MOVADO GROUP INC
Form 10-K
April 09, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark one)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For fiscal year ended January 31, 2009,

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 1-16497

MOVADO GROUP, INC.
(Exact name of registrant as specified in its charter)

New York (State or Other Jurisdiction of Incorporation or Organization)	13-2595932 (IRS Employer Identification No.)
650 From Road, Ste. 375 Paramus, New Jersey (Address of Principal Executive Offices)	07652-3556 (Zip Code)

Registrant's Telephone Number, Including Area Code:(201) 267-8000
Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common stock, par value $0.01 per share	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 x Non-accelerated filer ¨ 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 x

The aggregate market value of the voting stock held by non-affiliates of the registrant as of July 31, 2008 was approximately $414,787,000 (based on the closing sale price of the registrant's Common Stock on that date as reported on the New York Stock Exchange). For purposes of this computation, each share of Class A Common Stock is assumed to have the same market value as one share of Common Stock into which it is convertible and only shares of stock held by directors and executive officers were excluded.

The number of shares outstanding of the registrant's Common Stock and Class A Common Stock as of March 31, 2009 were 17,768,629 and 6,634,319, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to registrant's 2009 annual meeting of shareholders (the "Proxy Statement") are incorporated by reference in Part III hereof.

PART I

FORWARD-LOOKING STATEMENTS

Statements in this annual report on Form 10-K, including, without limitation, statements under Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operation” and elsewhere in this report, as well as statements in future filings by the Company with the Securities and Exchange Commission, in the Company’s press releases and oral statements made by or with the approval of an authorized executive officer of the Company, which are not historical in nature, are intended to be, and are hereby identified as, “forward-looking statements” for purposes of the safe harbor provided by the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates, forecasts and projections about the Company, its future performance, the industry in which the Company operates and management’s assumptions. Words such as “expects”, “anticipates”, “targets”, “goals” “projects”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “may”, “will”, “should” and variations of such words expressions are also intended to identify such forward-looking statements. The Company cautions readers that forward-looking statements include, without limitation, those relating to the Company’s future business prospects, projected operating or financial results, revenues, working capital, liquidity, capital needs, plans for future operations, expectations regarding capital expenditures and operating expenses, effective tax rates, margins, interest costs, and income as well as assumptions relating to the foregoing. Forward-looking statements are subject to certain risks and uncertainties, some of which cannot be predicted or quantified. Actual results and future events could differ materially from those indicated in the forward-looking statements, due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company’s reports filed with the SEC including, without limitation, the following: general economic and business conditions which may impact disposable income of consumers in the United States and the other significant markets where the Company’s products are sold, uncertainty regarding such economic and business conditions, trends in consumer debt levels and bad debt write-offs, general uncertainty related to possible terrorist attacks and the impact on consumer spending, changes in consumer preferences and popularity of particular designs, new product development and introduction, competitive products and pricing, seasonality, availability of alternative sources of supply in the case of the loss of any significant supplier, the loss of significant customers, the Company’s dependence on key employees and officers, the ability to successfully integrate the operations of acquired businesses without disruption to other business activities, the continuation of licensing arrangements with third parties, the ability to secure and protect trademarks, patents and other intellectual property rights, the ability to lease new stores on suitable terms in desired markets and to complete construction on a timely basis, the continued availability to the Company of financing and credit on favorable terms, business disruptions, disease, general risks associated with doing business outside the United States including, without limitation, import duties, tariffs, quotas, political and economic stability, and success of hedging strategies with respect to currency exchange rate fluctuations.

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

Item 1. Business

GENERAL

In this Form 10-K, all references to the "Company"or "Movado Group" include Movado Group, Inc. and its subsidiaries, unless the context requires otherwise.

Movado Group, Inc. designs, sources, markets and distributes fine watches and jewelry. Its portfolio of brands is comprised of Movado®, Ebel®, Concord®, ESQ®, Coach® Watches, HUGO BOSS® Watches, Juicy Couture® Watches, Tommy Hilfiger® Watches and Lacoste® Watches. The Company is a leader in the design, development, marketing and distribution of watch brands sold in almost every major category comprising the watch industry. The Company also designs, develops and markets proprietary Movado-branded jewelry which it retails in its luxury Movado Boutiques.

The Company was incorporated in New York in 1967 under the name North American Watch Corporation, to acquire Piaget Watch Corporation and Corum Watch Corporation, which had been, respectively, the exclusive importers and distributors of Piaget and Corum watches in the United States since the 1950's. The Company sold its Piaget and Corum distribution businesses in 1999 and 2000, respectively, to focus on its own portfolio of brands. Since its incorporation, the Company has developed its brand-building reputation and distinctive image across an expanding number of brands and geographic markets. Strategic acquisitions of watch brands and their subsequent growth, along with license agreements, have played an important role in the expansion of the Company's brand portfolio.

In 1970, the Company acquired the Concord brand and the Swiss company that had been manufacturing Concord watches since 1908. In 1983, the Company acquired the U.S. distributor of Movado watches and substantially all of the assets related to the Movado brand from the Swiss manufacturer of Movado watches. The Company changed its name to Movado Group, Inc. in 1996. In March 2004, the Company completed its acquisition of Ebel, one of the world's premier luxury watch brands that was established in La Chaux-de-Fonds, Switzerland in 1911.

The Company is very selective in its licensing strategy and chooses to enter into long-term partnerships with only powerful brands that are leaders in their respective businesses. The following table sets forth the brands licensed by the Company and the year in which the Company launched each licensed brand for watches. All of the Company's license agreements are exclusive.

Brand	Licensor	Year Launched
ESQ	Hearst Communication, Inc.	1993
Coach	Coach, Inc.	1999
Tommy Hilfiger	Tommy Hilfiger Licensing, Inc.	2001
HUGO BOSS	HUGO BOSS Trade Mark Management GmbH & Co KG	2006
Juicy Couture	L.C. Licensing, Inc.	2007
Lacoste	Lacoste S.A., Sporloisirs S.A. and Lacoste Alligator S.A.	2007

On October 7, 1993, the Company completed a public offering of 2,666,667 shares of common stock, par value $0.01 per share. On October 21, 1997, the Company completed a secondary stock offering in which 1,500,000 shares of common stock were issued. On May 21, 2001, the Company moved from the NASDAQ National Market to the New York Stock Exchange ("NYSE"). The Company's common stock is traded on the NYSE under the trading symbol MOV.

RECENT DEVELOPMENTS

Economic conditions both in the United States and around the world have deteriorated since the beginning of fiscal 2009 and over the course of the last quarter ended January 31, 2009. As the events that have caused this deterioration continue to unfold, the Company does not have significant, meaningful visibility into the further effects they could have on the U.S. and the global economy, although they likely will continue to have a negative impact on the Company's sales and profits into fiscal 2010. Nevertheless, the Company intends to continue to take actions to appropriately manage its business while strategically positioning itself for long-term success, including:

- capitalizing on the strength of the Company's brands to gain market share across all price categories;
- the expense reduction initiatives implemented throughout fiscal 2009;
- working with retail customers to help them better manage their inventory, improve their productivity and reduce credit risk; and
- continuing to tightly manage cash and inventory levels.

As a result of the Company's fourth quarter fiscal 2009 financial results, the Company was not in compliance with one of its financial covenants under certain of its current debt agreements, specifically the interest coverage ratio covenant. As a result of the Company's non-compliance with the interest coverage ratio covenant, any amounts owed under these agreements have been reclassified to current liabilities. Additionally, the Company is prohibited from borrowing any additional funds under these agreements, and the amounts owed as of January 31, 2009 may be declared immediately due and payable by the lenders. The lenders have not taken any action in respect to this default, but they may do so in the future.

Through the date of this filing, the Company is in negotiations with banking institutions for a new three year asset-based revolving credit facility for an amount up to $110 million. To provide for available liquidity in the event that the $110 million asset-based revolving credit facility is not consummated, the Company has received a commitment for a three year $50 million asset-based credit facility from Bank of America. The commitment is subject to the completion of due diligence by Bank of America and the satisfaction of a number of additional customary conditions precedent, certain of which are at the sole discretion of Bank of America. For more information on current and proposed debt and credit arrangements, see Notes 4 and 5 to the Consolidated Financial Statements.

On April 9, 2009, the Company announced that its Board of Directors has decided to discontinue the quarterly cash dividend. This decision was based on the Company's desire to retain capital during the current challenging economic environment. The Board will evaluate the reinstitution of a quarterly dividend once the economy has stabilized and the Company has returned to an appropriate level of profitability.

During the second half of fiscal 2009, the Company announced initiatives designed to streamline operations, reduce expenses, and improve efficiencies and effectiveness across the Company's global organization. In fiscal 2009, the Company recorded a total pre-tax charge of $11.1 million related to the completion of these programs and a restructuring of certain benefit arrangements. These expenses were recorded in SG&A expenses in the Consolidated Statements of Income.

INDUSTRY OVERVIEW

The largest markets for watches are North America, Western Europe and Asia. The Company divides the watch market into six principal categories as set forth in the following table.

Market Category	Suggested Retail Price Range	Primary Category of Movado Group, Inc. Brands
Exclusive	$10,000 and over	Concord
Luxury	$1,500 to $9,999	Ebel
Premium	$500 to $1,499	Movado
Moderate	$100 to $499	ESQ, Coach, HUGO BOSS, Juicy Couture and Lacoste
Fashion	$55 to $99	Tommy Hilfiger
Mass Market	Less than $55	-

Exclusive Watches

Exclusive watches are usually made of precious metals, including 18 karat gold or platinum, and are often set with precious gems. These watches are primarily mechanical or quartz-analog watches. Mechanical watches keep time with intricate mechanical movements consisting of an arrangement of wheels, jewels and winding and regulating mechanisms. Quartz-analog watches have quartz movements in which time is precisely calibrated to the regular frequency of the vibration of quartz crystal. Exclusive watches are manufactured almost entirely in Switzerland. In addition to the Company’s Concord watches, well-known brand names of exclusive watches include Audemars Piguet, Patek Philippe, Piaget and Vacheron Constantin.

