands)

|                                                                                               | First Nine<br>Months Fiscal<br>2014 | First Nine<br>Months Fiscal<br>2013 |   |
|-----------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|---|
| Cash Flows From Operating Activities:                                                         |                                     |                                     |   |
| Net earnings                                                                                  | \$29,964                            | \$30,318                            |   |
| Adjustments to reconcile net earnings to net cash provided by (used in) operating activities: |                                     |                                     |   |
| Depreciation                                                                                  | 25,881                              | 23,426                              |   |
| Amortization of intangible assets                                                             | 1,883                               | 1,295                               |   |
| Change in fair value of contingent consideration                                              | 206                                 | 206                                 |   |
| Amortization of deferred financing costs                                                      | 288                                 | 323                                 |   |
| Equity compensation expense                                                                   | 2,848                               | 1,550                               |   |
| Deferred income taxes                                                                         | (630)                               | ) 4,078                             |   |
| Excess tax benefits related to equity-based compensation                                      | —                                   | (6,100)                             | ) |
| Changes in working capital, net of acquisitions and dispositions:                             |                                     |                                     |   |
| Receivables, net                                                                              | (5,377)                             | ) (8,377)                           | ) |
| Inventories, net                                                                              | (2,920)                             | ) (10,036)                          | ) |
| Prepaid expenses, net                                                                         | (5,624)                             | ) (7,471)                           | ) |
| Current liabilities                                                                           | (10,084)                            | ) (12,729)                          | ) |
| Other non-current assets, net                                                                 | 195                                 | (584)                               | ) |
| Other non-current liabilities                                                                 | 4,051                               | 5,356                               |   |
| Net cash provided by operating activities                                                     | 40,681                              | 21,255                              |   |
| Cash Flows From Investing Activities:                                                         |                                     |                                     |   |
| Acquisitions, net of cash acquired                                                            | —                                   | (17,888)                            | ) |
| Purchases of property and equipment                                                           | (36,549)                            | ) (36,743)                          | ) |
| Net cash used in investing activities                                                         | (36,549)                            | ) (54,631)                          | ) |
| Cash Flows From Financing Activities:                                                         |                                     |                                     |   |
| Repayment of revolving credit arrangements                                                    | (244,242)                           | ) (226,182)                         | ) |
| Proceeds from revolving credit arrangements                                                   | 250,338                             | 276,496                             |   |
| Payment of contingent consideration                                                           | (2,500)                             | ) —                                 |   |
| Proceeds from issuance of common stock, including excess tax benefits                         | 812                                 | 7,176                               |   |
| Repurchase of equity awards for employee tax withholding liabilities                          | —                                   | (13,200)                            | ) |
| Dividends paid                                                                                | (10,399)                            | ) (8,949)                           | ) |
| Net cash (used in) provided by financing activities                                           | (5,991)                             | ) 35,341                            |   |
| Net change in cash and cash equivalents                                                       | (1,859)                             | ) 1,965                             |   |
| Effect of foreign currency translation on cash and cash equivalents                           | (349)                               | ) (172)                             | ) |
| Cash and cash equivalents at the beginning of year                                            | 8,483                               | 7,517                               |   |
| Cash and cash equivalents at the end of the period                                            | \$6,275                             | \$9,310                             |   |
| Supplemental disclosure of cash flow information:                                             |                                     |                                     |   |
| Cash paid for interest, net                                                                   | \$2,537                             | \$2,768                             |   |
| Cash paid for income taxes                                                                    | \$37,658                            | \$16,424                            |   |

See accompanying notes.



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## OXFORD INDUSTRIES, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## THIRD QUARTER OF FISCAL 2014

Basis of Presentation: The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial reporting and the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. We believe the accompanying unaudited condensed consolidated financial statements reflect all normal, recurring adjustments that are necessary for a fair presentation of our financial position and results of operations as of the dates and for the periods presented. Results of operations for the interim periods presented are not necessarily indicative of results to be expected for our full fiscal year. The significant accounting policies applied during the interim periods presented are consistent with the significant accounting policies described in our Annual Report on Form 10-K for Fiscal 2013.

Certain prior year amounts in our condensed consolidated financial statements have been reclassified to conform to the Fiscal 2014 presentation.

In May 2014, the FASB issued revised guidance which provides a single, comprehensive accounting model for revenue arising from contracts with customers. This guidance supersedes most of the existing revenue recognition guidance, including industry-specific guidance. Under this model, revenue is recognized at an amount that a company expects to be entitled to upon transferring control of goods or services to a customer, as opposed to when risks and rewards transfer to a customer. The new guidance is effective for us beginning in our fiscal year 2017, and may be applied retrospectively to all prior periods presented or through a cumulative adjustment to the opening retained earnings balance in the year of adoption. We are in the process of evaluating the impact of the new guidance on our consolidated financial statements.

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

|                           | November 1,<br>2014 | February 1,<br>2014 | November 2,<br>2013 |
|---------------------------|---------------------|---------------------|---------------------|
| Finished goods            | \$196,433           | \$187,689           | \$170,100           |
| Work in process           | 3,415               | 9,606               | 7,366               |
| Fabric, trim and supplies | 2,607               | 3,082               | 2,968               |
| LIFO reserve              | (56,665)            | ) (56,665)          | ) (56,447)          |
| Total                     | \$145,790           | \$143,712           | \$123,987           |

LIFO accounting adjustments, which we consider to include changes in the LIFO reserve as well as the impact of changes in inventory reserves related to lower of cost or market adjustments that do not exceed the LIFO reserve, were a credit of \$0.4 million in the Third Quarter of Fiscal 2014, a credit of \$0.2 million in the Third Quarter of Fiscal 2013, a credit of \$0.5 million in the First Nine Months of Fiscal 2014 and a charge of \$0.1 million in the First Nine Months of Fiscal 2013, respectively.

3. Operating Group Information: Our business is primarily operated through four operating groups: Tommy Bahama, Lilly Pulitzer, Lanier Clothes and Ben Sherman, each of which is described in our Annual Report on Form 10-K for Fiscal 2013. We identify our operating groups based on the way our management organizes the components of our business for purposes of allocating resources and assessing performance. Our operating group structure reflects a brand-focused management approach, emphasizing operational coordination and resource allocation across each brands' direct to consumer, wholesale and licensing operations. The tables below present certain information (in

thousands) about our operating groups, as well as Corporate and Other, which is a reconciling category for reporting purposes.

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|                                     | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | First Nine<br>Months<br>Fiscal 2014 | First Nine<br>Months<br>Fiscal 2013 |
|-------------------------------------|------------------------------|------------------------------|-------------------------------------|-------------------------------------|
| Net sales                           |                              |                              |                                     |                                     |
| Tommy Bahama                        | \$ 125,387                   | \$ 113,528                   | \$ 441,535                          | \$ 417,174                          |
| Lilly Pulitzer                      | 36,045                       | 30,326                       | 132,984                             | 107,939                             |
| Lanier Clothes                      | 35,886                       | 30,144                       | 85,950                              | 79,719                              |
| Ben Sherman                         | 18,279                       | 18,627                       | 52,058                              | 47,138                              |
| Corporate and Other                 | 3,860                        | 4,881                        | 10,825                              | 14,763                              |
| Total net sales                     | \$ 219,457                   | \$ 197,506                   | \$ 723,352                          | \$ 666,733                          |
| Depreciation and amortization       |                              |                              |                                     |                                     |
| Tommy Bahama                        | \$ 6,768                     | \$ 6,449                     | \$ 20,190                           | \$ 17,929                           |
| Lilly Pulitzer                      | 1,167                        | 1,013                        | 3,317                               | 2,409                               |
| Lanier Clothes                      | 106                          | 79                           | 240                                 | 275                                 |
| Ben Sherman                         | 783                          | 812                          | 2,259                               | 2,298                               |
| Corporate and Other                 | 500                          | 610                          | 1,758                               | 1,810                               |
| Total depreciation and amortization | \$ 9,324                     | \$ 8,963                     | \$ 27,764                           | \$ 24,721                           |
| Operating income (loss)             |                              |                              |                                     |                                     |
| Tommy Bahama                        | \$ 374                       | \$ 971                       | \$ 41,994                           | \$ 46,190                           |
| Lilly Pulitzer                      | 4,131                        | 3,947                        | 30,108                              | 24,535                              |
| Lanier Clothes                      | 3,417                        | 3,414                        | 7,692                               | 7,901                               |
| Ben Sherman                         | (2,168)                      | (1,873)                      | (9,971)                             | (10,538)                            |
| Corporate and Other                 | (3,148)                      | (1,908)                      | (11,923)                            | (9,764)                             |
| Total operating income              | \$ 2,606                     | \$ 4,551                     | \$ 57,900                           | \$ 58,324                           |
| Interest expense, net               | 788                          | 1,195                        | 2,782                               | 3,173                               |
| Net earnings before income taxes    | \$ 1,818                     | \$ 3,356                     | \$ 55,118                           | \$ 55,151                           |

Income Taxes: Income taxes reflects effective tax rates of 104.1%, 73.5%, 45.6% and 45.0% for the Third Quarter of Fiscal 2014, Third Quarter of Fiscal 2013, First Nine Months of Fiscal 2014 and First Nine Months of Fiscal 2013, respectively. The effective tax rate for each period was unfavorably impacted by our inability to recognize a tax benefit for losses in foreign jurisdictions, particularly in the third quarter which is a low earnings quarter. In the First Nine Months of Fiscal 2013, the unfavorable impact of the foreign losses on the effective tax rate was partially offset by a reduction in the enacted tax rate in the United Kingdom during the Second Quarter of Fiscal 2013 with no such reduction in the First Nine Months of Fiscal 2014.

Accumulated Other Comprehensive Loss: The following tables detail the changes in our accumulated other comprehensive loss by component (in thousands), net of related income taxes, for the periods specified:

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|                                                                                           | Foreign<br>currency<br>translation<br>gain (loss) | Net unrealized<br>gain (loss) on<br>cash flow<br>hedges | Accumulated<br>other<br>comprehensive<br>income (loss) |   |
|-------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------|---|
| Third Quarter Fiscal 2014                                                                 |                                                   |                                                         |                                                        |   |
| Beginning balance                                                                         | \$ (23,174                                        | ) \$ (527                                               | ) \$ (23,701                                           | ) |
| Other comprehensive (loss) income before reclassifications                                | (3,066                                            | ) 746                                                   | (2,320                                                 | ) |
| Amounts reclassified from accumulated other comprehensive income (loss) for gain realized | —                                                 | (112                                                    | ) (112                                                 | ) |
| Total other comprehensive (loss) income, net of taxes                                     | (3,066                                            | ) 634                                                   | (2,432                                                 | ) |
| Ending balance                                                                            | \$ (26,240                                        | ) \$ 107                                                | \$ (26,133                                             | ) |
|                                                                                           |                                                   |                                                         |                                                        |   |
|                                                                                           | Foreign<br>currency<br>translation<br>gain (loss) | Net unrealized<br>gain (loss) on<br>cash flow<br>hedges | Accumulated<br>other<br>comprehensive<br>income (loss) |   |
| Third Quarter Fiscal 2013                                                                 |                                                   |                                                         |                                                        |   |
| Beginning balance                                                                         | \$ (25,348                                        | ) \$ (250                                               | ) \$ (25,598                                           | ) |
| Other comprehensive income before reclassifications                                       | 1,266                                             | 36                                                      | 1,302                                                  |   |
| Amounts reclassified from accumulated other comprehensive income (loss) for gain realized | —                                                 | (33                                                     | ) (33                                                  | ) |
| Total other comprehensive income, net of taxes                                            | 1,266                                             | 3                                                       | 1,269                                                  |   |
| Ending balance                                                                            | \$ (24,082                                        | ) \$ (247                                               | ) \$ (24,329                                           | ) |
|                                                                                           |                                                   |                                                         |                                                        |   |
|                                                                                           | Foreign<br>currency<br>translation<br>gain (loss) | Net unrealized<br>gain (loss) on<br>cash flow<br>hedges | Accumulated<br>other<br>comprehensive<br>income (loss) |   |
| First Nine Months Fiscal 2014                                                             |                                                   |                                                         |                                                        |   |
| Beginning balance                                                                         | \$ (23,283                                        | ) \$ (335                                               | ) \$ (23,618                                           | ) |
| Other comprehensive (loss) income before reclassifications                                | (2,957                                            | ) 561                                                   | (2,396                                                 | ) |
| Amounts reclassified from accumulated other comprehensive income (loss) for gain realized | —                                                 | (119                                                    | ) (119                                                 | ) |
| Total other comprehensive (loss) income, net of taxes                                     | (2,957                                            | ) 442                                                   | (2,515                                                 | ) |
| Ending balance                                                                            | \$ (26,240                                        | ) \$ 107                                                | \$ (26,133                                             | ) |
|                                                                                           |                                                   |                                                         |                                                        |   |
|                                                                                           | Foreign<br>currency<br>translation<br>gain (loss) | Net unrealized<br>gain (loss) on<br>cash flow<br>hedges | Accumulated<br>other<br>comprehensive<br>income (loss) |   |
| First Nine Months Fiscal 2013                                                             |                                                   |                                                         |                                                        |   |
| Beginning balance                                                                         | \$ (23,986                                        | ) \$ (599                                               | ) \$ (24,585                                           | ) |
| Other comprehensive (loss) income before reclassifications                                | (96                                               | ) 407                                                   | 311                                                    |   |
| Amounts reclassified from accumulated other comprehensive income (loss) for gain realized | —                                                 | (55                                                     | ) (55                                                  | ) |
| Total other comprehensive (loss) income, net of taxes                                     | (96                                               | ) 352                                                   | 256                                                    |   |
| Ending balance                                                                            | \$ (24,082                                        | ) \$ (247                                               | ) \$ (24,329                                           | ) |

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

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and the notes to the unaudited condensed consolidated financial statements contained in this

report and the

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consolidated financial statements, notes to consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for Fiscal 2013.