Luxury Watches

Luxury watches are either quartz-analog watches or mechanical watches. These watches typically are made with either 14 or 18 karat gold, stainless steel or a combination of gold and stainless steel, and are occasionally set with precious gems. Luxury watches are primarily manufactured in Switzerland. In addition to a majority of the Company’s Ebel watches, well-known brand names of luxury watches include Baume & Mercier, Breitling, Cartier, Omega, Rolex and TAG Heuer.

Premium Watches

The majority of premium watches are quartz-analog watches. These watches typically are made with gold finish, stainless steel or a combination of gold finish and stainless steel. Premium watches are manufactured primarily in Switzerland, although some are manufactured in Asia. In addition to a majority of the Company’s Movado watches, well-known brand names of premium watches include Gucci, Rado and Raymond Weil.

Moderate Watches

Most moderate watches are quartz-analog watches. Moderate watches are manufactured primarily in Asia and Switzerland. These watches typically are made with gold finish, stainless steel, brass or a combination of gold finish and stainless steel. In addition to the Company's ESQ, Coach, HUGO BOSS, Juicy Couture and Lacoste brands, well-known brand names of watches in the moderate category include Anne Klein, Bulova, Citizen, Guess, Seiko and Wittnauer.

Fashion Watches

Watches comprising the fashion market are primarily quartz-analog watches but also include some digital watches. Watches in the fashion category are generally made with stainless steel, gold finish, brass and/or plastic and are manufactured primarily in Asia. Fashion watches feature designs that reflect current and emerging fashion trends. Many are sold under licensed designer and brand names that are well-known principally in the apparel industry. In addition to the Company's Tommy Hilfiger brand, well-known brands of fashion watches include Anne Klein II, DKNY, Fossil, Guess, Kenneth Cole and Swatch.

Mass Market Watches

Mass market watches typically consist of digital watches and analog watches made from stainless steel, brass and/or plastic and are manufactured in Asia. Well-known brands include Casio, Citizen, Pulsar, Seiko and Timex. The Company does not compete in the mass market watch category.

BRANDS

The Company designs, develops, sources, markets and distributes products under the following watch brands:

Movado

Founded in 1881 in La Chaux-de-Fonds, Switzerland, Movado is an icon of modern design. Today the brand includes a line of watches, inspired by the simplicity of the Bauhaus movement, including the world famous Movado Museum watch and a number of other watch collections with more traditional dial designs. The design for the Movado Museum watch was the first watch design chosen by the Museum of Modern Art for its permanent collection. It has since been honored by other museums throughout the world. The Movado brand also includes Series 800, a sport watch collection that incorporates Movado quality and craftsmanship with the characteristics of a true sport watch. Movado watches have Swiss movements and are made with 14 or 18 karat gold, 18 karat gold finish, stainless steel or a combination of 18 karat gold finish and stainless steel. The core collection of Movado watches has suggested retail prices between $595 and $1,595, with select models exceeding this range.

Ebel

The Ebel brand, one of the world's premier luxury watch brands, was established in La Chaux-de-Fonds, Switzerland in 1911. Since acquiring Ebel, Movado Group has returned Ebel to its roots as the "Architects of Time" through its product development, marketing initiatives and global advertising campaigns. All Ebel watches feature Swiss movements and are made with solid 18 karat gold, stainless steel or a combination of 18 karat gold and stainless steel. The core collection of Ebel watches has suggested retail prices between $3,450 and $21,500, with select models exceeding this range.

Concord

Concord was founded in 1908 in Bienne, Switzerland. Inspired by its avant garde roots, Concord is designed to be resolutely upscale with a modern, edgy point of view and has been repositioned as a niche luxury brand with exclusive distribution. The brand's products center on its iconic C1 collection,

a breakthrough in modern design. Concord watches have Swiss movements and are made with solid 18 karat gold, stainless steel or a combination of 18 karat gold and stainless steel. The core collection of Concord watches has suggested retail prices between $10,500 and $37,700, with select models exceeding this range.

Coach Watches

Coach Watches are an extension of the Coach leathergoods brand and reflect the Coach brand image. A distinctive American brand, Coach delivers stylish, aspirational, well-made products that represent excellent value. Coach watches contain Swiss movements and are made with stainless steel, gold finish or a combination of stainless steel and gold finish with leather straps, stainless steel bracelets or gold finish bracelets. The core collection of Coach watches has suggested retail prices between $298 and $558, with select models exceeding this range.

ESQ

ESQ competes in the entry level Swiss watch category and is defined by bold sport and fashion designs. All ESQ watches contain Swiss movements and are made with stainless steel, gold finish or a combination of stainless steel and gold finish, with leather straps, stainless steel bracelets or gold finish bracelets. The core collection of ESQ watches has suggested retail prices between $195 and $595, with select models exceeding this range.

Tommy Hilfiger Watches

Reflecting the fresh, fun all-American style for which Tommy Hilfiger is known, Tommy Hilfiger watches feature quartz, digital or analog-digital movements, with stainless steel, titanium, aluminum, silver-tone, two-tone or gold-tone cases and bracelets, and leather, fabric, plastic or rubber straps. The line includes fashion and sport models with the core collection of Tommy Hilfiger watches having suggested retail prices between $85 and $145, with select models exceeding this range.

HUGO BOSS Watches

HUGO BOSS is a global market leader in the world of fashion. The HUGO BOSS watch collection is an extension of the parent brand and includes classy, sporty, elegant and fashion timepieces with distinctive features, giving this collection a strong and coherent identity. The core collection of HUGO BOSS watches has suggested retail prices between $225 and $550, with select models exceeding this range.

Juicy Couture Timepieces

Juicy Couture is a premium designer, marketer and wholesaler of sophisticated, yet fun fashion for women, men and children. Liz Claiborne, Inc. (NYSE: LIZ) purchased Juicy Couture in the spring of 2003, and has facilitated Juicy Couture's growth into a powerhouse lifestyle brand. Juicy Couture timepieces reflect the brand's clear vision, unique identity and leading brand position in the upscale contemporary category, encompassing both trend-right and core styling contemporary watches having suggested retail prices for its core collection between $150 and $395, with select models exceeding this range.

Lacoste Watches

The Lacoste watch collection embraces the Lacoste lifestyle proposition which encompasses elegance, refinement and comfort, as well as a dedication to quality and innovation. Mirroring key attributes of the Lacoste brand, the collection features stylish timepieces with a contemporary sport elegant feel, having suggested retail prices for its core collection between $165 to $395, with select models exceeding this range.

DESIGN AND PRODUCT DEVELOPMENT

The Company's offerings undergo two phases before they are produced for sale to customers: design and product development. The design phase includes the creation of artistic and conceptual renderings while product development involves the construction of prototypes. The Company's ESQ and licensed brands are designed by in-house design teams in Switzerland and the United States in cooperation with outside sources, including (in the case of the licensed brands except for ESQ) licensors' design teams. Product development for these watches takes place in the Company's Asia operations. For the Company's Movado, Ebel and Concord brands, the design phase is performed by a combination of in-house and freelance designers in Europe while product development is carried out in the Company's Swiss operations. Senior management of the Company is actively involved in the design and product development process.

MARKETING

The Company's marketing strategy is to communicate a consistent, brand-specific message to the consumer. Recognizing that advertising is an integral component to the successful marketing of its product offerings, the Company devotes significant resources to advertising and, since 1972, has maintained its own in-house advertising department. The Company's advertising department focuses primarily on the implementation and management of global marketing and advertising strategies for each of its brands, ensuring consistency of presentation. The Company utilizes outside agencies for the creative development of advertising campaigns which are developed individually for each of the Company's brands and are directed primarily to the end consumer rather than to trade customers. The Company's advertising targets consumers with particular demographic characteristics appropriate to the image and price range of the brand. Most Company advertising is placed predominantly in magazines and other print media but some is also created for radio and television campaigns, catalogs, outdoor and other promotional materials. Marketing expenses totaled 17.4%, 15.4% and 14.9% of net sales in fiscal 2009, 2008 and 2007, respectively.

OPERATING SEGMENTS

The Company conducts its business primarily in two operating segments: Wholesale and Retail. For operating segment data and geographic segment data for the years ended January 31, 2009, 2008 and 2007, see Note 15 to the Consolidated Financial Statements regarding Segment Information.

The Company's wholesale segment includes the design, development, sourcing, marketing and distribution of high quality watches, in addition to after-sales service activities and shipping. The retail segment includes the Company's Movado Boutiques and its outlet stores.

The Company divides its business into two major geographic segments: United States operations, and International, which includes the results of all other Company operations. The allocation of geographic revenue is based upon the location of the customer. The Company's international operations are principally conducted in Europe, Asia, Canada, the Middle East, South America and the Caribbean. The Company's international assets are substantially located in Switzerland.

Wholesale

United States Wholesale

The Company sells all of its brands in the U.S. wholesale market primarily to major jewelry store chains such as Helzberg Diamonds Corp., Sterling, Inc. and Zale Corporation; department stores, such as Macy's, Nordstrom and Saks Fifth Avenue, as well as independent jewelers. Sales to trade customers in the United States are made directly by the Company's U.S. sales force of approximately 90 employees. Of these employees, sales representatives are responsible for a defined geographic territory, specialize in a particular brand and sell to and service independent jewelers within their territory. Their compensation is based on salary plus commission. The sales force also consists of account executives and account representatives who, respectively, sell to and service chain and department store accounts. The latter typically handle more than one of the Company's brands and are compensated based on salary and incentives.