## OVERVIEW

Our business primarily operates through our four operating groups: Tommy Bahama, Lilly Pulitzer, Lanier Clothes and Ben Sherman. We identify our operating groups based on the way our management organizes the components of our business for purposes of allocating resources and assessing performance. Our operating group structure reflects a brand-focused management approach, emphasizing operational coordination and resource allocation across each brands' direct to consumer, wholesale and licensing operations. For a description of each of our operating groups, see Part I, Item 1. Business in our Annual Report on Form 10-K for Fiscal 2013.

We generate revenues and cash flow primarily through our design, sourcing, marketing and distribution of branded apparel products bearing the trademarks of our owned lifestyle brands, as well as certain licensed and private label apparel products. We distribute our products through our direct to consumer distribution channels, including our retail stores, e-commerce sites and restaurants, and our wholesale distribution channel, which includes better department stores, specialty stores, national chains, specialty catalogs, mass merchants, warehouse clubs and Internet retailers. In Fiscal 2013, more than 90% of our consolidated net sales were to customers located in the United States, with the sales outside the United States primarily being sales of our Ben Sherman products in the United Kingdom and Europe as well as sales of our Tommy Bahama products in the Asia-Pacific region and Canada. We source substantially all of our products through third party manufacturers located outside of the United States.

Our business strategy is to develop and market compelling lifestyle brands and products that evoke a strong emotional response from our target consumers. We believe that lifestyle branded products that create an emotional connection with consumers can command greater customer loyalty and higher price points at retail, resulting in higher earnings. We also believe a successful lifestyle brand opens up greater opportunities for direct to consumer operations as well as licensing opportunities in product categories beyond our core business. We strive to exploit the potential of our existing brands and products and, as suitable opportunities arise, we may acquire additional lifestyle brands that we believe fit within our business model.

We operate in highly competitive domestic and international markets in which numerous U.S.-based and foreign apparel firms compete. No single apparel firm or small group of apparel firms dominates the apparel industry and our competitors vary by operating group and distribution channel. We believe that the principal competitive factors in the apparel industry are the reputation, value and image of brand names; design; consumer preference; price; quality; marketing; and customer service. We believe that our ability to compete successfully in styling and marketing is directly related to our proficiency in foreseeing changes and trends in fashion and consumer preference, and presenting appealing products for consumers. In some instances, a retailer that is our customer may compete with us by offering certain of its own competing products in its own retail stores. Additionally, the apparel industry is cyclical and dependent upon the overall level of discretionary consumer spending, which changes as regional, domestic and international economic conditions change. Often, negative economic conditions have a longer and more severe impact on the apparel industry than these conditions have on other industries.

We believe the global economic conditions and resulting economic uncertainty that have prevailed in recent years continue to impact each of our operating groups, and the apparel industry as a whole. Although some signs of economic improvements exist, the apparel retail environment remains very promotional and economic uncertainty remains. We anticipate that sales of our products may continue to be impacted negatively as long as there is an elevated level of economic uncertainty in the geographies in which we operate. Additionally, we have been impacted in recent years by pricing pressures on raw materials, fuel, transportation, labor and other costs necessary for the

production and sourcing of apparel products.

We believe that our Tommy Bahama® and Lilly Pulitzer® lifestyle brands have significant opportunities for long-term growth in their direct to consumer businesses through expansion of our retail store operations, as we add additional retail store locations and increase comparable store sales, with e-commerce likely to grow at a faster rate than comparable brick and mortar retail store sales. We also believe that these lifestyle brands provide an opportunity for moderate sales increases in their wholesale businesses in the long-term primarily from our current customers adding to their existing door count and the selective addition of new wholesale customers who generally follow a full-price retail model. We believe that we must continue to invest in our Tommy Bahama and Lilly Pulitzer lifestyle brands in order to take advantage of their long-term growth opportunities. Investments include capital expenditures primarily related to the direct to consumer operations such as retail store build-out and remodels, and distribution center and technology enhancements, as well as increased employment, advertising and other costs in key functions to provide future net sales growth and support the ongoing business operations. We

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expect that the investments will continue to put downward pressure on our operating margins in the near future until we have sufficient sales to leverage the operating costs.

We believe that there are opportunities for modest sales growth for Lanier Clothes through new product programs, including pants; however, we also believe that the tailored clothing environment will continue to be very challenging, which may negatively impact net sales, operating income and operating margin. The Ben Sherman® lifestyle brand has faced challenges in recent years with sales and operating results on a downward trajectory. During Fiscal 2013, we appointed a new CEO and strengthened the management team of the brand, refocused the business on its core consumer, reduced operating expenses and improved the operation of the Ben Sherman retail stores. Much work remains in order to generate satisfactory financial results in the long-term; however, we believe that, as a result of these actions, Ben Sherman has ample opportunities to increase sales and generate significantly improved operating results.

We continue to believe that it is important to maintain a strong balance sheet and liquidity. We believe that positive cash flow from operations coupled with the strength of our balance sheet and liquidity will provide us with sufficient resources to fund future investments in our lifestyle brands. We believe that we have significant opportunities to appropriately deploy our capital and resources in our existing lifestyle brands; however, in the future, we may add additional lifestyle brands to our portfolio, if we identify appropriate targets which meet our investment criteria. The following table sets forth our consolidated operating results (in thousands, except per share amounts) for the First Nine Months of Fiscal 2014 compared to the First Nine Months of Fiscal 2013:

|                                | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 |
|--------------------------------|----------------------------------------|----------------------------------------|
| Net sales                      | \$ 723,352                             | \$ 666,733                             |
| Operating income               | \$ 57,900                              | \$ 58,324                              |
| Net earnings                   | \$ 29,964                              | \$ 30,318                              |
| Net earnings per diluted share | \$ 1.82                                | \$ 1.84                                |

The primary reasons for the lower net earnings in the First Nine Months of Fiscal 2014 were:

- Lower operating income in Tommy Bahama reflecting higher SG&A and lower gross margin partially offset by the impact of higher sales;
- A larger operating loss in Corporate and Other primarily due to lower sales and increased SG&A;
- Lower operating income in Lanier Clothes resulting from lower gross margins; and
- Increased income taxes attributable to a higher effective tax rate.

These unfavorable items were partially offset by:

- Higher operating income in Lilly Pulitzer reflecting higher sales, gross margins and SG&A;
- Improved operating results in Ben Sherman primarily due to higher sales; and
- Lower interest expense.

## COMPARABLE STORE SALES

We often disclose comparable store sales in order to provide additional information regarding changes in our results of operations between periods. Our disclosures of comparable store sales include net sales from full-price stores and our e-commerce sites, excluding sales associated with e-commerce flash clearance sales. We believe that the inclusion of both our full-price stores and e-commerce sites in the comparable store sales disclosures is a more meaningful way of

reporting our comparable store sales results, given similar inventory planning, allocation and return policies, as well as our cross-channel marketing and other initiatives for the direct to consumer channel. For our comparable store sales disclosures, we exclude (1) outlet store sales, warehouse sales and e-commerce flash clearance sales, as those sales are used primarily to liquidate end of season inventory, which may vary significantly depending on the level of end of season inventory on hand and generally occur at lower gross margins than our full-price direct to consumer sales, and (2) restaurant sales, as we do not currently believe that the inclusion of restaurant sales is meaningful in assessing our consolidated results of operations. Comparable store sales information reflects net sales, including shipping and handling revenues, if any, associated with product sales.

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For purposes of our disclosures, we consider a comparable store to be, in addition to our e-commerce sites, a physical full-price retail store that was owned and open as of the beginning of the prior fiscal year and which did not have during the relevant periods, and is not within the current fiscal year scheduled to have, (1) a remodel resulting in the store being closed for an extended period of time (which we define as a period of two weeks or longer), (2) a greater than 15% change in the size of the retail space due to expansion, reduction or relocation to a new retail space, (3) a relocation to a new space that was significantly different from the prior retail space, or (4) a closing or opening of a Tommy Bahama restaurant adjacent to the retail store. For those stores which are excluded from comparable stores based on the preceding sentence, the stores continue to be excluded from comparable store sales until the criteria for a new store is met subsequent to the remodel, relocation or restaurant closing or opening. Generally, a store that is remodeled will continue to be included in our comparable store metrics as a store is not typically closed for a two week period during a remodel. However, a store that is relocated generally will not be included in our comparable store metrics until that store has been open in the relocated space for the entirety of the prior fiscal year as the size or other characteristics of the store typically change significantly from the prior location. Additionally, any stores that were closed during the prior fiscal year or current fiscal year, or which we plan to close or vacate in the current fiscal year, are excluded from the definition of comparable stores.

Definitions and calculations of comparable store sales differ among retail companies, and therefore comparable store metrics disclosed by us may not be comparable to the metrics disclosed by other companies.

## RESULTS OF OPERATIONS

## THIRD QUARTER OF FISCAL 2014 COMPARED TO THIRD QUARTER OF FISCAL 2013

The following table sets forth the specified line items in our unaudited condensed consolidated statements of operations both in dollars (in thousands) and as a percentage of net sales. The table also sets forth the dollar change and the percentage change of the data as compared to the same period of the prior year. We have calculated all percentages based on actual data, but percentage columns may not add due to rounding.

|                                                  | Third Quarter Fiscal 2014 |       | Third Quarter Fiscal 2013 |       | \$ Change  | % Change |    |
|--------------------------------------------------|---------------------------|-------|---------------------------|-------|------------|----------|----|
| Net sales                                        | \$219,457                 | 100.0 | % \$197,506               | 100.0 | % \$21,951 | 11.1     | %  |
| Cost of goods sold                               | 106,511                   | 48.5  | % 92,721                  | 46.9  | % 13,790   | 14.9     | %  |
| Gross profit                                     | 112,946                   | 51.5  | % 104,785                 | 53.1  | % 8,161    | 7.8      | %  |
| SG&A                                             | 114,991                   | 52.4  | % 104,434                 | 52.9  | % 10,557   | 10.1     | %  |
| Change in fair value of contingent consideration | 69                        | —     | % 68                      | —     | % 1        | NM       |    |
| Royalties and other operating income             | 4,720                     | 2.2   | % 4,268                   | 2.2   | % 452      | 10.6     | %  |
| Operating income                                 | 2,606                     | 1.2   | % 4,551                   | 2.3   | % (1,945   | )(42.7   | )% |
| Interest expense, net                            | 788                       | 0.4   | % 1,195                   | 0.6   | % (407     | )(34.1   | )% |
| Net earnings before income taxes                 | 1,818                     | 0.8   | % 3,356                   | 1.7   | % (1,538   | )(45.8   | )% |
| Income taxes                                     | 1,892                     | 0.9   | % 2,467                   | 1.2   | % (575     | )(23.3   | )% |
| Net (loss) earnings                              | \$(74)                    | )—    | % \$889                   | 0.5   | % \$(963   | )(108.3  | )% |

The discussion and tables below compare certain line items included in our statements of operations for the Third Quarter of Fiscal 2014 to the Third Quarter of Fiscal 2013. Each dollar and percentage change provided reflects the change between these periods unless indicated otherwise. Each dollar and share amount included in the tables is in thousands except for per share amounts. Individual line items of our consolidated statements of operations may not be directly comparable to those of our competitors, as classification of certain expenses may vary by company.