International Wholesale

Internationally, the Company's brands are sold in department stores such as El Cortes Ingles in Spain and Galeries Lafayette in France, jewelry chain stores such as Christ in Switzerland and Germany and independent jewelers. The Company employs its own international sales force of approximately 50 employees operating at the Company's sales and distribution offices in Canada, China, France, Germany, Hong Kong, Japan, Singapore, Switzerland, the United Kingdom and the United Arab Emirates. In addition, the Company sells all of its brands other than ESQ through a network of independent distributors operating in numerous countries around the world. Distribution of ESQ watches which, outside of the United States are sold only in Canada and the Caribbean, is handled by the Company's Canadian subsidiary and Caribbean based sales team. A majority of the Company's arrangements with its international distributors are long-term, generally require certain minimum purchases and minimum advertising expenditures and restrict the distributor from selling competitive products.

In France and Germany, the Company's licensed brands are marketed and distributed by subsidiaries of a joint venture company owned 51% by the Company and 49% by Financiere TWC SA ("TWC"), a French company with established distribution, marketing and sales operations in France and Germany.

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The terms of the joint venture agreement include financial performance measures which, if not attained, give either party the right to terminate the agreement after the fifth (5th) and the tenth (10th) years (January 31, 2011 and January 31, 2016); restrictions on the transfer of shares in the joint venture company; and a buy out right whereby the Company can purchase all of TWC's shares in the joint venture company as of July 1, 2016 and every fifth (5th) anniversary thereafter at a pre-determined price.

In the UK, the Company signed a joint venture agreement (the "JV Agreement") on May 11, 2007, with Swico Limited ("Swico"), an English company with established distribution, marketing and sales operations in the UK. Swico had been the Company's exclusive distributor of HUGO BOSS watches in the UK since 2005. Under the JV Agreement, the Company and Swico control 51% and 49%, respectively, of MGS Distribution Limited, a newly formed English company ("MGS") that is responsible for the marketing, distribution and sale in the UK of the Company's licensed HUGO BOSS, Tommy Hilfiger, Lacoste and Juicy Couture brands, as well as future brands licensed to the Company, subject to the terms of the applicable license agreement. Swico is responsible for the day to day management of MGS, including staffing and providing logistical support, inventory management, order fulfillment, distribution and after sale services, systems and back office support. The terms of the JV Agreement include financial performance measures which, if not attained, give either party the right to terminate the JV Agreement after the fifth (5th) and the tenth (10th) years (January 31, 2012 and January 31, 2017); restrictions on the transfer of shares in MGS; and a buy out right whereby the Company can purchase all of Swico's shares in MGS as of July 1, 2017 and every 5th anniversary thereafter at a pre-determined price.

Retail

The Company operates in two retail markets, the luxury boutique market and the outlet market. Movado Boutiques reinforce the luxury image and are a primary strategic focus of the Movado brand. The Company operates 29 Movado Boutiques in the United States that are located in upscale regional shopping centers and metropolitan areas. Movado Boutiques are merchandised with select models of Movado watches, as well as proprietary Movado-branded jewelry and clocks. The modern store design creates a distinctive environment that showcases these products and provides consumers with the ability to fully experience the complete Movado design philosophy. The Company’s 32 outlet stores are multi-branded and serve as an effective vehicle to sell discontinued models and factory seconds of all of the Company’s watches and jewelry.

SEASONALITY

The Company’s U.S. sales are traditionally greater during the Christmas and holiday season. Consequently, the Company’s net sales historically have been higher during the second half of the fiscal years. The amount of net sales and operating profit generated during the second half of each fiscal year depends upon the general level of retail sales during the Christmas and holiday season, as well as economic conditions and other factors beyond the Company’s control. Major selling seasons in certain international markets center on significant local holidays that occur in late winter or early spring. The second half of each year accounted for 49.9%, 57.0%, and 57.9% of the Company’s net sales for the fiscal years ended January 31, 2009, 2008, and 2007, respectively. In fiscal 2009, the Company did not experience the usual seasonality of its business due to the downturn in the global economy, which resulted in the percentage of net sales for the second half of the fiscal year not being comparable to that in previous years.

BACKLOG

At March 25, 2009, the Company had unfilled orders of $36.0 million compared to $42.4 million at March 14, 2008 and $55.8 million at March 15, 2007. Unfilled orders include both confirmed orders and orders the Company believes will be confirmed based on the historic experience with the customers. It is customary for many of the Company's customers not to confirm their future orders with formal purchase orders until shortly before their desired delivery dates.

CUSTOMER SERVICE, WARRANTY AND REPAIR

The Company has developed an approach to managing the retail sales process of its wholesale customers that involves monitoring their sales and inventories by product category and style. The Company also assists in the conception, development and implementation of customers' marketing vehicles. The Company places considerable emphasis on cooperative advertising programs with its major retail customers. The Company's retail sales process has resulted in close relationships with its principal customers, often allowing for influence on the mix, quantity and timing of their purchasing decisions. The Company believes that customers' familiarity with its sales approach has facilitated, and should continue to facilitate, the introduction of new products through its distribution network.

The Company permits the return of damaged or defective products. In addition, although the Company has no obligation to do so, it accepts other returns from customers in certain instances.

The Company has service facilities around the world including seven Company-owned service facilities and approximately 300 independent service centers which are authorized to perform warranty repairs. In order to maintain consistency and quality at its service facilities and authorized independent service centers, the Company conducts training sessions for and distributes technical information and updates to repair personnel. All watches sold by the Company come with limited warranties covering the movement against defects in material and workmanship for periods ranging from two to three years from the date of purchase, with the exception of Tommy Hilfiger watches, for which the warranty period is ten years. In addition, the warranty period is five years for the gold plating on certain Movado watch cases and bracelets. Products that are returned under warranty to the Company are generally serviced by the Company's employees at its service facilities.

The Company retains adequate levels of component parts to facilitate after-sales service of its watches for an extended period of time after the discontinuance of such watches.

The Company makes available Customer Wins, a web-based system providing immediate access for the Company's retail partners and consumers to the information they may want or need about after sales service issues. Customer Wins allows the Company's retailers and end consumers to track their repair status online 24 hours a day. The system also permits customers to authorize repairs, track repair status through the entire repair life cycle, view repair information and obtain service order history. Customer Wins can be accessed online at www.mgiservice.com.

SOURCING, PRODUCTION AND QUALITY

The Company does not own any product manufacturing facilities, with the exception of limited in-house assembly operations in Bienne, Switzerland and a small manufacturing facility for proprietary movements for its Ebel brand in La Chaux-de-Fonds, Switzerland. The Company employs a flexible manufacturing model that relies primarily on independent manufacturers to meet shifts in marketplace

demand and changes in consumer preferences. All product sources must achieve and maintain the Company's high quality standards and specifications. With strong supply chain organizations in Switzerland, China and Hong Kong, the Company maintains control over the quality of its products, wherever they are manufactured. Compliance is monitored with strictly implemented quality control standards, including on-site quality inspections.

A majority of the Swiss watch movements used in the manufacture of Movado, Ebel, Concord and ESQ watches are purchased from two suppliers. Additionally, the Company manufactures some proprietary movements for its Ebel brand. The Company obtains other watch components for all of its brands, including movements, cases, hands, dials, bracelets and straps from a number of other suppliers. The Company does not have long-term supply contract commitments with any of its component parts suppliers.

Movado, Ebel and Concord watches are generally manufactured in Switzerland by independent third party assemblers with some in-house assembly in Bienne and La Chaux-de-Fonds, Switzerland. Movado, Ebel and Concord watches are manufactured using Swiss movements and other components obtained from third party suppliers. Coach, ESQ, Tommy Hilfiger, HUGO BOSS, Juicy Couture, and Lacoste watches are manufactured by independent contractors. Coach and ESQ watches are manufactured using Swiss movements and other components purchased from third party suppliers. Tommy Hilfiger, HUGO BOSS, Juicy Couture, and Lacoste watches are manufactured using movements and other components purchased from third party suppliers.

TRADEMARKS, PATENTS AND LICENSE AGREEMENTS

The Company owns the trademarks MOVADO®, EBEL® and CONCORD®, as well as trademarks for the Movado Museum dial design, and related trademarks for watches and jewelry in the United States and in numerous other countries.

The Company licenses ESQUIRE®, ESQ® and related trademarks on an exclusive worldwide basis for use in connection with the manufacture, distribution, advertising and sale of watches pursuant to a license agreement with Hearst Magazine, a division of Hearst Communications, Inc., dated as of January 1, 1992 (as amended, the "Hearst License Agreement"). The current term of the Hearst License Agreement expires December 31, 2012, but contains options for renewal at the Company's discretion through December 31, 2042.

The Company licenses the trademark COACH® and related trademarks on an exclusive worldwide basis for use in connection with the manufacture, distribution, advertising and sale of watches pursuant to a license agreement with Coach, Inc., dated December 9, 1996 (as amended, the "Coach License Agreement"). The Coach License Agreement expires on June 30, 2015.

Under an agreement with Tommy Hilfiger Licensing, Inc., dated June 3, 1999, as amended, the Company has the exclusive license to use the trademark TOMMY HILFIGER® and related trademarks in connection with the manufacture of watches worldwide and in connection with the marketing, advertising, sale and distribution of watches at wholesale (and at retail through its outlet stores) in the Western Hemisphere, Europe, Pan Pacific (excluding Japan), Latin America, the Middle East, China and Korea. The term of the license agreement with Tommy Hilfiger Licensing, Inc. expires March 31, 2012.

Under its 2004 agreement with HUGO BOSS Trademark Management GmbH & Co, the Company received a worldwide exclusive license to use the trademark HUGO BOSS® and any other trademarks containing the names “HUGO” or “BOSS”, in connection with the production, promotion and sale of watches. The term of the license continues through December 31, 2013, with an optional five-year renewal period.

On November 21, 2005, the Company entered into an agreement with L.C. Licensing, Inc., for the exclusive worldwide license to use the trademarks JUICY COUTURE® and COUTURE COUTURE LOS ANGELES™, in connection with the manufacture, advertising, merchandising, promotion, sale and distribution of timepieces and components. The term of the license is through December 31, 2011, with a four-year renewal period at the option of the Company, provided that certain sales thresholds are met.

On March 27, 2006, the Company entered into an exclusive worldwide license agreement with Lacoste S.A., Sporloisirs, S.A. and Lacoste Alligator, S.A. to design, produce, market and distribute Lacoste watches under the Lacoste® name and the distinctive “alligator” logo beginning in the first half of 2007. The agreement continues through December 31, 2014 and renews automatically for successive five year periods unless either party notifies the other of non-renewal at least six months before the end of the initial term or any renewal period.

The Company also owns, and has pending applications for, a number of design patents in the United States and internationally for various watch designs, as well as designs of watch dials, cases, bracelets and jewelry.

The Company actively seeks to protect and enforce its intellectual property rights by working with industry associations, anti-counterfeiting organizations, private investigators and law enforcement authorities, including customs authorities in the United States and internationally, and, when necessary, suing infringers of its trademarks and patents. Consequently, the Company is involved from time to time in litigation or other proceedings to determine the enforceability, scope and validity of these rights. With respect to the trademarks MOVADO®, EBEL®, CONCORD® and certain other related trademarks, the Company has received exclusion orders that prohibit the importation of counterfeit goods or goods bearing confusingly similar trademarks into the United States and other countries. In accordance with customs regulations, these exclusion orders, however, do not cover the importation of genuine Movado, Ebel and Concord watches because the Company is the manufacturer of such watches. All of the Company’s exclusion orders are renewable.

COMPETITION

The markets for each of the Company’s watch brands are highly competitive. With the exception of Swatch Group, Ltd., a large Swiss-based competitor, no single company competes with the Company across all of its brands. Certain companies, however, compete with Movado Group, Inc. with respect to one or more of its watch brands. Certain of these companies have, and other companies that may enter the Company’s markets in the future may have, greater financial, distribution, marketing and advertising resources than the Company. The Company’s future success will depend, to a significant degree, upon its continued ability to compete effectively with regard to, among other things, the style, quality, price, advertising, marketing, distribution and availability of supply of the Company’s watches and other products.

EMPLOYEES

As of January 31, 2009, the Company had approximately 1,300 full-time employees in its global operations. The Company expects that the number of employees will decrease to approximately 1,250 during the first quarter of fiscal 2010. This represents a reduction of approximately 250 employees when compared to the approximately 1,500 employed as of January 31, 2008. No employee of the Company is represented by a labor union or is subject to a collective bargaining agreement. The Company has never experienced a work stoppage due to labor difficulties and believes that its employee relations are good.

AVAILABLE INFORMATION

The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on the Company's website, located at www.movadogroup.com, as soon as reasonably practicable after the same are electronically filed with, or furnished to, the Securities and Exchange Commission. The public may read any materials filed by the Company with the SEC at the SEC's public reference room at 100 F. Street, N.E., Washington, D.C., 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding the Company at www.sec.gov.

The Company has adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees, including the Company's Chief Executive Officer, Chief Financial Officer and principal accounting and financial officers, which is posted on the Company's website. The Company will post any amendments to the Code of Business Conduct and Ethics and any waivers that are required to be disclosed by SEC regulations on the Company's website. In addition, the committee charters for the audit committee, the compensation committee and the nominating/corporate governance committee of the Board of Directors of the Company and the Company's corporate governance guidelines have been posted on the Company's website.

Item 1A. Risk Factors

The following risk factors and the forward-looking statements contained in this Form 10-K should be read carefully in connection with evaluating Movado Group, Inc.'s business. These risks and uncertainties could cause actual results and events to differ materially from those anticipated. Additional risks which the Company does not presently consider material, or of which it is not currently aware, may also have an adverse impact on the business. Please also see "Forward-Looking Statements" on page 1.

The deterioration of economic conditions in the U.S. and around the world, and the resulting declines in consumer confidence and spending, could have a material adverse effect on the Company's operating results.

The Company's results are dependent on a number of factors impacting consumer confidence and spending, including, but not limited to, general economic and business conditions; wages and employment levels; volatility in the stock market; falling home values; inflation; consumer debt levels; availability of consumer credit; rising interest costs; solvency concerns of major financial institutions;

fluctuations in foreign currency exchange rates; fuel and energy costs; energy shortages; tax issues; and general political conditions, both domestic and abroad.

The current volatility and disruption to the capital and credit markets have reached unprecedented levels and have significantly adversely impacted global economic conditions, resulting in declines in employment levels, disposable income and actual and/or perceived wealth and further declines in consumer confidence and economic growth. These conditions have led and could further lead to continuing substantial declines in consumer spending over the foreseeable future. The current negative economic environment has been characterized by a dramatic decline in consumer discretionary spending and has disproportionately affected retailers and sellers of consumer goods, particularly those whose goods are viewed as discretionary purchases. The Company's products fall into categories that are considered discretionary items. The current downturn and uncertain outlook in the global economy will likely continue to have a material adverse impact on the Company's business, financial condition, liquidity and results of operations. In addition, events such as war, terrorism, natural disasters or outbreaks of disease could further dampen consumer spending on discretionary items. If any of these events should occur, the Company's future sales could decline.

The Company faces intense competition in the worldwide watch industry.

The watch industry is highly competitive and the Company competes globally with numerous manufacturers, importers and distributors, some of which are larger and have greater financial, distribution, advertising and marketing resources. The Company's products compete on the basis of price, features, perceived desirability, reliability and perceived attractiveness. The Company also faces increased competition from internet-based retailers. The Company's future results of operations may be adversely affected by these and other competitors.

Maintaining favorable brand recognition is essential to the success of the Company, and failure to do so could materially and adversely affect the Company's results of operations.

Favorable brand recognition is an important factor to the future success of the Company. The Company sells its products under a variety of owned and licensed brands. Factors affecting brand recognition are often outside the Company's control, and the Company's efforts to create or enhance favorable brand recognition, such as making significant investments in marketing and advertising campaigns, product design and anticipation of fashion trends, may not have their desired effects. Additionally, the Company relies on its license partners to maintain favorable brand recognition of their respective parent brands, and the Company often has no control over the brand management efforts of its license partners. Finally, although the Company's independent distributors are subject to contractual requirements to protect the Company's brands, it may be difficult to monitor or enforce such requirements, particularly in foreign jurisdictions. Any decline in perceived favorable recognition of the Company's owned or licensed brands could materially and adversely affect future results of operations and profitability. If the Company is unable to respond to changes in consumer demands and fashion trends in a timely manner, sales and profitability could be adversely affected.

Fashion trends and consumer demands and tastes often shift quickly. The Company attempts to monitor these trends in order to adapt its product offerings to suit customer demand. There is a risk that the Company will not properly perceive changes in trends or tastes, which may result in the failure to adapt the Company's products accordingly. In addition, new model designs are regularly introduced into the market for all brands to keep ahead of evolving fashion trends as well as to initiate new trends of their own. There is risk that the public may not favor these new models or that the models may not be ready

for sale until after the trend has passed. If the Company fails to respond to and keep up to date with fashion trends and consumer demands and tastes, its brand image, sales, profitability and results of operations could be materially and adversely affected.

If the Company misjudges the demand for its products, high inventory levels could adversely affect future operating results and profitability.

Consumer demand for the Company's products can affect inventory levels. If consumer demand is lower than expected, inventory levels can rise causing a strain on operating cash flow. If the inventory cannot be sold through the Company's wholesale or retail outlets, additional reserves or write-offs to future earnings could be necessary. Conversely, if consumer demand is higher than expected, insufficient inventory levels could result in unfulfilled customer orders, loss of revenue and an unfavorable impact on customer relationships. Failure to properly judge consumer demand and properly manage inventory could have a material adverse effect on profitability and liquidity.

An increase in product returns could negatively impact the Company's operating results and profitability.

The Company recognizes revenue as sales when merchandise is shipped and title transfers to the customer. The Company permits the return of damaged or defective products and accepts limited amounts of product returns in certain instances. Accordingly, the Company provides allowances for the estimated amounts of these returns at the time of revenue recognition based on historical experience. While such returns have historically been within management's expectations and the provisions established, future return rates may differ from those experienced in the past. Any significant increase in damaged or defective products or expected returns could have a material adverse effect on the Company's operating results for the period or periods in which such returns materialize.

The Company's business relies on the use of independent parties to manufacture its products. Any loss of an independent manufacturer, or the Company's inability to deliver quality goods in a timely manner, could have an adverse effect on customer relations, brand image, net sales and results of operations.