Net Sales

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|                     | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | \$ Change | % Change |   |
|---------------------|------------------------------|------------------------------|-----------|----------|---|
| Tommy Bahama        | \$125,387                    | \$113,528                    | \$11,859  | 10.4     | % |
| Lilly Pulitzer      | 36,045                       | 30,326                       | 5,719     | 18.9     | % |
| Lanier Clothes      | 35,886                       | 30,144                       | 5,742     | 19.0     | % |
| Ben Sherman         | 18,279                       | 18,627                       | (348)     | (1.9)    | % |
| Corporate and Other | 3,860                        | 4,881                        | (1,021)   | (20.9)   | % |
| Total net sales     | \$219,457                    | \$197,506                    | \$21,951  | 11.1     | % |

Consolidated net sales increased \$22.0 million, or 11.1%, in the Third Quarter of Fiscal 2014 compared to the Third Quarter of Fiscal 2013 reflecting net sales changes in each operating group, as discussed below. The following table presents the proportion of our consolidated net sales by distribution channel for each period presented:

|                                      | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 |   |
|--------------------------------------|------------------------------|------------------------------|---|
| Full-price retail stores and outlets | 34                           | % 36                         | % |
| E-commerce                           | 14                           | % 11                         | % |
| Restaurant                           | 6                            | % 6                          | % |
| Wholesale                            | 46                           | % 47                         | % |
| Total                                | 100                          | % 100                        | % |

## Tommy Bahama:

The Tommy Bahama net sales increase of \$11.9 million, or 10.4%, was primarily driven by (1) a \$4.7 million increase in wholesale sales reflecting higher full-price sales as well as off-price sales to liquidate certain spring inventory, (2) \$3.6 million of sales associated with an e-commerce flash clearance sale in the Third Quarter of Fiscal 2014 with no such sales in the Third Quarter of Fiscal 2013, (3) an incremental net sales increase of \$2.6 million associated with the operation of additional full-price retail and outlet stores, (4) a \$1.0 million, or 2%, increase in comparable store sales, which includes full-price retail stores and full-price e-commerce sales, to \$46.5 million in the Third Quarter of Fiscal 2014 from \$45.5 million in the Third Quarter of Fiscal 2013 and (5) a \$0.6 million increase in restaurant sales. These increases in net sales were partially offset by a \$0.7 million decrease in net sales in outlet stores which were operated during all of Fiscal 2013 and Fiscal 2014.

As of November 1, 2014, we operated 150 Tommy Bahama stores globally, consisting of 96 full-price retail stores, 14 restaurant-retail locations and 40 outlet stores. Subsequent to November 1, 2014, we opened five domestic retail stores, one domestic retail-restaurant location and one international retail location. As of November 2, 2013 we operated 137 Tommy Bahama stores consisting of 90 full-price retail stores, 14 restaurant-retail locations and 33 outlet stores. The following table presents the proportion of net sales by distribution channel for Tommy Bahama for each period presented:

|                                      | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 |   |
|--------------------------------------|------------------------------|------------------------------|---|
| Full-price retail stores and outlets | 47                           | % 50                         | % |
| E-commerce                           | 11                           | % 8                          | % |
| Restaurant                           | 10                           | % 11                         | % |
| Wholesale                            | 32                           | % 31                         | % |
| Total                                | 100                          | % 100                        | % |

## Lilly Pulitzer:

The Lilly Pulitzer net sales increase of \$5.7 million, or 18.9%, reflects (1) an increase in e-commerce flash clearance sales of \$4.2 million to \$11.8 million in the Third Quarter of Fiscal 2014, (2) an incremental net sales increase of \$1.3 million associated with retail stores opened in Fiscal 2013 and Fiscal 2014 and (3) a \$0.7 million, or 7%, increase in comparable store sales to \$10.9 million in the Third Quarter of Fiscal 2014 compared to \$10.2 million in the Third Quarter of Fiscal 2013. These

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increases in net sales were partially offset by a \$0.5 million reduction in wholesale sales during the Third Quarter of Fiscal 2014, with the majority of that decrease reflecting less off-price sales in the Third Quarter of Fiscal 2014. As of November 1, 2014, we operated 28 Lilly Pulitzer retail stores compared to 22 retail stores as of November 2, 2013. The following table presents the proportion of net sales by distribution channel for Lilly Pulitzer for each period presented:

|                          | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 |   |
|--------------------------|------------------------------|------------------------------|---|
| Full-price retail stores | 26                           | % 26                         | % |
| E-commerce               | 44                           | % 37                         | % |
| Wholesale                | 30                           | % 37                         | % |
| Total                    | 100                          | % 100                        | % |

## Lanier Clothes:

The increase in net sales for Lanier Clothes of \$5.7 million, or 19.0%, was due to an \$11.1 million increase in net sales in the private label business partially offset by a \$5.3 million decrease in net sales in the branded business. The increase in the private label business was driven by a pants program for a warehouse club customer, which began in the Fourth Quarter of Fiscal 2013, and offset decreases in other private label programs. The decrease in net sales in the branded business and other private label programs was primarily due to lower volume and the exit from some seasonal and replenishment programs.

## Ben Sherman:

Net sales for Ben Sherman decreased by \$0.3 million, or 1.9%, in the Third Quarter of Fiscal 2014 compared to the Third Quarter of Fiscal 2013, reflecting (1) a \$0.8 million decrease in wholesale sales and (2) a \$0.3 million net unfavorable impact on net sales of stores closed or opened since the start of Fiscal 2013. These decreases were partially offset by (1) an increase of \$0.6 million resulting from the translation impact of a change in the average exchange rate between the British pound sterling and the United States dollar reflecting a 4% stronger pound sterling in the Third Quarter of Fiscal 2014 and (2) a \$0.2 million increase, in the aggregate, in outlet store, concession and comparable full-price store net sales. As of November 1, 2014 and November 2, 2013, we operated 17 Ben Sherman retail stores, consisting of 11 full-price retail stores and six outlet stores. The following table presents the proportion of net sales by distribution channel for Ben Sherman for each period presented:

|                    | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 |   |
|--------------------|------------------------------|------------------------------|---|
| Wholesale          | 59                           | % 61                         | % |
| Direct to consumer | 41                           | % 39                         | % |
| Total              | 100                          | % 100                        | % |

## Corporate and Other:

Corporate and Other net sales in each period primarily consist of the net sales of our Oxford Golf business and our Lyons, Georgia distribution center as well as the impact of the elimination of inter-company sales between operating groups. The decrease in sales in the Third Quarter of Fiscal 2014 was primarily due to a reduction in Oxford Golf's private label sales.

## Gross Profit

The table below presents gross profit by operating group and in total for the Third Quarter of Fiscal 2014 and the Third Quarter of Fiscal 2013 as well as the change between those two periods. Our gross profit and gross margin,

which is calculated as gross profit divided by net sales, may not be directly comparable to those of our competitors, as statement of operations classification of certain expenses may vary by company.

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|                                                                                                      | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | \$ Change | % Change |    |
|------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|-----------|----------|----|
| Tommy Bahama                                                                                         | \$72,779                     | \$67,726                     | \$5,053   | 7.5      | %  |
| Lilly Pulitzer                                                                                       | 20,850                       | 17,444                       | 3,406     | 19.5     | %  |
| Lanier Clothes                                                                                       | 8,572                        | 8,513                        | 59        | 0.7      | %  |
| Ben Sherman                                                                                          | 9,081                        | 9,078                        | 3         | —        | %  |
| Corporate and Other                                                                                  | 1,664                        | 2,024                        | (360)     | (17.8)   | )% |
| Total gross profit                                                                                   | \$112,946                    | \$104,785                    | \$8,161   | 7.8      | %  |
| LIFO credit included in Corporate and Other                                                          | \$(426                       | ) \$(210                     | )         |          |    |
| Inventory step-up charge included in Tommy Bahama<br>associated with Tommy Bahama Canada acquisition | \$—                          | \$424                        |           |          |    |

The increase in consolidated gross profit was primarily driven by higher net sales, as discussed above. In addition to the impact of the changes in net sales, gross profit on a consolidated basis and for each operating group was impacted by the change in sales mix and changes in gross margin within each operating group, as discussed below. The table below presents gross margin by operating group and in total for the Third Quarter of Fiscal 2014 and Third Quarter of Fiscal 2013.

|                           | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 |   |
|---------------------------|------------------------------|------------------------------|---|
| Tommy Bahama              | 58.0                         | % 59.7                       | % |
| Lilly Pulitzer            | 57.8                         | % 57.5                       | % |
| Lanier Clothes            | 23.9                         | % 28.2                       | % |
| Ben Sherman               | 49.7                         | % 48.7                       | % |
| Corporate and Other       | NM                           | NM                           |   |
| Consolidated gross margin | 51.5                         | % 53.1                       | % |

On a consolidated basis, gross margin decreased from the Third Quarter of Fiscal 2013, primarily as a result of (1) a lower gross margin in Tommy Bahama, (2) a lower gross margin in Lanier Clothes and (3) Lanier Clothes representing a greater proportion of consolidated net sales. These unfavorable items were partially offset by (1) improved gross margin in Lilly Pulitzer and Ben Sherman, (2) the Third Quarter of Fiscal 2013 including a \$0.4 million inventory step-up charge associated with the Tommy Bahama Canada acquisition and (3) a \$0.2 million net favorable LIFO accounting impact in the Third Quarter of Fiscal 2014 as compared to the Third Quarter of Fiscal 2013.

## Tommy Bahama:

The lower gross margin at Tommy Bahama primarily reflected a change in sales mix with wholesale sales, e-commerce flash clearance sales and outlet store sales representing a greater proportion of Tommy Bahama's net sales and lower gross margins in the direct to consumer and wholesale channels of distribution. The lower gross margin in the direct to consumer channel of distribution primarily resulted from (1) outlet stores representing a greater proportion of direct to consumer retail sales, (2) more in-store discounts in our outlet stores to move excess spring inventory and drive traffic and (3) the gross margin impact of the e-commerce flash clearance sales, which generally have lower gross margins than full-price e-commerce sales. The decrease in wholesale gross margin was primarily due to greater discounts on certain wholesale sales. The impact of these items was partially offset by the favorable impact of the Third Quarter of Fiscal 2013 including a \$0.4 million inventory step-up charge associated with the Tommy Bahama Canada acquisition and no inventory step-up charge in the Third Quarter of Fiscal 2014.

## Lilly Pulitzer:

The increase in gross margin for Lilly Pulitzer was primarily driven by (1) a change in sales mix toward the direct to consumer channel of distribution, which typically has higher gross margins than the wholesale channel of distribution and (2) higher gross margin in the direct to consumer channel of distribution business. These favorable items were partially offset by the gross margin impact of a larger e-commerce flash clearance sale in Fiscal 2014 compared to the prior year.

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## Lanier Clothes:

The decrease in gross margin for Lanier Clothes was primarily due to a change in sales mix with private label programs representing a greater proportion of net sales of Lanier Clothes. Private label programs, including the warehouse club pants program, generally have lower gross margins than branded product programs.

## Ben Sherman:

The increase in gross margin at Ben Sherman reflects a higher proportion of direct to consumer sales and less inventory markdown charges in the Third Quarter of Fiscal 2014.

## Corporate and Other:

The gross profit in Corporate and Other in each period primarily reflects (1) the gross profit of our Oxford Golf and Lyons, Georgia distribution center operations, (2) the impact of LIFO accounting adjustments and (3) the impact of certain consolidating adjustments, including the elimination of inter-company sales between operating groups. The lower gross profit for Corporate and Other in the Third Quarter of Fiscal 2014 was primarily due to the impact of lower sales and lower gross margin, partially offset by the \$0.2 million net favorable impact of LIFO accounting. LIFO accounting resulted in a credit of \$0.4 million in the Third Quarter of Fiscal 2014 compared to a credit of \$0.2 million in the Third Quarter of Fiscal 2013.

## SG&amp;A

|                                                                                                                  | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | \$ Change | % Change |   |
|------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|-----------|----------|---|
| SG&A                                                                                                             | \$ 114,991                   | \$ 104,434                   | \$ 10,557 | 10.1     | % |
| SG&A as % of net sales                                                                                           | 52.4                         | % 52.9                       | %         |          |   |
| Amortization of intangible assets included in<br>Tommy Bahama associated with Tommy<br>Bahama Canada acquisition | \$ 445                       | \$ 329                       |           |          |   |

The increase in SG&A was primarily due to (1) higher costs to support the growing Tommy Bahama and Lilly Pulitzer businesses, reflecting infrastructure costs added in the last twelve months, (2) \$2.7 million of incremental costs in the Third Quarter of Fiscal 2014 associated with additional Tommy Bahama retail stores and restaurants and Lilly Pulitzer stores, including those opened subsequent to quarter end, (3) \$2.3 million of increased incentive compensation in the Third Quarter of Fiscal 2014 and (4) \$0.8 million of additional equity-based compensation in the Third Quarter of Fiscal 2014 primarily resulting from equity awards granted in Fiscal 2014.