The Company employs a flexible manufacturing model that relies primarily on independent manufacturers to meet shifts in marketplace demand. All such independent manufacturers must achieve and maintain the Company's high quality standards and specifications. The inability of a manufacturer to ship orders in a timely manner or to meet the Company's high quality standards and specifications could cause the Company to miss committed delivery dates with customers, which could result in cancellation of the customers' orders. In addition, delays in delivery of satisfactory products could have a material adverse effect on the Company's profitability, particularly if the delays cause the Company to be unable to market certain products during the seasonal periods when its sales are typically higher. See "Risk Factors – The Company's business is seasonal, with sales traditionally greater during certain holiday seasons, so events and circumstances that adversely affect holiday consumer spending will have a disproportionately adverse effect on the Company's results of operations." A majority of the Swiss watch movements used in the manufacture of Movado, Ebel, Concord and ESQ watches are purchased from two suppliers, one of which is a wholly-owned subsidiary of one of the Company's competitors. Additionally, the Company does not have long-term supply commitments with its manufacturers and thus competes for production facilities with other organizations, some of which are larger and have greater resources. Any loss of an independent manufacturer, or the Company's inability to deliver quality goods in a timely manner, could have an adverse effect on customer relations, brand image, net sales and results of operations.

If the Company loses any of its license agreements, there may be significant loss of revenues and a negative effect on business.

The Company has the right to produce, market and distribute watches under the brand names of ESQ, Coach, Tommy Hilfiger, HUGO BOSS, Juicy Couture and Lacoste pursuant to license agreements with the respective owners of those trademarks. There are certain minimum royalty payments as well as other requirements associated with these agreements. Failure to meet any of these requirements could result in the loss of the license. Additionally, after the term of any license agreement has concluded, thelicensor may decide not to renew with the Company. Any loss of one or more of the Company's licenses could result in loss of future revenues which could adversely affect its financial condition.

Changes in the sales mix of the Company's products could impact gross profit margins.

The individual brands that are sold by the Company are sold at a wide range of price points and yield a variety of gross profit margins. Thus, the mix of sales by brand can have an impact on the gross profit margins of the Company. If the Company's sales mix shifts unfavorably toward brands with lower gross profit margins than the Company's historical consolidated gross profit margin or if the mix of business changes significantly in the Movado Boutiques, it could have an adverse effect on the results of operations.

The Company's business is seasonal, with sales traditionally greater during certain holiday seasons, so events and circumstances that adversely affect holiday consumer spending will have a disproportionately adverse effect on the Company's results of operations.

The Company's sales are seasonal by nature. The Company's U.S. sales are traditionally greater during the Christmas and holiday season. Internationally, major selling seasons center on significant local holidays that occur in late winter or early spring. The amount of net sales and operating income generated during these seasons depends upon the general level of retail sales at such times, as well as economic conditions and other factors beyond the Company's control. The second half of each year accounted for 49.9%, 57.0%, and 57.9% of the Company's net sales for the fiscal years ended January 31, 2009, 2008, and 2007, respectively. In fiscal 2009, the Company did not experience the usual seasonality of its business due to the downturn in the economy, which resulted in the percentage of net sales for the second half of the fiscal year not being comparable to that in previous years. If events or circumstances were to occur that negatively impact consumer spending during such holiday seasons, it could have a material adverse effect on the Company's sales, profitability and results of operations.

Sales in the Company's retail stores are dependent upon customer foot traffic.

In the United States, we are experiencing a significant slowdown in customer traffic. The success of the Company's retail stores is, to a certain extent, dependent upon the amount of customer foot traffic generated by the mall or outlet center in which those stores are located. The majority of the Company's Movado Boutiques are located in upscale regional shopping centers throughout the United States, while the Company's outlet stores are located primarily near vacation destinations.

Factors that can affect customer foot traffic include:

- the location of the mall;
- the location of the Company's store within the mall;
- the other tenants in the mall;
- the occupancy rate of the mall;
- the success of mall and tenant advertising to attract customers;
- increased competition in areas surrounding the mall; and
- increased competition from shopping over the internet and other alternatives such as mail-order.

Additionally, since a number of the Company's outlet stores are located near vacation destinations, factors that affect travel could decrease mall traffic. Such factors include the price and supply of fuel, travel concerns and restrictions, international instability, terrorism and inclement weather.

A reduction in foot traffic in relevant malls or shopping centers could have a material adverse effect on retail sales and profitability.

If the Company is unable to maintain existing space or to lease new space for its retail stores in prime mall and outlet center locations or is unable to complete construction on a timely basis, the Company's ability to achieve favorable results in its retail business could be adversely affected.

The Company's Boutiques and outlet stores are strategically located in the United States, respectively, in top malls and in outlet centers located primarily near vacation destinations. If the Company cannot maintain and secure locations in prime malls and outlet centers for both the Movado Boutiques and outlet businesses, it could jeopardize the operations of the stores and business plans for the future. Additionally, if the Company cannot complete construction in new stores within the planned timeframes, cost overruns and lost revenue could adversely affect the profitability of the retail segment.

If the Company is unable to successfully implement its growth strategies, its future operating results could suffer.

There are certain risks involved as the Company continues expanding its business through acquisitions, license agreements, joint ventures and new initiatives such as the Movado Boutique business. There is risk involved with each of these. Acquisitions and new license agreements require the Company to ensure that new brands will successfully complement the other brands in its portfolio. The Company assumes the risk that the new brand will not be viewed by the public as favorably as its other brands. In addition, the integration of an acquired company or licensed brand into the Company's existing business can strain the Company's current infrastructure with the additional work required and there can be no assurance that the integration of acquisitions or licensed brands will be successful or that acquisitions or licensed brands will generate sales increases. The Company needs to ensure it has the adequate human resources and systems in place to allow for successful assimilation of new businesses. The risk involved in the Movado Boutique business is that the Company will not be able to successfully implement its business model. In addition, the costs associated with leasehold improvements to current Boutiques and the costs associated with opening new Boutiques could have a material adverse effect on the Company's financial condition and results of operations. The inability to successfully implement its growth strategies could adversely affect the Company's future financial condition and results of operations.

The loss or infringement of the Company’s trademarks or other intellectual property rights could have an adverse effect on future results of operations.

The Company believes that its trademarks and other intellectual property rights are vital to the competitiveness and success of its business and therefore it takes all appropriate actions to register and protect them. There can be no assurance, however, that such actions will be adequate to prevent imitation of the Company’s products or infringement of its intellectual property rights, or that others will not challenge the Company’s rights, or that such rights will be successfully defended. In addition, six of the Company’s nine brands are subject to license agreements with third parties under which the Company is required to make royalty payments and perform other obligations. Default by the Company under any of these agreements could result in the licensor terminating the agreement and the Company losing its rights under the license. Moreover, the laws of some foreign countries, including some in which the Company sells its products, may not protect intellectual property rights to the same extent as do the laws of the United States, which could make it more difficult to successfully defend such challenges to them. The Company’s inability to obtain or maintain rights in its trademarks, including its licensed marks, could have an adverse effect on brand image and future results of operations.

Fluctuations in the pricing of commodities or the cost of labor could adversely affect the Company’s ability to produce products at favorable prices.

Some of the Company’s higher-end watch offerings are made with materials such as diamonds, precious metals and gold. The Company’s proprietary jewelry is manufactured with silver, gold and platinum, semi-precious and precious stones, and diamonds. The Company relies on independent contractors to manufacture and assemble the majority of its watch brands and its entire jewelry offering. A significant change in the prices of these commodities or the cost of third-party labor could adversely affect the Company’s business by:

- reducing gross profit margins;
- forcing an increase in suggested retail prices; which could lead to
- decreasing consumer demand; which could lead to
- higher inventory levels.

Any and all of the above events could adversely affect the Company’s future cash flow and results of operations.

The Company’s business is subject to foreign currency exchange rate risk.

The majority of the Company’s inventory purchases are denominated in Swiss francs. The Company operates under a hedging program which utilizes forward exchange contracts and purchased foreign currency options to mitigate foreign currency risk. If these hedge instruments are unsuccessful at minimizing the risk or are deemed ineffective, any fluctuation of the Swiss franc exchange rate could impact the future results of operations. Changes in currency exchange rates may also affect relative prices at which the Company and its foreign competitors sell products in the same market. Additionally, a portion of the Company’s net sales are recorded in its foreign subsidiaries in a currency other than the local currency of that subsidiary. This predominantly occurs in the Company’s Hong Kong and Swiss subsidiaries when they sell to Euro-based customers. This exposure is not hedged by the Company. Any fluctuation in the Euro exchange rate in relation to the Hong Kong dollar and Swiss franc would have an effect on these sales that are recorded in Euro. The currency effect on these Euro sales has an equal effect on their recorded gross profit since the costs of these sales are recorded in the entities' respective local currency. Furthermore, since the Company's consolidated financial statements are presented in U.S. dollars, revenues, income and expenses, as well as assets and liabilities of foreign currency denominated subsidiaries must be translated into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Fluctuations in foreign currency exchange rates could adversely affect the Company's reported revenues, earnings, financial position and the comparability of results of operations from period to period.

The Grinberg family owns a majority of the voting power of the Company's stock.

Each share of common stock of the Company is entitled to one vote per share while each share of Class A Common Stock of the Company is entitled to ten votes per share. While the members of the Grinberg family do not own a majority of the Company's outstanding common stock, by their significant holdings of Class A Common Stock they control a majority of the voting power represented by all outstanding shares of both classes of stock. Consequently, the Grinberg family is in a position to significantly influence any matters that are brought to a vote of the shareholders including, but not limited to, the election of the Board of Directors and any action requiring the approval of shareholders, including any amendments to the Company's certificate of incorporation, mergers or sales of all or substantially all of the Company's assets. This concentration of ownership also may delay, defer or even prevent a change in control of the Company and make some transactions more difficult or impossible without the support of the Grinberg family. These transactions might include proxy contests, tender offers, mergers or other purchases of common stock that could give stockholders the opportunity to realize a premium over the then-prevailing market price for shares of the Company's common stock.

The Company's stock price could fluctuate and possibly decline due to changes in revenue, operating results and cash flow.

The Company's revenue, results of operations and cash flow can be affected by several factors, some of which are not within its control. Those factors include, but are not limited to, those described as risk factors in this Item 1A and under "Forward-Looking Statements" on page 1.

Any or all of these factors could cause a decline in revenues or increased expenses, both of which could have an adverse effect on the results of operations. If the Company's earnings failed to meet the expectations of the public in any given period, the Company's stock price could fluctuate and possibly decline.

If the Company were to lose its relationship with any of its key customers or distributors or any of such customers or distributors were to experience financial difficulties, there may be a significant loss of revenue and operating results.

The Company's customer base covers a wide range of distribution including national jewelry store chains, department stores, independent regional jewelers, licensed partner retail stores and a network of distributors in many countries throughout the world. The Company does not have long-term purchase contracts with its customers, nor does it have a significant backlog of unfilled orders. Customer purchasing decisions could vary with each selling season. A material change in the Company's customers' purchasing decisions could have an adverse effect on its revenue and operating results.

As part of the Company's unified Movado brand strategy announced on February 25, 2008, the Company streamlined the Movado brand wholesale distribution in the United States from 4,000

wholesale customer doors to approximately 2,600 doors, representing a 35% reduction, by the close of its fiscal year ending January 31, 2009. A wholesale customer door could be either a single store within a department store chain or an independent jewelry store. The strategy contemplated that a number of wholesale customers would continue to do business with the Company through their more profitable doors. There is a risk that these customers will have a negative response to the strategy of reducing the number of their doors that can sell Movado watches. This could potentially damage current relationships and hinder future business done with these customers.

The Company extends credit to its customers based on an evaluation of each customer's financial condition usually without requiring collateral. Should any of the Company's larger customers experience financial difficulties, it could result in the Company's curtailing doing business with them or
an increase in its exposure related to its accounts receivable. The inability to collect on these receivables could have an adverse effect on the Company's financial results.

The current credit crisis could have a negative impact on the Company's customers, suppliers and business partners, which in turn could materially and adversely affect its results of operations and liquidity.

The current credit crisis is having a significant negative impact on businesses around the world. The impact of this crisis on the Company's customers, suppliers and business partners cannot be predicted and may be quite severe. The inability of the Company's manufacturers to ship products could impair the Company's ability to meet delivery date requirements. A disruption in the ability of the Company's significant customers, distributors or licensees to access liquidity could cause serious disruptions or an overall deterioration of their businesses which could lead to a significant reduction in their future orders of the Company's products and the inability or failure on their part to meet their payment obligations to the Company, any of which could have a material adverse effect on the Company's results of operations and liquidity.

The Company's wholesale business could be negatively affected by changes of ownership and consolidation in the retail industry.

A large portion of the Company's U.S. wholesale business is derived from major jewelry store chains and department stores. In recent years, the retail industry has experienced changes in ownership and consolidations, none of which has had a material effect on the Company's wholesale business. Future reorganizations, changes of ownership and consolidations could reduce the number of retail doors in which the Company's products are sold and could increase the concentration of sales for any customers involved in such transactions. Future changes of ownership and structure in the retail industry may have a material adverse effect on the Company's wholesale business.

If the Company were to lose key members of management or be unable to attract and retain the talent required for the business, operating results could suffer.

The Company's ability to execute key operating initiatives as well as to deliver product and marketing concepts appealing to target consumers depends largely on the efforts and abilities of key executives and senior management's competencies. The unexpected loss of one or more of these individuals could have an adverse effect on the future business. The Company cannot guarantee that it will be able to attract and retain the talent and skills needed in the future.

Recent turmoil in the financial markets could affect credit availability and increase the cost of borrowing. Additionally, as a result of its non-compliance with the interest coverage ratio in its debt agreements, the Company is in the process of securing other financing. If the Company cannot secure financing and credit on favorable terms, the Company's financial condition and results of operation may be materially adversely affected.

The Company historically has been able to secure financing and credit facilities with very favorable terms due to the Company's financial stability and good relationships with its lending partners. In the fourth quarter of fiscal year 2009, the Company was not in compliance with the interest coverage ratio covenant under certain of its current debt agreements. As a result of the Company's non-compliance with the interest coverage ratio covenant, any amounts owed under these agreements have been reclassified to current liabilities. Additionally, the Company is prohibited from borrowing any additional funds under these agreements, and the amounts owed as of January 31, 2009 may be declared immediately due and payable by the lenders. The lenders have not taken any action in respect to this default, but they may do so in the future. Through the date of this filing, the Company is in negotiations with banking institutions for a new three year asset-based revolving credit facility for an amount up to $110 million. Additionally, to provide for available liquidity in the event the $110 million asset-based revolving credit facility is not consummated, the Company has received a commitment for a three year, $50 million asset-based credit facility from Bank of America. The commitment is subject to the completion of due diligence by Bank of America and the satisfaction of a number of additional customary conditions precedent, certain of which are at the sole discretion of Bank of America. The Company expects that the fees and the interest rates under either of the above facilities will be at current market rates which are significantly higher than those historically paid by the Company, resulting in an increase in interest expense and an adverse impact on financial results. In the event the $110 million asset-based revolving credit facility or the $50 million asset-based credit facility is not consummated, the Company's financial condition and results of operations may be materially adversely affected.

U.S. and global credit and equity markets have recently undergone significant disruption, making it difficult for many businesses to obtain financing on acceptable terms. If these conditions continue or worsen, the Company's cost of borrowing may increase and it may be more difficult to obtain financing for the Company's operations or to refinance long-term obligations as they become payable. In addition, the Company's borrowing costs can be affected by independent rating agencies' short and long-term debt ratings which are based largely on the Company's performance as measured by credit metrics including interest coverage and leverage ratios. A decrease in these ratings would likely also increase the Company's cost of borrowing and make it more difficult for it to obtain financing. A significant increase in the costs the Company incurs in order to finance its operations may have a material adverse impact on its business results and financial condition.

A significant portion of the Company's business is conducted outside of the United States. Many factors affecting business activities outside the United States could adversely impact this business.

The Company produces all of its watches and a portion of its proprietary jewelry outside the United States and primarily in Europe and Asia. The Company also generates approximately 45% of its revenue from international sources.

Factors that could affect the business activity vary by region and market and generally include without limitation:

- instability or changes in social, political and/or economic conditions that could disrupt the trade activity in the countries where the Company's manufacturers, suppliers and customers are located;
- the imposition of additional duties, taxes and other charges on imports and exports;
- changes in foreign laws and regulations;
- the adoption or expansion of trade sanctions;
- recessions in foreign economies; and
- a significant change in currency valuation in specific countries or markets.

The occurrence or consequences of any of these risks could affect the Company's ability to operate in the affected regions. This could have an adverse effect on the Company's financial results.

The Company has implemented a new business enterprise system. Any difficulties encountered with respect to such system could disrupt the Company's operations and data retrieval process.

On February 1, 2009 the Company implemented SAP, which is an end-to-end business enterprise solution, as its core enterprise system. The implementation of SAP will support the Company's growth strategy and integrate its global sourcing, wholesale and retail operations, consolidating the business operating systems into a single platform. Substantially all of the Company's subsidiaries migrated from the prior systems to SAP for all areas including finance, supply chain, sales and distribution, human resources, quality control and customer service. The point-of-sale and inventory systems of the retail segment will be implemented separately. While there were no significant difficulties encountered during the migration to SAP from the prior systems, and the Company did not experience any major disruptions in its operations or its ability to retrieve data or produce and ship product, the implementation is still in its early stages and difficulties may still arise as the Company ramps up operations in SAP during fiscal year 2010.

If the Company is unable to successfully implement its expense reduction plans, its future operating results could suffer.

During the second half of fiscal 2009, the Company implemented expense reduction plans designed to streamline operations, reduce expenses, and improve efficiencies and effectiveness across the Company's global organization. In fiscal 2009, the Company recorded a total pre-tax charge of $11.1 million related to the completion of these programs and a restructuring of certain benefit arrangements. The Company may not be able to fully realize its expense reductions and sustain them in subsequent periods. In addition, the Company could incur additional unforeseen expenses that may fully or partially offset these expected expense savings. Furthermore, there are risks that the Company's human resources could be strained as a result of the streamlining of operations and the reduction of its workforce. The inability to successfully implement its expense reduction plans could adversely affect the Company's future financial condition and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company leases various facilities in North America, Europe, the Middle East and Asia for its corporate, manufacturing, distribution and sales operations. As of January 31, 2009, the Company's leased facilities were as follows:

Location	Function	Square Footage	Lease Expiration
Moonachie, New Jersey	Watch assembly, distribution and repair	100,000	July 2019
Paramus, New Jersey	Executive offices	99,000	June 2013
Bienne, Switzerland	Corporate functions, watch sales, distribution, assembly and repair	53,560	January 2012
Kowloon, Hong Kong	Watch sales, distribution and repair	13,960	March 2013
Villers le Lac, France	European service and watch distribution	12,800	January 2016
Markham, Canada	Office, distribution and repair	11,200	August 2012
New York, New York	Public relations office, licensed brand showroom	9,900	August 2016
ChangAn Dongguan, China	Quality control and engineering	7,535	March 2009
Hackensack, New Jersey	Warehouse	6,600	July 2009
Munich, Germany	Watch sales	4,290	January 2012
Shanghai, China	Watch sales	3,200	August 2011
Tokyo, Japan	Watch sales	2,970	July 2010
Coral Gables, Florida	Caribbean office, watch sales	2,880	January 2012
Grenchen, Switzerland	Watch sales	2,800	February 2010
Munich, Germany	Watch repair	2,200	December 2011
Singapore	Watch sales, distribution and repair	970	June 2010
Crown House, United Kingdom	Watch sales	850	July 2009
Dubai, United Arab Emirates	Watch sales	730	July 2009

All of the foregoing facilities are used exclusively in connection with the wholesale segment of the Company's business except that a portion of the Company's executive office space in Paramus, New Jersey is used in connection with management of its retail business.