SG&A included \$0.6 million of amortization of intangible assets in the Third Quarter of Fiscal 2014 compared to \$0.5 million in the Third Quarter of Fiscal 2013. We anticipate that amortization of intangible assets for Fiscal 2014 will be approximately \$2.5 million, with approximately \$1.8 million of the amortization reflecting amortization of the intangible assets acquired as part of the Fiscal 2013 Tommy Bahama Canada acquisition.

## Change in fair value of contingent consideration

|                                                  | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | \$ Change | % Change |
|--------------------------------------------------|------------------------------|------------------------------|-----------|----------|
| Change in fair value of contingent consideration | \$ 69                        | \$ 68                        | \$ 1      | NM       |

Change in fair value of contingent consideration reflects the current period impact of the change in the fair value of the contingent consideration obligation associated with the Lilly Pulitzer acquisition, as discussed in our Annual

Report on Form 10-K for Fiscal 2013. We anticipate that the charge for the change in the fair value of the contingent consideration for the full Fiscal 2014 will be \$0.3 million.

Royalties and other operating income

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|                                      | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | \$ Change | % Change |   |
|--------------------------------------|------------------------------|------------------------------|-----------|----------|---|
| Royalties and other operating income | \$4,720                      | \$4,268                      | \$452     | 10.6     | % |

Royalties and other operating income in the Third Quarter of Fiscal 2014 primarily reflect income received from third parties from the licensing of our Tommy Bahama, Ben Sherman and Lilly Pulitzer brands. The \$0.5 million increase in royalties and other income was primarily due to increased royalty income for both Tommy Bahama and Lilly Pulitzer, partially offset by a decrease in other income in Corporate and Other.

## Operating income (loss)

|                                                                                                            | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | \$ Change | % Change |    |
|------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|-----------|----------|----|
| Tommy Bahama                                                                                               | \$374                        | \$971                        | \$(597)   | (61.5)   | )% |
| Lilly Pulitzer                                                                                             | 4,131                        | 3,947                        | 184       | 4.7      | %  |
| Lanier Clothes                                                                                             | 3,417                        | 3,414                        | 3         | 0.1      | %  |
| Ben Sherman                                                                                                | (2,168)                      | (1,873)                      | \$(295)   | (15.8)   | )% |
| Corporate and Other                                                                                        | (3,148)                      | (1,908)                      | \$(1,240) | (65.0)   | )% |
| Total operating income                                                                                     | \$2,606                      | \$4,551                      | \$(1,945) | (42.7)   | )% |
| LIFO credit included in Corporate and Other                                                                | \$(426)                      | \$(210)                      | )         |          |    |
| Inventory step-up charge included in Tommy Bahama associated with Tommy Bahama Canada acquisition          | \$—                          | \$424                        |           |          |    |
| Amortization of intangible assets included in Tommy Bahama associated with Tommy Bahama Canada acquisition | \$445                        | \$329                        |           |          |    |
| Change in fair value of contingent consideration included in Lilly Pulitzer                                | \$69                         | \$68                         |           |          |    |

The decrease in operating income was primarily due to the lower operating income in Corporate and Other and Tommy Bahama. Changes in operating income (loss) by operating group are discussed below.

## Tommy Bahama:

|                                                                                                            | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | \$ Change | % Change |    |
|------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|-----------|----------|----|
| Net sales                                                                                                  | \$125,387                    | \$113,528                    | \$11,859  | 10.4     | %  |
| Gross margin                                                                                               | 58.0                         | %59.7                        | %         |          |    |
| Operating income                                                                                           | \$374                        | \$971                        | \$(597)   | (61.5)   | )% |
| Operating income as % of net sales                                                                         | 0.3                          | %0.9                         | %         |          |    |
| Inventory step-up charge included in Tommy Bahama associated with Tommy Bahama Canada acquisition          | \$—                          | \$424                        |           |          |    |
| Amortization of intangible assets included in Tommy Bahama associated with Tommy Bahama Canada acquisition | \$445                        | \$329                        |           |          |    |

The decrease in operating income for Tommy Bahama was primarily due to an increase in SG&A and a lower gross margin partially offset by the impact of higher net sales and higher royalty income. The higher SG&A reflects (1) higher costs to support the growing Tommy Bahama business, reflecting infrastructure costs added in the last twelve months, (2) \$1.7 million of incremental SG&A associated with the cost of operating additional retail stores, including those opened subsequent to quarter end, during the Third Quarter of Fiscal 2014 and (3) \$1.1 million higher incentive

compensation.

Lilly Pulitzer:

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|                                                                                | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | \$ Change | % Change |   |
|--------------------------------------------------------------------------------|------------------------------|------------------------------|-----------|----------|---|
| Net sales                                                                      | \$36,045                     | \$30,326                     | \$5,719   | 18.9     | % |
| Gross margin                                                                   | 57.8                         | %57.5                        | %         |          |   |
| Operating income                                                               | \$4,131                      | \$3,947                      | \$184     | 4.7      | % |
| Operating income as % of net sales                                             | 11.5                         | %13.0                        | %         |          |   |
| Change in fair value of contingent consideration<br>included in Lilly Pulitzer | \$69                         | \$68                         |           |          |   |

The increase in operating income in Lilly Pulitzer for the Third Quarter of Fiscal 2014 was primarily due to the favorable impact of higher net sales, gross margin and royalty income. These items were partially offset by increased SG&A. The increased SG&A was primarily associated with (1) higher SG&A to support the growing business, reflecting infrastructure costs added in the last twelve months, (2) \$1.1 million of higher incentive compensation and (3) \$0.9 million of incremental SG&A associated with the cost of operating additional retail stores.

## Lanier Clothes:

|                                    | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | \$ Change | % Change |   |
|------------------------------------|------------------------------|------------------------------|-----------|----------|---|
| Net sales                          | \$35,886                     | \$30,144                     | \$5,742   | 19.0     | % |
| Gross margin                       | 23.9                         | %28.2                        | %         |          |   |
| Operating income                   | \$3,417                      | \$3,414                      | \$3       | 0.1      | % |
| Operating income as % of net sales | 9.5                          | %11.3                        | %         |          |   |

The comparable operating income for Lanier Clothes for the Third Quarter of Fiscal 2014 and Third Quarter of Fiscal 2013 reflects higher sales offset by lower gross margin.

## Ben Sherman:

|                | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | \$ Change | % Change |    |
|----------------|------------------------------|------------------------------|-----------|----------|----|
| Net sales      | \$18,279                     | \$18,627                     | \$(348)   | (1.9)    | )% |
| Gross margin   | 49.7                         | %48.7                        | %         |          |    |
| Operating loss | \$(2,168)                    | \$(1,873)                    | \$(295)   | (15.8)   | )% |

The lower operating results for Ben Sherman for the Third Quarter of Fiscal 2014 compared to the Third Quarter of Fiscal 2013 primarily reflects the lower net sales and slightly higher SG&A partially offset by higher gross margin. Due to the 4% change in the average exchange rate between the pound sterling and the United States dollar from the Third Quarter of Fiscal 2013, individual line items within the statement of operations for Ben Sherman were higher than the prior year, even if the amounts in pound sterling may have been comparable between periods. The 4% change in the average exchange rate resulted in a \$0.1 million unfavorable foreign currency translation impact on Ben Sherman's operating results between the two periods.

## Corporate and Other:

|                                             | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | \$ Change | % Change |    |
|---------------------------------------------|------------------------------|------------------------------|-----------|----------|----|
| Net sales                                   | \$3,860                      | \$4,881                      | \$(1,021) | (20.9)   | )% |
| Operating loss                              | \$(3,148)                    | \$(1,908)                    | \$(1,240) | (65.0)   | )% |
| LIFO credit included in Corporate and Other | \$(426)                      | \$(210)                      | )         |          |    |



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The Corporate and Other operating results decreased primarily due to (1) higher Corporate and Other SG&A including \$1.0 million of higher incentive compensation expense in the Third Quarter of Fiscal 2014, (2) the lower sales and lower gross margin in Oxford Golf and (3) lower other income in the Third Quarter of Fiscal 2014. These unfavorable items were partially offset by the \$0.2 million net favorable LIFO accounting impact between the two periods.

## Interest expense, net

|                       | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | \$ Change | % Change |
|-----------------------|------------------------------|------------------------------|-----------|----------|
| Interest expense, net | \$788                        | \$1,195                      | \$(407    | )(34.1)% |

Interest expense for the Third Quarter of Fiscal 2014 decreased from the prior year primarily due to lower borrowing rates and lower average borrowings outstanding during the Third Quarter of Fiscal 2014 compared to the Third Quarter of Fiscal 2013. We anticipate that interest expense for the full year of Fiscal 2014 will be less than \$4.0 million.

## Income taxes

|                    | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 | \$ Change | % Change |
|--------------------|------------------------------|------------------------------|-----------|----------|
| Income taxes       | \$1,892                      | \$2,467                      | \$(575    | )(23.3)% |
| Effective tax rate | 104.1                        | %73.5                        | %         |          |

Income tax expense for the Third Quarter of Fiscal 2014 and the Third Quarter of Fiscal 2013 reflects lower earnings and a higher effective tax rate in the Third Quarter of Fiscal 2014. The high effective tax rates for both periods, as compared to a typical statutory tax rate, reflect the unfavorable impact of foreign losses for which we were not able to recognize an income tax benefit as well as changes to the projected earnings by jurisdiction for the fiscal year. The effective tax rate for the third quarter is generally not indicative of the effective tax rate anticipated for the full year due to the lower earnings in the third quarter compared to other quarters in the fiscal year.

We anticipate that our effective tax rate for the full year Fiscal 2014 will be approximately 43%. We anticipate that the effective tax rate for future years will be lower than the effective tax rates in Fiscal 2013 and Fiscal 2014 as we expect that our domestic earnings will increase and our foreign losses will decrease in future years, resulting in a higher proportion of domestic income to foreign losses.

## Net (loss) earnings

|                                               | Third Quarter<br>Fiscal 2014 | Third Quarter<br>Fiscal 2013 |
|-----------------------------------------------|------------------------------|------------------------------|
| Net (loss) earnings                           | \$(74                        | )\$889                       |
| Net (loss) earnings per diluted share         | \$—                          | \$0.05                       |
| Weighted average shares outstanding - diluted | 16,435                       | 16,435                       |

The primary reasons for the lower operating results in the Third Quarter of Fiscal 2014 were:

- A larger operating loss in Corporate and Other primarily due to increased SG&A and lower sales;
- Lower operating income in Tommy Bahama reflecting higher SG&A and lower gross margin partially offset by the impact of higher sales;
- A larger operating loss in Ben Sherman reflecting lower sales and higher SG&A; and
- A higher effective tax rate.

These unfavorable items were partially offset by:

- Higher operating income in Lilly Pulitzer reflecting higher sales, gross margins and SG&A and
- Lower interest expense.

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The third quarter of our fiscal year has historically been our smallest sales, gross margin and operating income quarter of our fiscal year. This is generally due to seasonality as certain of our retail stores typically do not earn an operating profit during the third quarter due to the lower sales. As we add more retail stores in the future, the additional stores likely will further decrease our operating results during the third quarter in future years. Thus, as our retail store operations of our brands continue to represent a larger proportion of our business, the operating results gap between the strong first, second and fourth quarters and the smaller third quarter is expected to widen.

**FIRST NINE MONTHS OF FISCAL 2014 COMPARED TO FIRST NINE MONTHS OF FISCAL 2013**

The following table sets forth the specified line items in our unaudited condensed consolidated statements of operations both in dollars (in thousands) and as a percentage of net sales. The table also sets forth the dollar change and the percentage change of the data as compared to the same period of the prior year. We have calculated all percentages based on actual data, but percentage columns may not add due to rounding.

|                                                     | First Nine Months of Fiscal<br>2014 |       | First Nine Months of Fiscal<br>2013 |       | \$ Change  | % Change |    |
|-----------------------------------------------------|-------------------------------------|-------|-------------------------------------|-------|------------|----------|----|
| Net sales                                           | \$723,352                           | 100.0 | % \$666,733                         | 100.0 | % \$56,619 | 8.5      | %  |
| Cost of goods sold                                  | 317,663                             | 43.9  | % 291,024                           | 43.6  | % 26,639   | 9.2      | %  |
| Gross profit                                        | 405,689                             | 56.1  | % 375,709                           | 56.4  | % 29,980   | 8.0      | %  |
| SG&A                                                | 360,619                             | 49.9  | % 329,883                           | 49.5  | % 30,736   | 9.3      | %  |
| Change in fair value of<br>contingent consideration | 206                                 | —     | % 206                               | —     | % —        | NM       |    |
| Royalties and other<br>operating income             | 13,036                              | 1.8   | % 12,704                            | 1.9   | % 332      | 2.6      | %  |
| Operating income                                    | 57,900                              | 8.0   | % 58,324                            | 8.7   | % (424)    | (0.7)    | )% |
| Interest expense, net                               | 2,782                               | 0.4   | % 3,173                             | 0.5   | % (391)    | (12.3)   | )% |
| Net earnings before income<br>taxes                 | 55,118                              | 7.6   | % 55,151                            | 8.3   | % (33)     | (0.1)    | )% |
| Income taxes                                        | 25,154                              | 3.5   | % 24,833                            | 3.7   | % 321      | 1.3      | %  |
| Net earnings                                        | \$29,964                            | 4.1   | % \$30,318                          | 4.5   | % \$(354)  | (1.2)    | )% |

The discussion and tables below compare certain line items included in our statements of operations for the First Nine Months of Fiscal 2014 to the First Nine Months of Fiscal 2013. Each dollar and percentage change provided reflects the change between these periods unless indicated otherwise. Each dollar and share amount included in the tables is in thousands except for per share amounts. Individual line items of our consolidated statements of operations may not be directly comparable to those of our competitors, as classification of certain expenses may vary by company.