The Company owns three properties totaling approximately 40,400 square feet located in La Chaux-de-Fonds, Switzerland used for manufacturing, storage and public relations. In addition, the Company acquired an architecturally significant building in La Chaux-de-Fonds in 2004 as part of its acquisition of Ebel.

The Company also owns approximately 2,500 square feet of office space in Hanau, Germany, which it previously used for sales, distribution and watch repair functions.

The Company also leases retail space for the operation of 29 Movado Boutiques in the United States, each of which averages 2,200 square feet per store with leases expiring from February 2009 to June 2017. In addition, the Company leases retail space averaging 1,800 square feet per store with leases expiring from June 2009 to January 2019 for the operation of the Company’s 32 outlet stores in the United States.

The Company believes that its existing facilities are suitable and adequate for its current operations.

Item 3. Legal Proceedings

From time to time the Company is involved in routine litigation incidental to the conduct of its business as both plaintiff and defendant, including proceedings to protect its trademark rights, collection actions against customers for the non-payment of goods sold and litigation with present and former employees. Although litigation with present and former employees is routine and incidental to the conduct of the Company's business, as well as for any business employing significant numbers of U.S.-based employees, such litigation can sometimes result in large monetary awards when a civil jury is allowed to determine compensatory and/or punitive damages.

In the case of Bertha V. Norman, et al. v. Movado Company Store, United States District Court, Central District of California, 2008-cv-6691, plaintiffs seek unspecified damages based on alleged claims against Movado Retail Group, Inc. ("MRG") for: failure to allow meal periods and rest periods; failure to pay minimum wages and overtime wages; failure to provide itemized wage statements; violation of the California business and professions code; and failure to pay wages due at termination and seeking waiting time penalties pursuant to the California labor code. The complaint, originally filed in California state court, was served on MRG in September, 2008. MRG removed the case to Federal court in October 2008. MRG has denied plaintiff's allegations and intends to vigorously defend the case. The Company believes that the outcome of this claim, and all other pending legal proceedings in the aggregate, will not have a material adverse effect on the Company's business or consolidated financial statements.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of shareholders of the Company during the fourth quarter of fiscal 2009.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

As of March 23, 2009, there were 52 holders of record of Class A Common Stock and, the Company estimates, 6,900 beneficial owners of the common stock represented by 514 holders of record. The common stock is traded on the New York Stock Exchange under the symbol "MOV" and on March 23, 2009, the closing price of the common stock was $7.72. The quarterly high and low split-adjusted closing prices for the fiscal years ended January 31, 2009 and 2008 were as follows:

	Fiscal Year Ended January 31, 2009		Fiscal Year Ended January 31, 2008	
Quarter Ended	Low	High	Low	High
April 30	$ 17.38	$ 26.02	$ 27.53	$ 34.58
July 31	$ 18.91	$ 23.09	$ 28.24	$ 34.66
October 31	$ 12.06	$ 25.59	$ 27.55	$ 34.48
January 31	$ 6.64	$ 15.09	$ 21.41	$ 30.97

In connection with the October 7, 1993 public offering, each share of the then currently existing Class A Common Stock was converted into 10.46 shares of new Class A Common Stock, par value of $0.01 per share (the "Class A Common Stock"). Each share of common stock is entitled to one vote per share and each share of Class A Common Stock is entitled to 10 votes per share on all matters submitted to a vote of the shareholders. Each holder of Class A Common Stock is entitled to convert, at any time, any and all such shares into the same number of shares of common stock. Each share of Class A Common Stock is converted automatically into common stock in the event that the beneficial or record ownership of such shares of Class A Common Stock is transferred to any person, except to certain family members or affiliated persons deemed "permitted transferees" pursuant to the Company's Restated Certificate of Incorporation as amended. The Class A Common Stock is not publicly traded and consequently, there is currently no established public trading market for these shares.

On March 27, 2007, the Board of Directors approved an increase in the quarterly cash dividend rate from $0.06 to $0.08 per share. On January 15, 2009, the Board approved a decrease in the quarterly cash dividend rate from $0.08 to $0.05 per share. On April 9, 2009, the Company announced that the Board has decided to discontinue the quarterly cash dividend. The declaration and payment of future dividends, if any, needs to be approved by the Board and will depend upon the Company's profitability, financial condition, capital and surplus requirements, future prospects, terms of indebtedness and other factors deemed relevant by the Board. See Notes 4 and 5 to the Consolidated Financial Statements regarding contractual restrictions on the Company's ability to pay dividends.

Cash dividends paid were $5.9 million, $8.3 million and $6.2 million in fiscal years 2009, 2008 and 2007, respectively. As of January 15, 2009, the Company declared a $1.2 million cash dividend, which was subsequently paid in February 2009.

On December 4, 2007, the Board of Directors authorized a program to repurchase up to one million shares of the Company's common stock. Shares of common stock were repurchased from time to time as market conditions warranted through open market transactions. The objective of the program was to reduce or eliminate earnings per share dilution caused by the shares of common stock issued upon the exercise of stock options and in connection with other equity based compensation plans. As of April 14, 2008, the Company had completed the one million share repurchase during the fourth quarter of fiscal 2008 and the first quarter of fiscal 2009, at a total cost of approximately $19.4 million, or $19.41 per share.

On April 15, 2008, the Board of Directors announced a new authorization to repurchase up to an additional one million shares of the Company's common stock. Under this authorization, the Company has the option to repurchase shares over time, with the amount and timing of repurchases depending on market conditions and corporate needs. The Company entered into a Rule 10b5-1 plan to facilitate repurchases of its shares under this authorization. A Rule 10b5-1 plan permits a company to repurchase shares at times when it might otherwise be prevented from doing so, provided the plan is adopted when the company is not aware of material non-public information. The Company may suspend or discontinue the repurchase of stock at any time. Under this share repurchase program, as of January 31, 2009, the Company had repurchased a total of 937,360 shares of common stock in the open market during the first and second quarters of fiscal year 2009 at a total cost of approximately $19.5 million or $20.79 per share.

In addition to the shares repurchased pursuant to the Company's share repurchase programs, an aggregate of 102,662 shares have been repurchased during the twelve months ended January 31, 2009, as a result of the surrender of shares in connection with the vesting of certain stock awards and the exercise of certain stock options. At the election of an employee, upon the vesting of a stock award or the exercise of a stock option, shares having an aggregate value on the vesting or the exercise date as the case may be, equal to the employee's withholding tax obligation may be surrendered to the Company by netting them from the vested shares issued. Similarly, shares having an aggregate value equal to the exercise price of an option may be tendered to the Company in payment of the option exercise price and netted from the shares issued upon the option exercise.

The following table summarizes information about the Company's purchases for the year ended January 31, 2009 of equity securities that are registered by the Company pursuant to Section 12 of the Securities Exchange Act of 1934:

Issuer Repurchase of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
February 1, 2008 - February 29, 2008	148,500	$ 20.14	148,500	807,543
March 1, 2008 - March 31, 2008	406,750	$ 18.60	406,750	400,793
April 1, 2008 - April 14, 2008	422,066	$ 19.51	400,793	-
April 15, 2008 - April 30, 2008	238,491	$ 20.30	238,115	761,885
May 1, 2008 - May 31, 2008	286,733	$ 21.59	286,539	475,346
	396,006	$ 20.55	396,006	79,340

June 1, 2008 - June 30, 2008				
July 1, 2008 - July 31, 2008	16,700	$ 20.08	16,700	62,640
September 1, 2008 - September 30, 2008	78,884	$ 23.22	-	62,640
January 1, 2009 - January 31, 2009	1,935	$ 22.27	-	62,640
Total	1,996,065	$ 20.12	1,893,403	62,640

PERFORMANCE GRAPH

The performance graph set forth below compares the cumulative total shareholder return of the Company's common stock for the last five fiscal years through the fiscal year ended January 31, 2009 with that of the Broad Market (NYSE Stock Market – U.S. Companies), the S&P SmallCap 600 index and the Russell 2000 index. Each index assumes an initial investment of $100 on January 31, 2004 and the reinvestment of dividends (where applicable).