**Net Sales**

|                     | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 | \$ Change | % Change |    |
|---------------------|----------------------------------------|----------------------------------------|-----------|----------|----|
| Tommy Bahama        | \$441,535                              | \$417,174                              | \$24,361  | 5.8      | %  |
| Lilly Pulitzer      | 132,984                                | 107,939                                | 25,045    | 23.2     | %  |
| Lanier Clothes      | 85,950                                 | 79,719                                 | 6,231     | 7.8      | %  |
| Ben Sherman         | 52,058                                 | 47,138                                 | 4,920     | 10.4     | %  |
| Corporate and Other | 10,825                                 | 14,763                                 | (3,938)   | (26.7)   | )% |
| Total net sales     | \$723,352                              | \$666,733                              | \$56,619  | 8.5      | %  |

Consolidated net sales increased \$56.6 million, or 8.5%, in the First Nine Months of Fiscal 2014 compared to the First Nine Months of Fiscal 2013 reflecting net sales changes in each operating group, as discussed below. The following table presents the proportion of our consolidated net sales by distribution channel for each period presented:

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|                                                       | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 |   |
|-------------------------------------------------------|----------------------------------------|----------------------------------------|---|
| Full-price retail stores, outlets and warehouse sales | 40                                     | % 39                                   | % |
| E-commerce                                            | 13                                     | % 11                                   | % |
| Restaurant                                            | 6                                      | % 7                                    | % |
| Wholesale                                             | 41                                     | % 43                                   | % |
| Total                                                 | 100                                    | % 100                                  | % |

## Tommy Bahama:

The Tommy Bahama net sales increase of \$24.4 million, or 5.8%, was primarily driven by (1) an incremental net sales increase of \$14.7 million associated with the operation of additional retail stores, including the Canadian retail stores acquired in the Second Quarter of Fiscal 2013, (2) a \$4.1 million increase in wholesale sales reflecting the inclusion of the wholesale sales of Tommy Bahama Canada for the full nine month period and higher sales in the domestic wholesale business, (3) \$3.8 million of e-commerce flash clearance sales in the First Nine Months of Fiscal 2014 with no such sales in the First Nine Months of Fiscal 2013, (4) a \$3.4 million, or 2%, increase in comparable store sales, which includes full-price retail stores and full-price e-commerce sales, to \$195.6 million in the First Nine Months of Fiscal 2014 from \$192.3 million in the First Nine Months of Fiscal 2013 and (5) a \$1.4 million increase in restaurant sales. These increases in net sales were partially offset by a \$3.1 million decrease in net sales in outlet stores which were operated during all of Fiscal 2013 and Fiscal 2014.

As of November 1, 2014, we operated 150 Tommy Bahama stores globally, consisting of 96 full-price retail stores, 14 restaurant-retail locations and 40 outlet stores. Subsequent to November 1, 2014, we opened five domestic retail stores, one domestic retail-restaurant location and one international retail location. As of November 2, 2013 we operated 137 Tommy Bahama stores consisting of 90 full-price retail stores, 14 restaurant-retail locations and 33 outlet stores. The following table presents the proportion of net sales by distribution channel for Tommy Bahama for each period presented:

|                                      | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 |   |
|--------------------------------------|----------------------------------------|----------------------------------------|---|
| Full-price retail stores and outlets | 49                                     | % 50                                   | % |
| E-commerce                           | 13                                     | % 11                                   | % |
| Restaurant                           | 10                                     | % 11                                   | % |
| Wholesale                            | 28                                     | % 28                                   | % |
| Total                                | 100                                    | % 100                                  | % |

## Lilly Pulitzer:

The Lilly Pulitzer net sales increase of \$25.0 million, or 23.2%, reflects (1) a \$9.9 million, or 21%, increase in comparable store sales, to \$55.9 million in the First Nine Months of Fiscal 2014 compared to \$46.1 million in the First Nine Months of Fiscal 2013, (2) a net sales increase of \$7.2 million associated with retail stores opened in Fiscal 2013 and Fiscal 2014, (3) an increase in e-commerce flash clearance sales of \$4.2 million to \$11.8 million in the First Nine Months of Fiscal 2014 and (4) a \$3.5 million increase in wholesale sales during the First Nine Months of Fiscal 2014. As of November 1, 2014, we operated 28 Lilly Pulitzer retail stores compared to 22 retail stores as of November 2, 2013. The following table presents the proportion of net sales by distribution channel for Lilly Pulitzer for each period presented:

| First Nine<br>Months of | First Nine<br>Months of |
|-------------------------|-------------------------|
|-------------------------|-------------------------|

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|                                              | Fiscal 2014 | Fiscal 2013 |   |
|----------------------------------------------|-------------|-------------|---|
| Full-price retail stores and warehouse sales | 35          | % 32        | % |
| E-commerce                                   | 26          | % 24        | % |
| Wholesale                                    | 39          | % 44        | % |
| Total                                        | 100         | % 100       | % |

Lanier Clothes:

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The increase in net sales for Lanier Clothes of \$6.2 million, or 7.8%, was due to a \$6.9 million increase in net sales in the private label business partially offset by a reduction in net sales in the branded business. The increase in the private label business was driven by a pants program for a warehouse club customer, which began in the Fourth Quarter of Fiscal 2013, and more than offset decreases in other private label programs. The decrease in net sales in the branded business was primarily due to lower volume and the exit from some seasonal and replenishment programs.

**Ben Sherman:**

Net sales for Ben Sherman increased by \$4.9 million, or 10.4%, in the First Nine Months of Fiscal 2014 compared to the First Nine Months of Fiscal 2013, primarily resulting from (1) an increase of \$2.9 million resulting from the translation impact of a change in the average exchange rate between the British pound sterling and the United States dollar reflecting a 7% stronger pound sterling in the First Nine Months of Fiscal 2014, (2) a \$1.5 million increase in off-price sales related to the liquidation of certain aged inventory and (3) a \$1.1 million increase in direct to consumer sales reflecting comparable store sales increases partially offset by the net impact of store closures and openings since the start of Fiscal 2013. These favorable items were partially offset by lower full-price wholesale sales in the First Nine Months of Fiscal 2014. As of November 1, 2014 and November 2, 2013, we operated 17 Ben Sherman retail stores, consisting of 11 full-price retail stores and six outlet stores. The following table presents the proportion of net sales by distribution channel for Ben Sherman for each period presented:

|                    | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 |   |
|--------------------|----------------------------------------|----------------------------------------|---|
| Wholesale          | 55                                     | % 56                                   | % |
| Direct to consumer | 45                                     | % 44                                   | % |
| Total              | 100                                    | % 100                                  | % |

**Corporate and Other:**

Corporate and Other net sales primarily consist of the net sales of our Oxford Golf business and our Lyons, Georgia distribution center as well as the impact of the elimination of inter-company sales between operating groups. The decrease in sales in the First Nine Months of Fiscal 2014 was primarily due to (1) a reduction in Oxford Golf's private label sales, (2) the Oxford Golf business including a significant initial shipment of a branded program in the First Nine Months of Fiscal 2013 that did not anniversary in Fiscal 2014 and (3) a larger unfavorable impact of the eliminated inter-company sales between operating groups in the First Nine Months of Fiscal 2014.

**Gross Profit**

The table below presents gross profit by operating group and in total for the First Nine Months of Fiscal 2014 and First Nine Months of Fiscal 2013 as well as the change between those two periods. Our gross profit and gross margin, which is calculated as gross profit divided by net sales, may not be directly comparable to those of our competitors, as statement of operations classification of certain expenses may vary by company.

|                     | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 | \$ Change | % Change |    |
|---------------------|----------------------------------------|----------------------------------------|-----------|----------|----|
| Tommy Bahama        | \$267,013                              | \$257,305                              | \$9,708   | 3.8      | %  |
| Lilly Pulitzer      | 85,167                                 | 66,896                                 | \$18,271  | 27.3     | %  |
| Lanier Clothes      | 22,954                                 | 22,770                                 | \$184     | 0.8      | %  |
| Ben Sherman         | 25,181                                 | 22,974                                 | \$2,207   | 9.6      | %  |
| Corporate and Other | 5,374                                  | 5,764                                  | \$(390)   | (6.8)    | )% |
| Total gross profit  | \$405,689                              | \$375,709                              | \$29,980  | 8.0      | %  |

|                                                      |        |        |
|------------------------------------------------------|--------|--------|
| LIFO (credit) charge included in Corporate and Other | \$(473 | )\$135 |
| Inventory step-up charge included in Tommy Bahama    | \$—    | \$707  |
| associated with Tommy Bahama Canada acquisition      |        |        |

The increase in consolidated gross profit was primarily driven by the higher net sales, as discussed above. In addition to the impact of the changes in net sales, gross profit on a consolidated basis and for each operating group was impacted by the

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change in sales mix and changes in gross margin within each operating group, as discussed below. The table below presents gross margin by operating group and in total for the First Nine Months of Fiscal 2014 and First Nine Months of Fiscal 2013.

|                           | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 |   |
|---------------------------|----------------------------------------|----------------------------------------|---|
| Tommy Bahama              | 60.5                                   | % 61.7                                 | % |
| Lilly Pulitzer            | 64.0                                   | % 62.0                                 | % |
| Lanier Clothes            | 26.7                                   | % 28.6                                 | % |
| Ben Sherman               | 48.4                                   | % 48.7                                 | % |
| Corporate and Other       | NM                                     | NM                                     |   |
| Consolidated gross margin | 56.1                                   | % 56.4                                 | % |

On a consolidated basis, gross margin decreased from the First Nine Months of Fiscal 2013, primarily as a result of lower gross margin in Tommy Bahama, Lanier Clothes and Ben Sherman. These unfavorable items were partially offset by (1) improved gross margins in Lilly Pulitzer, (2) a change in sales mix with a higher proportion of sales in the higher gross margin Tommy Bahama and Lilly Pulitzer businesses, (3) the \$0.6 million net favorable LIFO accounting impact in the First Nine Months of Fiscal 2014 as compared to the First Nine Months of Fiscal 2013 and (4) the First Nine Months of Fiscal 2013 including a \$0.7 million inventory step-up charge associated with the Tommy Bahama Canada acquisition with no inventory step-up charge in the First Nine Months of Fiscal 2014.

## Tommy Bahama:

The lower gross margin at Tommy Bahama primarily reflected a change in sales mix with wholesale sales, e-commerce flash clearance sales and outlet store sales representing a greater proportion of Tommy Bahama's net sales and lower gross margins in the direct to consumer and wholesale channels of distribution. The lower gross margins in the direct to consumer channel of distribution primarily resulted from (1) outlet stores representing a greater proportion of direct to consumer retail sales, (2) more in-store discounts in our outlet stores to move excess spring inventory and drive traffic and (3) the gross margin impact of the e-commerce flash clearance sales. The decrease in wholesale gross margins were primarily due to greater discounts on certain wholesale sales. The impact of these items was partially offset by the favorable impact of the First Nine Months of Fiscal 2013 including a \$0.7 million inventory step-up charge associated with the Tommy Bahama Canada acquisition.

## Lilly Pulitzer:

The increase in gross margin for Lilly Pulitzer was primarily driven by (1) a change in sales mix toward the direct to consumer channel of distribution, which typically has higher gross margins than the wholesale channel of distribution, and (2) higher gross margin in the full-price direct to consumer and wholesale businesses. These favorable items were partially offset by the gross margin impact of a larger e-commerce flash clearance sale in Fiscal 2014 compared to the prior year.

## Lanier Clothes:

The decrease in gross margin for Lanier Clothes was primarily due to a change in sales mix with private label programs representing a greater proportion of net sales of Lanier Clothes. Private label programs, including the warehouse club pants program, generally have lower gross margins than branded product programs.

## Ben Sherman:

The decrease in gross margin at Ben Sherman reflects a higher proportion of off-price sales associated with the liquidation of certain aged inventory, partially offset by a higher proportion of direct to consumer sales.

Corporate and Other:

The gross profit in Corporate and Other in each period primarily reflects (1) the gross profit of our Oxford Golf and Lyons, Georgia distribution center operations, (2) the impact of LIFO accounting adjustments and (3) the impact of certain consolidating adjustments, including the elimination of inter-company sales between operating groups. The lower gross profit for Corporate and Other in the First Nine Months of Fiscal 2014 was primarily due to the impact of lower sales in the First Nine Months of Fiscal 2014, partially offset by the \$0.6 million net favorable impact of LIFO accounting. LIFO accounting

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resulted in a credit of \$0.5 million in the First Nine Months of Fiscal 2014 compared to a charge of \$0.1 million in the First Nine Months of Fiscal 2013.

## SG&amp;A

|                                                                                                                  | First Nine<br>Months of Fiscal<br>2014 | First Nine<br>Months of Fiscal<br>2013 | \$ Change | % Change |   |
|------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|-----------|----------|---|
| SG&A                                                                                                             | \$360,619                              | \$329,883                              | \$30,736  | 9.3      | % |
| SG&A as % of net sales                                                                                           | 49.9                                   | %49.5                                  | %         |          |   |
| Amortization of intangible assets included in<br>Tommy Bahama associated with Tommy<br>Bahama Canada acquisition | \$1,342                                | \$662                                  |           |          |   |

The increase in SG&A was primarily due to (1) higher costs to support the growing Tommy Bahama and Lilly Pulitzer businesses, reflecting infrastructure costs added in the last twelve months, (2) \$8.9 million of incremental costs in the First Nine Months of Fiscal 2014 associated with additional Tommy Bahama retail stores and restaurants and Lilly Pulitzer stores, including those opened subsequent to quarter end, (3) \$7.6 million of increased incentive compensation in the First Nine Months of Fiscal 2014, primarily reflecting increases in Lilly Pulitzer, Corporate and Other and Tommy Bahama, (4) a \$2.2 million unfavorable SG&A impact resulting from currency translation at Ben Sherman as a result of the stronger pound sterling, which offset actual Ben Sherman SG&A expense reductions, and (5) \$1.3 million of additional equity-based compensation in the First Nine Months of Fiscal 2014 primarily resulting from equity awards granted in Fiscal 2014.

SG&A included \$1.9 million of amortization of intangible assets in the First Nine Months of Fiscal 2014 compared to \$1.3 million in the First Nine Months of Fiscal 2013, with the increase primarily due to the Second Quarter of Fiscal 2013 Tommy Bahama Canada acquisition. We anticipate that amortization of intangible assets for Fiscal 2014 will be approximately \$2.5 million, with approximately \$1.8 million of the amortization reflecting amortization of the intangible assets acquired as part of the Tommy Bahama Canada acquisition.

## Change in fair value of contingent consideration

|                                                  | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 | \$ Change | % Change |
|--------------------------------------------------|----------------------------------------|----------------------------------------|-----------|----------|
| Change in fair value of contingent consideration | \$206                                  | \$206                                  | \$—       | NM       |

Change in fair value of contingent consideration reflects the current period impact of the change in the fair value of the contingent consideration obligation associated with the Lilly Pulitzer acquisition, as discussed in our Annual Report on Form 10-K for Fiscal 2013. We anticipate that the charge for the change in the fair value of the contingent consideration for the full 2014 fiscal year will be \$0.3 million.

## Royalties and other operating income

|                                      | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 | \$ Change | % Change |   |
|--------------------------------------|----------------------------------------|----------------------------------------|-----------|----------|---|
| Royalties and other operating income | \$13,036                               | \$12,704                               | \$332     | 2.6      | % |

Royalties and other operating income in the First Nine Months of Fiscal 2014 primarily reflect income received from third parties from the licensing of our Tommy Bahama, Ben Sherman and Lilly Pulitzer brands. The \$0.3 million increase in royalties and other income was primarily due to increased royalty income for Tommy Bahama and Lilly

Pulitzer, partially offset by lower royalty income at Ben Sherman and lower other income in Corporate and Other.

Operating income (loss)

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|                                                                                                                  | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 | \$ Change   | % Change |    |
|------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|-------------|----------|----|
| Tommy Bahama                                                                                                     | \$41,994                               | \$46,190                               | \$(4,196)   | (9.1)    | )% |
| Lilly Pulitzer                                                                                                   | 30,108                                 | 24,535                                 | \$5,573     | 22.7     | %  |
| Lanier Clothes                                                                                                   | 7,692                                  | 7,901                                  | \$(209)     | (2.6)    | )% |
| Ben Sherman                                                                                                      | (9,971)                                | (10,538)                               | )\$567      | 5.4      | %  |
| Corporate and Other                                                                                              | (11,923)                               | (9,764)                                | )\$ (2,159) | (22.1)   | )% |
| Total operating income                                                                                           | \$57,900                               | \$58,324                               | \$(424)     | (0.7)    | )% |
| LIFO (credit) charge included in Corporate and Other                                                             | \$(473)                                | )\$135                                 |             |          |    |
| Inventory step-up charge included in Tommy Bahama<br>associated with Tommy Bahama Canada acquisition             | \$—                                    | \$707                                  |             |          |    |
| Amortization of intangible assets included in Tommy<br>Bahama associated with Tommy Bahama Canada<br>acquisition | \$1,342                                | \$662                                  |             |          |    |
| Change in fair value of contingent consideration<br>included in Lilly Pulitzer                                   | \$206                                  | \$206                                  |             |          |    |

The 0.7% decrease in operating income was primarily due to the lower operating results in Tommy Bahama and Corporate and Other partially offset by improved operating results in Lilly Pulitzer. Changes in operating income (loss) by operating group are discussed below.

## Tommy Bahama:

|                                                                                                                  | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 | \$ Change | % Change |    |
|------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|-----------|----------|----|
| Net sales                                                                                                        | \$441,535                              | \$417,174                              | \$24,361  | 5.8      | %  |
| Gross margin                                                                                                     | 60.5                                   | % 61.7                                 | %         |          |    |
| Operating income                                                                                                 | \$41,994                               | \$46,190                               | \$(4,196) | (9.1)    | )% |
| Operating income as % of net sales                                                                               | 9.5                                    | % 11.1                                 | %         |          |    |
| Inventory step-up charge included in Tommy<br>Bahama associated with Tommy Bahama Canada<br>acquisition          | \$—                                    | \$707                                  |           |          |    |
| Amortization of intangible assets included in Tommy<br>Bahama associated with Tommy Bahama Canada<br>acquisition | \$1,342                                | \$662                                  |           |          |    |

The decrease in operating income for Tommy Bahama was primarily due to an increase in SG&A and a lower gross margin partially offset by the impact of higher net sales and higher royalty income. The higher SG&A reflects (1) higher costs to support the growing Tommy Bahama business, (2) \$5.7 million of incremental SG&A associated with the cost of operating additional retail stores, including those opened subsequent to quarter end, (3) \$1.8 million of higher incentive compensation and (4) \$0.7 million of additional amortization of intangible assets associated with Tommy Bahama Canada.

## Lilly Pulitzer:

|  | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 | \$ Change | % Change |
|--|----------------------------------------|----------------------------------------|-----------|----------|
|--|----------------------------------------|----------------------------------------|-----------|----------|

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|                                                                             |           |           |          |      |   |
|-----------------------------------------------------------------------------|-----------|-----------|----------|------|---|
| Net sales                                                                   | \$132,984 | \$107,939 | \$25,045 | 23.2 | % |
| Gross margin                                                                | 64.0      | % 62.0    | %        |      |   |
| Operating income                                                            | \$30,108  | \$24,535  | \$5,573  | 22.7 | % |
| Operating income as % of net sales                                          | 22.6      | % 22.7    | %        |      |   |
| Change in fair value of contingent consideration included in Lilly Pulitzer | \$206     | \$206     |          |      |   |

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The increase in operating income in Lilly Pulitzer for the First Nine Months of Fiscal 2014 was primarily due to the favorable impact of higher net sales, higher gross margin and higher royalty income. These items were partially offset by increased SG&A. The increased SG&A was primarily associated with (1) \$5.7 million of higher incentive compensation, (2) higher SG&A to support the growing business reflecting infrastructure costs added in the last twelve months and (3) \$3.1 million of incremental SG&A associated with the cost of operating additional retail stores.

## Lanier Clothes:

|                                    | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 | \$ Change | % Change |    |
|------------------------------------|----------------------------------------|----------------------------------------|-----------|----------|----|
| Net sales                          | \$85,950                               | \$79,719                               | \$6,231   | 7.8      | %  |
| Gross margin                       | 26.7                                   | % 28.6                                 | %         |          |    |
| Operating income                   | \$7,692                                | \$7,901                                | \$(209)   | (2.6)    | )% |
| Operating income as % of net sales | 8.9                                    | % 9.9                                  | %         |          |    |

The decrease in operating income in Lanier Clothes for the First Nine Months of Fiscal 2014 was primarily the result of lower gross margins and higher SG&A, partially offset by higher sales.

## Ben Sherman:

|                | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 | \$ Change | % Change |   |
|----------------|----------------------------------------|----------------------------------------|-----------|----------|---|
| Net sales      | \$52,058                               | \$47,138                               | \$4,920   | 10.4     | % |
| Gross margin   | 48.4                                   | % 48.7                                 | %         |          |   |
| Operating loss | \$(9,971)                              | \$(10,538)                             | \$567     | 5.4      | % |

The improved operating results for Ben Sherman resulted from the higher direct to consumer net sales and reductions in SG&A before the impact of currency translation, partially offset by the lower gross margin and lower royalty income. Due to the 7% change in the average exchange rate between the pound sterling and the United States dollar from the First Nine Months of Fiscal 2013, individual line items within the statement of operations for Ben Sherman were higher than the prior year, even if the amounts in pound sterling may have been comparable between periods. The 7% change in the average exchange rate resulted in a \$0.6 million unfavorable foreign currency translation impact on Ben Sherman's operating results between the two periods.

## Corporate and Other:

|                                                      | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 | \$ Change | % Change |    |
|------------------------------------------------------|----------------------------------------|----------------------------------------|-----------|----------|----|
| Net sales                                            | \$10,825                               | \$14,763                               | \$(3,938) | (26.7)   | )% |
| Operating loss                                       | \$(11,923)                             | \$(9,764)                              | \$(2,159) | (22.1)   | )% |
| LIFO (credit) charge included in Corporate and Other | \$(473)                                | \$135                                  |           |          |    |

The lower operating results were primarily due to (1) higher Corporate and Other SG&A including \$1.8 million of higher incentive compensation expense and (2) lower sales in Oxford Golf. These unfavorable items were partially offset by the \$0.6 million favorable LIFO accounting impact between the two periods.

## Interest expense, net

|  | First Nine<br>Months of | First Nine<br>Months of | \$ Change | % Change |
|--|-------------------------|-------------------------|-----------|----------|
|--|-------------------------|-------------------------|-----------|----------|

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|                       | Fiscal 2014 | Fiscal 2013 |         |        |    |
|-----------------------|-------------|-------------|---------|--------|----|
| Interest expense, net | \$2,782     | \$3,173     | \$(391) | (12.3) | )% |

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Interest expense for the First Nine Months of Fiscal 2014 decreased from the First Nine Months of Fiscal 2013 due to lower borrowing rates and lower average borrowings outstanding in the First Nine Months of Fiscal 2014. We anticipate that interest expense for the full year of Fiscal 2014 will be less than \$4.0 million.

## Income taxes

|                    | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 | \$ Change | % Change |   |
|--------------------|----------------------------------------|----------------------------------------|-----------|----------|---|
| Income taxes       | \$25,154                               | \$24,833                               | \$321     | 1.3      | % |
| Effective tax rate | 45.6                                   | %45.0                                  | %         |          |   |

Income tax expense increased in the First Nine Months of Fiscal 2014 compared to the First Nine Months of Fiscal 2013 reflecting a higher effective tax rate in the First Nine Months of Fiscal 2014. The high effective tax rates for both periods, as compared to a typical statutory tax rate, reflect the unfavorable impact of foreign losses for which we were not able to recognize an income tax benefit. The effective tax rate for the First Nine Months of Fiscal 2013 benefited from the reduction in the enacted tax rate in the United Kingdom during the Second Quarter of Fiscal 2013, with no such change occurring in Fiscal 2014. We anticipate that our effective tax rate for the full year Fiscal 2014 will be approximately 43%, with a significantly lower rate in the Fourth Quarter of Fiscal 2014. We anticipate that the effective tax rate for future years will be lower than the effective tax rates in Fiscal 2013 and Fiscal 2014 as we expect that our domestic earnings will increase and our foreign losses will decrease in future years, resulting in a higher proportion of domestic income to foreign losses.

## Net earnings

|                                               | First Nine<br>Months of<br>Fiscal 2014 | First Nine<br>Months of<br>Fiscal 2013 |
|-----------------------------------------------|----------------------------------------|----------------------------------------|
| Net earnings                                  | \$29,964                               | \$30,318                               |
| Net earnings per diluted share                | \$1.82                                 | \$1.84                                 |
| Weighted average shares outstanding - diluted | 16,461                                 | 16,492                                 |

The primary reasons for the slightly lower net earnings in the First Nine Months of Fiscal 2014 were:

- Lower operating income in Tommy Bahama reflecting higher SG&A and lower gross margin partially offset by the impact of higher sales;
- A larger operating loss in Corporate and Other primarily due to lower sales and increased SG&A;
- Lower operating income in Lanier Clothes resulting from lower gross margins; and
- Increased income taxes attributable to a higher effective tax rate.

These unfavorable items were partially offset by:

- Higher operating income in Lilly Pulitzer reflecting higher sales, gross margins and SG&A;
- Improved operating results in Ben Sherman primarily due to higher sales; and
- Lower interest expense.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Our primary source of revenue and cash flow is the sale and distribution of apparel products through our direct to consumer and wholesale channels of distribution. Our primary uses of cash flow include the acquisition of apparel products in the operation of our business, as well as operating expenses including employee compensation and

benefits, occupancy related costs, marketing and advertising costs, other general and administrative expenses and the payment of periodic interest payments related to our financing arrangements. Additionally, we use cash for the funding of capital expenditures, payment of dividends and repayment of indebtedness. In the ordinary course of business, we maintain certain levels of inventory and extend credit to our wholesale customers. Thus, we require a certain amount of working capital to operate our business. If cash inflows are less than cash outflows, we have access to amounts under our U.S. Revolving Credit Agreement and U.K. Revolving Credit Agreement, subject to their terms, each of which is described below. We may seek to finance future capital investment programs through various methods, including, but not limited to, cash flow from operations, borrowings under our current or additional credit facilities, sales of debt or equity securities and cash on hand.

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As of November 1, 2014, we had \$6.3 million of cash and cash equivalents on hand, with \$147.6 million of borrowings outstanding and \$85.9 million of availability under our revolving credit agreements. We believe our balance sheet and anticipated positive cash flow from operating activities in the future provide us with ample opportunity to continue to invest in our brands and our direct to consumer initiatives in future periods.

## Key Liquidity Measures

| (\$ in thousands)           | November 1,<br>2014 | February 1, 2014 | November 2,<br>2013 | February 2, 2013 |   |
|-----------------------------|---------------------|------------------|---------------------|------------------|---|
| Total current assets        | \$282,580           | \$271,032        | \$251,886           | \$222,390        |   |
| Total current liabilities   | \$132,226           | \$133,046        | \$101,808           | \$124,266        |   |
| Working capital             | \$150,354           | \$137,986        | \$150,078           | \$98,124         |   |
| Working capital ratio       | 2.14                | 2.04             | 2.47                | 1.79             |   |
| Debt to total capital ratio | 34                  | % 35             | % 40                | % 34             | % |

Our working capital ratio is calculated by dividing total current assets by total current liabilities. Current assets increased from November 2, 2013 to November 1, 2014 primarily due to higher inventories and receivables, each as discussed below. Current liabilities increased primarily as a result of (1) the classification of \$12.4 million of contingent consideration as a current liability as of November 1, 2014 compared to \$2.5 million as of November 2, 2013, (2) higher accrued compensation and (3) increased accounts payables, accrued expenses and other liabilities. Changes in working capital accounts are discussed below.

For the ratio of debt to total capital, debt is defined as short-term and long-term debt, and total capital is defined as debt plus shareholders' equity. Debt was \$147.6 million at November 1, 2014 and \$166.7 million at November 2, 2013, while shareholders' equity was \$280.9 million at November 1, 2014 and \$247.0 million at November 2, 2013. The decrease in debt primarily reflects the following during the period from November 2, 2013 to November 1, 2014: (1) \$72.2 million of cash flows from operating activities, (2) a \$3.0 million reduction in cash and cash equivalents, (3) \$2.1 million of proceeds from the sale of property and equipment and (4) \$1.1 million of proceeds from the issuance of common stock partially offset by the following items occurring subsequent to November 2, 2013: (1) \$43.2 million of capital expenditures, (2) \$13.4 million of dividends paid on our common stock and (3) \$2.5 million of payments related to the Lilly Pulitzer contingent consideration arrangement. Shareholders' equity increased from November 2, 2013, primarily as a result of net earnings less dividends paid during that period. Our debt levels and ratio of debt to total capital in future periods may not be comparable to historical amounts as we continue to assess, and possibly make changes to, our capital structure. Changes in our capital structure in the future, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

## Balance Sheet

The following tables set forth certain information included in our consolidated balance sheets (in thousands). Below each table are explanations for any significant changes in the balances from November 2, 2013 to November 1, 2014.

## Current Assets:

|                           | November 1,<br>2014 | February 1,<br>2014 | November 2,<br>2013 | February 2,<br>2013 |
|---------------------------|---------------------|---------------------|---------------------|---------------------|
| Cash and cash equivalents | \$6,275             | \$8,483             | \$9,310             | \$7,517             |
| Receivables, net          | 80,185              | 75,277              | 71,205              | 62,805              |
| Inventories, net          | 145,790             | 143,712             | 123,987             | 109,605             |
| Prepaid expenses, net     | 28,475              | 23,095              | 27,280              | 19,511              |

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|                      |           |           |           |           |
|----------------------|-----------|-----------|-----------|-----------|
| Deferred tax assets  | 21,855    | 20,465    | 20,104    | 22,952    |
| Total current assets | \$282,580 | \$271,032 | \$251,886 | \$222,390 |

Cash and cash equivalents as of November 1, 2014 and November 2, 2013 include typical cash amounts maintained on an ongoing basis in our operations, which generally ranges from \$5 million to \$10 million at any given time. Any excess cash is used to repay amounts outstanding under our revolving credit agreements.

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The increase in receivables, net as of November 1, 2014 was primarily a result of higher wholesale sales, particularly in Tommy Bahama and Lanier Clothes, in the last two months of the Third Quarter of Fiscal 2014 as compared to the prior year. Inventories, net as of November 1, 2014 increased from November 2, 2013 as a result of increased inventories to support anticipated sales increases, particularly in our direct to consumer channels of distribution, in the Fourth Quarter of Fiscal 2014 as compared to the Fourth Quarter of Fiscal 2013.

The increase in prepaid expenses, net at November 1, 2014 from November 2, 2013 was primarily due to the growth in our business and the timing of payment and recognition of the related expense for certain prepaid items including rent, certain operating expense contracts, advertising and retail packaging supplies, partially offset by reductions in other prepaid expenses including fixtures and samples. Deferred tax assets increased from November 2, 2013 primarily as a result of the change in timing differences associated with inventory.

## Non-current Assets:

|                               | November 1,<br>2014 | February 1,<br>2014 | November 2,<br>2013 | February 2,<br>2013 |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|
| Property and equipment, net   | \$151,509           | \$141,519           | \$143,710           | \$128,882           |
| Intangible assets, net        | 170,493             | 173,023             | 174,643             | 164,317             |
| Goodwill                      | 17,401              | 17,399              | 17,205              | 17,275              |
| Other non-current assets, net | 23,711              | 24,332              | 23,508              | 23,206              |
| Total non-current assets      | \$363,114           | \$356,273           | \$359,066           | \$333,680           |

The increase in property and equipment, net at November 1, 2014 from November 2, 2013 reflects capital expenditures in the twelve months ended November 1, 2014 partially offset by depreciation expense subsequent to November 2, 2013. The decrease in intangible assets, net at November 1, 2014 was primarily due to the amortization of intangible assets subsequent to November 2, 2013, as well as the impact of foreign currency exchange rates on certain intangible assets.

## Liabilities:

|                                      | November 1,<br>2014 | February 1,<br>2014 | November 2,<br>2013 | February 2,<br>2013 |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Total current liabilities            | \$132,226           | \$133,046           | \$101,808           | \$124,266           |
| Long-term debt                       | 143,516             | 137,592             | 164,414             | 108,552             |
| Non-current contingent consideration | —                   | 12,225              | 12,156              | 14,450              |
| Other non-current liabilities        | 55,678              | 51,520              | 49,926              | 44,572              |
| Non-current deferred income taxes    | 33,405              | 32,759              | 35,652              | 34,385              |
| Total liabilities                    | \$364,825           | \$367,142           | \$363,956           | \$326,225           |

Current liabilities at November 1, 2014 increased as compared to November 2, 2013 primarily as a result of (1) \$12.4 million of contingent consideration classified as a current liability as of November 1, 2014, as the amount is expected to be paid in the First Quarter of Fiscal 2015, compared to \$2.5 million classified as a current liability as of November 2, 2013, (2) an increase in accounts payable of \$9.3 million principally reflecting the timing of payment of certain amounts including inventory, capital expenditures and operating expenses and (3) an increase in accrued compensation of \$8.4 million, predominantly due to the strong operating results of Lilly Pulitzer causing a higher accrued incentive compensation accrual for Lilly Pulitzer and Corporate and Other as of November 1, 2014 compared to November 2, 2013.

The decrease in long-term debt primarily reflects the following during the period from November 2, 2013 to November 1, 2014: (1) \$72.2 million of cash flows from operating activities, (2) \$3.0 million reduction in cash and cash equivalents, (3) \$2.1 million of proceeds from the sale of property and equipment and (4) \$1.1 million of proceeds from the issuance of common stock partially offset by the following items occurring subsequent to November 2, 2013: (1) \$43.2 million of capital expenditures, (2) \$13.4 million of dividends paid on our common stock and (3) \$2.5 million of payments related to the Lilly Pulitzer contingent consideration arrangement.

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The decrease in non-current contingent consideration from November 2, 2013 was due to all amounts related to the contingent consideration being classified as a current liability as of November 1, 2014, as all amounts are expected to be paid during the First Quarter of Fiscal 2015. Other non-current liabilities increased as of November 1, 2014 compared to November 2, 2013 primarily due to increases in deferred rent liabilities, including tenant improvement allowances. Non-current deferred income taxes decreased from November 2, 2013 to November 1, 2014 primarily as a result of the change in timing differences associated with accrued compensation and deferred rent, partially offset by the impact of intangible asset book to tax differences.

## Statement of Cash Flows

The following table sets forth the net cash flows for the First Nine Months of Fiscal 2014 and First Nine Months of Fiscal 2013 (in thousands):

|                                                     | First Nine<br>Months Fiscal<br>2014 | First Nine<br>Months Fiscal<br>2013 |
|-----------------------------------------------------|-------------------------------------|-------------------------------------|
| Net cash provided by operating activities           | \$40,681                            | \$21,255                            |
| Net cash used in investing activities               | (36,549)                            | (54,631)                            |
| Net cash (used in) provided by financing activities | (5,991)                             | 35,341                              |
| Net change in cash and cash equivalents             | \$(1,859)                           | \$1,965                             |

Cash and cash equivalents on hand were \$6.3 million and \$9.3 million at November 1, 2014 and November 2, 2013, respectively. Changes in cash flows in the First Nine Months of Fiscal 2014 and the First Nine Months of Fiscal 2013 related to operating activities, investing activities and financing activities are discussed below.

## Operating Activities:

In the First Nine Months of Fiscal 2014 and First Nine Months of Fiscal 2013, operating activities provided \$40.7 million and \$21.3 million of cash, respectively. The cash flow from operating activities was primarily the result of net earnings for the relevant period adjusted, as applicable, for changes in our working capital accounts and non-cash activities such as depreciation, amortization, stock compensation expense and change in fair value of contingent consideration. The increased cash flow from operating activities for the First Nine Months of Fiscal 2014 was primarily due to lower working capital investment change in the First Nine Months of Fiscal 2014 as compared to the First Nine Months of Fiscal 2013 and the impact of excess tax benefits in the First Nine Months of Fiscal 2013.

In the First Nine Months of Fiscal 2014, the more significant changes in working capital were a decrease in current liabilities associated with operating activities, an increase in prepaid expenses and an increase in receivables, each of which decreased cash flow from operations. In the First Nine Months of Fiscal 2013, the more significant changes in working capital were a decrease in current liabilities associated with operating activities, an increase in inventories, an increase in receivables and an increase in prepaid expenses, each of which decreased cash flow from operations. The changes in working capital accounts are impacted significantly by seasonality and not necessarily indicative of changes in working capital accounts anticipated on an annual basis.

## Investing Activities:

During the First Nine Months of Fiscal 2014 and First Nine Months of Fiscal 2013, investing activities used \$36.5 million and \$54.6 million of cash, respectively. During the First Nine Months of Fiscal 2014 and First Nine Months of Fiscal 2013, \$36.5 million and \$36.7 million, respectively, of cash flows used in investing activities were for capital expenditures, which primarily related to costs associated with new retail stores and restaurants, remodeling retail

stores and restaurants, information technology initiatives, including e-commerce capabilities, and facility enhancements. Additionally, the cash flow used in investing activities in the First Nine Months of Fiscal 2013 included \$17.9 million related to our May 2013 acquisition of the Tommy Bahama business in Canada from our former licensee.

Financing Activities:

During the First Nine Months of Fiscal 2014 and First Nine Months of Fiscal 2013, financing activities used \$6.0 million and provided \$35.3 million of cash, respectively. In the First Nine Months of Fiscal 2014 and the First Nine Months of

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Fiscal 2013, we increased debt by \$6.1 million and \$50.3 million, respectively, based on our cash flow needs for investing and financing activities exceeding our cash flow provided by operating activities.

We paid dividends of \$10.4 million and \$8.9 million during the First Nine Months of Fiscal 2014 and First Nine Months of Fiscal 2013, respectively. Financing activities in the First Nine Months of Fiscal 2013 also included the repurchase of common stock which primarily resulted from the vesting of restricted stock awards that were returned by employees to satisfy employee income tax obligations, while the proceeds from issuance of common stock was primarily due to the excess tax benefit associated with the vesting of the restricted stock awards.

### Liquidity and Capital Resources

The table below sets forth amounts outstanding under our financing arrangements (in thousands) as of November 1, 2014:

|                                                                                          |           |
|------------------------------------------------------------------------------------------|-----------|
| \$235 million U.S. Secured Revolving Credit Facility (“U.S. Revolving Credit Agreement”) | \$143,516 |
| £7 million Senior Secured Revolving Credit Facility (“U.K. Revolving Credit Agreement”)  | 4,043     |
| Total debt                                                                               | 147,559   |
| Less: short-term debt                                                                    | 4,043     |
| Long-term debt                                                                           | \$143,516 |

The U.S. Revolving Credit Agreement generally (i) is limited to a borrowing base consisting of specified percentages of eligible categories of assets, (ii) accrues variable-rate interest (weighted average borrowing rate of 1.9% as of November 1, 2014), unused line fees and letter of credit fees based upon a pricing grid which is tied to average unused availability and/or utilization, (iii) requires periodic interest payments with principal due at maturity (November 2018) and (iv) is generally secured by a first priority security interest in the accounts receivable, inventory, general intangibles and eligible trademarks, investment property (including the equity interests of certain subsidiaries), deposit accounts, inter-company obligations, equipment, goods, documents, contracts, books and records and other personal property of Oxford Industries, Inc. and substantially all of its domestic subsidiaries.

The U.K. Revolving Credit Agreement generally (i) accrues interest at the bank’s base rate plus an applicable margin (4.0% as of November 1, 2014), (ii) requires interest payments monthly with principal payable on demand and (iii) is collateralized by substantially all of the assets of our United Kingdom Ben Sherman subsidiaries.

To the extent cash flow needs exceed cash flow provided by our operations we will have access, subject to their terms, to our lines of credit to provide funding for operating activities, capital expenditures and acquisitions, if any. Our credit facilities are also used to finance trade letters of credit for product purchases, which reduce the amounts available under our lines of credit when issued. As of November 1, 2014, \$12.7 million of trade letters of credit and other limitations on availability in the aggregate were outstanding against our credit facilities. After considering these limitations and the amount of eligible assets in our borrowing base, as applicable, as of November 1, 2014, we had \$83.8 million and \$2.2 million in unused availability under the U.S. Revolving Credit Agreement and the U.K. Revolving Credit Agreement, respectively, subject to the respective limitations on borrowings.

### Covenants and Other Restrictions:

Our credit facilities, consisting of our U.S. Revolving Credit Agreement and our U.K. Revolving Credit Agreement, are subject to a number of affirmative covenants regarding the delivery of financial information, compliance with law, maintenance of property, insurance requirements and conduct of business. Also, our credit facilities are subject to certain negative covenants or other restrictions including, among other things, limitations on our ability to (i) incur debt, (ii) guaranty certain obligations, (iii) incur liens, (iv) pay dividends to shareholders, (v) repurchase shares of our common stock, (vi) make investments, (vii) sell assets or stock of subsidiaries, (viii) acquire assets or businesses, (ix) merge or consolidate with other companies or (x) prepay, retire, repurchase or redeem debt.

Our U.S. Revolving Credit Agreement contains a financial covenant that applies if unused availability under the U.S. Revolving Credit Agreement for three consecutive days is less than the greater of (i) \$23.5 million or (ii) 10% of the total revolving commitments. In such case, our fixed charge coverage ratio as defined in the U.S. Revolving Credit Agreement must not be less than 1.0 to 1.0 for the immediately preceding 12 fiscal months for which financial statements have been delivered. This financial covenant continues to apply until we have maintained unused availability under the U.S. Revolving Credit Agreement of more than the greater of (i) \$23.5 million or (ii) 10% of the total revolving commitments for 30 consecutive days.

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We believe that the affirmative covenants, negative covenants, financial covenants and other restrictions under our credit facilities are customary for those included in similar facilities entered into at the time we entered into our agreements. During the First Nine Months of Fiscal 2014 and as of November 1, 2014, no financial covenant testing was required pursuant to our U.S. Revolving Credit Agreement as the minimum availability threshold was met at all times. As of November 1, 2014, we were compliant with all covenants related to our credit facilities.

### Other Liquidity Items:

We anticipate that we will be able to satisfy our ongoing cash requirements, which generally consist of working capital and other operating activity needs, capital expenditures, interest payments on our debt and dividends, if any, primarily from positive cash flow from operations supplemented by borrowings under our lines of credit, if necessary. Our need for working capital is typically seasonal with the greatest requirements generally in the fall and spring of each year. Our capital needs will depend on many factors including our growth rate, the need to finance inventory levels and the success of our various products. We anticipate that at the maturity of any of our financing arrangements or as otherwise deemed appropriate, we will be able to refinance the facilities and debt with terms available in the market at that time. The terms of any future financing arrangements may not be as favorable as the terms of the current agreements or current market terms.

Our contractual obligations as of November 1, 2014 have not changed materially from the contractual obligations outstanding at February 1, 2014, as disclosed in our Annual Report on Form 10-K for Fiscal 2013 filed with the SEC, other than changes in the amounts outstanding under our revolving credit agreements, as discussed above.

Our capital expenditures for Fiscal 2014, including the \$36.5 million incurred in the First Nine Months of Fiscal 2014, are expected to be approximately \$55 million compared to \$43.4 million for the full year of Fiscal 2013. These expenditures consist primarily of costs associated with new retail stores and restaurants, remodeling retail stores and restaurants, information technology initiatives, including e-commerce capabilities, and facility enhancements.

### Off Balance Sheet Arrangements

We have not entered into agreements which meet the SEC's definition of an off balance sheet financing arrangement, other than operating leases, and have made no financial commitments to or guarantees with respect to any unconsolidated subsidiaries or special purpose entities.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. On an ongoing basis, we evaluate our estimates, including those related to receivables, inventories, goodwill, intangible assets, income taxes, contingencies and other accrued expenses. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that we have appropriately applied our critical accounting policies. However, in the event that inappropriate assumptions or methods were used relating to our critical accounting policies, our consolidated statements of operations could be misstated. Our critical accounting policies and estimates are discussed in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for Fiscal 2013. There have not been any significant

changes to the application of our critical accounting policies and estimates during the First Nine Months of Fiscal 2014.

Additionally, a detailed summary of significant accounting policies is included in Note 1 to our consolidated financial statements contained in our Annual Report on Form 10-K for Fiscal 2013.

#### SEASONAL ASPECTS OF OUR BUSINESS

Each of our operating groups is impacted by seasonality as the demand for a specific product or style, as well as by distribution channel, may vary significantly depending on the time of year. For details of the impact of seasonality on each of our operating groups, see the business discussion under the caption "Seasonal Aspects of Business" for each operating group discussed in Part I, Item 1, Business in our Annual Report on Form 10-K for Fiscal 2013. The following table presents our percentage of net sales and operating income by quarter for Fiscal 2013:

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|                  | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |   |
|------------------|------------------|-------------------|------------------|-------------------|---|
| Net sales        | 26               | % 26              | % 21             | % 27              | % |
| Operating income | 31               | % 33              | % 5              | % 31              | % |

We anticipate that as our retail store operations increase in the future, the third quarter will continue to be our smallest net sales and operating income quarter and the percentage of the full year net sales and operating income generated in the third quarter will continue to decrease, absent any other factors that might impact seasonality. As the timing of certain unusual or non-recurring items, economic conditions, wholesale product shipments, weather or other factors affecting the retail business may vary from one year to the next, we do not believe that net sales or operating income for any particular quarter or the distribution of net sales and operating income for Fiscal 2013 are necessarily indicative of anticipated results in subsequent years.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to certain interest rate, foreign currency, commodity and inflation risks as discussed in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk in our Annual Report on Form 10-K for Fiscal 2013. There have not been any significant changes in our exposure to these risks during the First Nine Months of Fiscal 2014.

**ITEM 4. CONTROLS AND PROCEDURES****Evaluation of Disclosure Controls and Procedures**

Our principal executive officer and our principal financial officer have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and our principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and then communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

**Changes in Internal Control over Financial Reporting**

During the Third Quarter of Fiscal 2014, we implemented a new financial consolidation and reporting package as part of our continuing effort to improve the efficiency of our accounting and financial reporting processes and to provide more integrated systems and reporting. The implementation was not in response to any actual or perceived deficiencies in our internal control over financial reporting. As a result of this implementation certain controls in the financial reporting process were modified to enhance, supplement or supersede existing controls, as necessary.

Except as described above, there were no changes in our internal control over financial reporting during the Third Quarter of Fiscal 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

In the ordinary course of business, we may become subject to litigation or claims. We are not currently a party to any litigation or regulatory action that we believe could reasonably be expected to have a material adverse effect on our

financial position, results of operations or cash flows.

#### ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, investors should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for Fiscal 2013, which could materially affect our business, financial condition or operating results. The risks described in our Annual Report on Form 10-K for Fiscal 2013 are not the only risks facing our company.

#### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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(a) During the Third Quarter of Fiscal 2014, we did not make any unregistered sales of our equity securities.

(c) We have certain stock incentive plans as described in Note 7 to our consolidated financial statements included in our Annual Report on Form 10-K for Fiscal 2013, all of which are publicly announced plans. Under the plans, we can repurchase shares from employees to cover employee tax liabilities related to the vesting of equity awards. During the Third Quarter of Fiscal 2014, no shares were purchased by us pursuant to these plans.

In Fiscal 2012, our Board of Directors authorized us to spend up to \$50 million to repurchase shares of our stock. This authorization superseded and replaced all previous authorizations to repurchase shares of our stock and has no automatic expiration. As of November 1, 2014, no shares of our stock had been repurchased pursuant to this authorization.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

- |         |                                                                                                                                                                                 |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1     | Restated Articles of Incorporation of Oxford Industries, Inc. Incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q for the fiscal quarter ended August 29, 2003. |
| 3.2     | Bylaws of Oxford Industries, Inc., as amended. Incorporated by reference to Exhibit 3.2 to the Company's Form 10-K filed on March 31, 2014.                                     |
| 31.1    | Section 302 Certification by Principal Executive Officer.*                                                                                                                      |
| 31.2    | Section 302 Certification by Principal Financial Officer.*                                                                                                                      |
| 32      | Section 906 Certification by Principal Executive Officer and Principal Financial Officer.*                                                                                      |
| 101.INS | XBRL Instance Document*                                                                                                                                                         |
| 101.SCH | XBRL Taxonomy Extension Schema Document*                                                                                                                                        |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document*                                                                                                                          |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document*                                                                                                                           |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document*                                                                                                                                |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document*                                                                                                                         |

\* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.



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December 11, 2014

OXFORD INDUSTRIES, INC.  
(Registrant)

/s/ K. Scott Grassmyer  
K. Scott Grassmyer  
Executive Vice President - Finance, Chief Financial Officer and  
Controller  
(Authorized Signatory)