Company Name / Index	1/31/04	1/31/05	1/31/06	1/31/07	1/31/08	1/31/09
Movado Group, Inc.	100.0	129.1	135.3	207.6	177.2	57.3
NYSE (U.S. Companies)	100.0	108.4	121.7	140.7	137.4	89.6
S&P SmallCap 600 Index	100.0	116.5	139.1	150.8	140.1	88.7
Russell 2000 Index	100.0	108.7	129.2	142.7	128.7	81.3

Item 6. Selected Financial Data

The selected financial data presented below has been derived from the Consolidated Financial Statements. This information should be read in conjunction with, and is qualified in its entirety by, the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operation" contained in Item 7 of this report. Amounts are in thousands except per share amounts:

	Fiscal Year Ended January 31,				
	2009	2008	2007	2006	2005
Statement of income data:					
Net sales (1)	$ 460,857	$ 559,550	$ 532,865	$ 470,941	$ 418,966
Cost of sales	173,225	222,868	209,922	184,621	168,818
Gross profit (1)	287,632	336,682	322,943	286,320	250,148
Selling, general and administrative (2) (3) (4) (5)	284,242	285,905	270,624	238,283	215,072
Operating income (1) (2) (3) (4) (5)	3,390	50,777	52,319	48,037	35,076
Other income, net (6) (7) (8) (9)	681	-	1,347	1,008	1,444
Interest expense	(2,915)	(3,472)	(3,785)	(4,574)	(3,544)
Interest income	2,132	4,666	3,280	465	114
Income before taxes and minority interests	3,288	51,971	53,161	44,936	33,090
Provision / (benefit) for income taxes (10) (11) (12) (13) (14)	736	(9,471)	2,890	18,319	6,783
Minority interests	237	637	133	-	-
Net income	$ 2,315	$ 60,805	$ 50,138	$ 26,617	$ 26,307
Net income per share-Basic (15)	$ 0.09	$ 2.33	$ 1.95	$ 1.05	$ 1.06
Net income per share-Diluted (15)	$ 0.09	$ 2.23	$ 1.87	$ 1.02	$ 1.03
Basic shares outstanding (15)	24,782	26,049	25,670	25,273	24,708
Diluted shares outstanding (15)	25,554	27,293	26,794	26,180	25,583
Cash dividends declared and paid per share (15)	$ 0.29	$ 0.32	$ 0.24	$ 0.20	$ 0.16
Balance sheet data (end of period):					
Working capital (16)	$ 306,168	$ 419,632	$ 383,422	$ 366,530	$ 303,225
Total assets	$ 563,990	$ 646,216	$ 577,618	$ 549,919	$ 477,074
Total long-term debt (16)	$ -	$ 60,895	$ 80,196	$ 109,955	$ 45,000
Shareholders' equity	$ 398,960	$ 463,195	$ 378,381	$ 321,678	$ 316,557

(1) Fiscal 2008 net sales includes a non-cash charge for estimated returns in the amount of $15.0 million and gross profit and operating income include a non-cash charge of $11.0 million, related to the closing of certain wholesale customer doors in the U.S.

(2) Fiscal 2009 includes a pre-tax charge of $11.1 million associated with the Company's expense reduction initiatives and a restructuring of certain benefit arrangements.

(3) Fiscal 2009 includes a non-cash impairment charge of $4.5 million recorded in accordance with SFAS No. 144, "Accounting for Impairment of Long-Lived Assets".

(4) Fiscal 2007 includes a one-time benefit of $2.2 million for an out-of-period adjustment related to foreign currency.

(5) Fiscal 2005 includes a non-cash impairment charge of $2.0 million recorded in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

(6) The fiscal 2009 other income consists of a pre-tax gain of $0.7 million on the collection of life insurance proceeds from policies covering the Company's former Chairman.

(7)

The fiscal 2007 other income consists of a pre-tax gain of $0.8 million on the sale of artwork, a pre-tax gain of $0.4 million on the sale of a building and a pre-tax gain of $0.1 million on the sale of rights to a web domain name.

(8) The fiscal 2006 other income consists of a pre-tax gain of $2.6 million on the sale of a building offset by a pre-tax loss of $1.6 million representing the impact of the discontinuation of foreign currency cash flow hedges because it was not probable that the forecasted transactions would occur by the end of the originally specified time period.

(9) The fiscal 2005 other income consists of a $1.4 million litigation settlement.
(10) The fiscal 2009 effective tax rate of 22.4% includes tax accrued on the future repatriation of foreign earnings of $7.4 million somewhat offset by a release of valuation allowances on foreign tax losses of $3.0 million.
(11) The fiscal 2008 effective tax benefit of $9.5 million, or rate of -18.2%, reflects a result of the recognition of previously unrecognized tax benefits due to the settlement of the IRS audit for fiscal years 2004 through 2006 ($12.5 million) and the release of valuation allowances in whole or part on Swiss and UK tax losses ($7.6 million).
(12) The fiscal 2007 effective tax rate of 5.4% reflects a partial release of the valuation allowance on Swiss tax losses.
(13) The fiscal 2006 effective tax rate of 40.8% reflects a tax charge of $7.5 million associated with repatriated foreign earnings under the American Jobs Creation Act of 2004.
(14) The fiscal 2005 effective tax rate of 20.5% reflects the adjustments in the fourth quarter relating to refunds from a retroactive Swiss tax ruling and a favorable U.S. tax accrual adjustment.
(15) For all periods presented, basic and diluted shares outstanding, and the related "per share" amounts reflect the effect of the fiscal 2005 two-for-one stock split.
(16) The Company defines working capital as current assets less current liabilities. In fiscal 2009 the Company reclassified $65.0 million of outstanding debt from non-current liabilities to current liabilities, due to the non-compliance with the interest coverage ratio covenant under certain of its current debt agreements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

GENERAL

Net sales. The Company operates and manages its business in two principal business segments – Wholesale and Retail. The Company also operates in two geographic segments – United States and International. The Company divides its watch brands into three distinct categories: luxury, accessible luxury and licensed brands. The luxury category consists of the Ebel and Concord brands. The accessible luxury category consists of the Movado and ESQ brands. The licensed brands category represents brands distributed under license agreements and includes Coach, HUGO BOSS, Juicy Couture, Lacoste and Tommy Hilfiger.

The primary factors that influence annual sales are general economic conditions in the Company's U.S. and international markets, new product introductions, the level and effectiveness of advertising and marketing expenditures and product pricing decisions. Economic conditions both in the United States and around the world have deteriorated since the beginning of fiscal 2009 and over the course of the last quarter ended January 31, 2009. As the events that have caused this deterioration continue to unfold, the Company does not have significant, meaningful visibility into the future effects they could have on the U.S. and the global economy. A prolonged economic deterioration and its impact on consumer spending will likely have a negative impact on the Company's sales and financial results into fiscal 2010.

Approximately 45% of the Company's total sales are from international markets and therefore reported sales made in those markets are affected by foreign exchange rates. The Company's international sales are billed in local currencies (predominantly Euros and Swiss francs) and translated to U.S. dollars at average exchange rates for financial reporting purposes.

The Company's business is seasonal. There are two major selling seasons in the Company's markets: the spring season, which includes school graduations and several holidays and, most importantly, the Christmas and holiday season. Major selling seasons in certain international markets center on significant local holidays that occur in late winter or early spring. The Company's net sales historically have been higher during the second half of the fiscal year. The second half of each year accounted for 49.9%, 57.0%, and 57.9% of the Company's net sales for the fiscal years ended January 31, 2009, 2008, and 2007, respectively. In fiscal 2009, the Company did not experience the usual seasonality of its business due to the downturn in the economy, which resulted in the percentage of net sales for the second half of the fiscal year not being comparable to that in previous years.

The Company's retail operations consist of 29 Movado Boutiques and 32 outlet stores located throughout the United States. The Company does not have any retail operations outside of the United States.

The significant factors that influence annual sales volumes in the Company's retail operations are similar to those that influence U.S. wholesale sales. In addition, many of the Company's outlet stores are located near vacation destinations and, therefore, the seasonality of these stores is driven by the peak tourist seasons associated with these locations.

In fiscal year 2008, as part of the Company's Movado brand strategy, the Company streamlined the Movado brand wholesale distribution in the United States from 4,000 wholesale customer doors to approximately 2,600 doors, representing a 35% reduction. A wholesale customer door could be either a single store within a department store chain or an independent jewelry store. These least productive doors represented approximately $10.0 million of Movado brand sales during the year ended January 31, 2008, or less than 2% of the Company's consolidated revenue. The Company recorded a one-time accrual of $15.0 million during its 2008 fiscal year related to future sales returns associated with the reduction of these wholesale customer doors. These sales returns were completed during fiscal 2009.

Gross Margins. The Company's overall gross margins are primarily affected by four major factors: brand and product sales mix, product pricing strategy, manufacturing costs and fluctuation in currency rates, in particular the relationship between the U.S. dollar and the Swiss franc and the Euro. Gross margins for the Company may not be comparable to those of other companies, since some companies include all the costs related to their distribution networks in cost of sales whereas the Company does not include the costs associated with its U.S. and Asia warehousing and distribution facilities nor the occupancy costs for the retail segment in the cost of sales line item.

Gross margins vary among the brands included in the Company's portfolio and also among watch models within each brand. Watches in the luxury category generally earn lower gross margin percentages than watches in the accessible luxury category. Excluding liquidation sales of excess discontinued inventory in the prior year, fiscal 2009 gross margins in the Company's wholesale segment declined as the accessible luxury category represented a smaller percentage of total sales. Gross margins in the Company's outlet business are lower than those of the wholesale business since the outlets primarily sell seconds and discontinued models that generally command lower selling prices. Gross margins in the Movado Boutiques are affected by the mix of product sold. The margins from the sale of watches are greater than those from the sale of jewelry and accessories. Gross margins from the sale of watches in the Movado Boutiques also exceed those of the wholesale business since the Company earns margins from manufacture to point of sale to the consumer. During the fourth quarter of fiscal 2009, the Movado Boutiques recorded lower gross margins when compared to the prior year resulting from more in-store promotions.

All of the Company's brands compete with a number of other brands on the basis of not only styling but also wholesale and retail price. The Company's ability to improve margins through price increases is therefore, to some extent, constrained by competitors' actions.

Costs of sales of the Company's products consist primarily of component costs, assembly costs and unit overhead costs associated with the Company's supply chain operations in Switzerland and Asia. The Company's supply chain operations consist of logistics management of assembly operations and product sourcing in Switzerland and Asia and assembly in Switzerland. Through productivity improvement efforts, the Company has controlled the level of overhead costs and maintained flexibility in its cost structure by outsourcing a significant portion of its component and assembly requirements.

Since a substantial amount of the Company's product costs are incurred in Swiss francs, fluctuations in the U.S. dollar/Swiss franc exchange rate can impact the Company's cost of goods sold and, therefore, its gross margins. The Company hedges a portion of its Swiss franc purchases using a combination of forward contracts and purchased currency options. The Company's hedging program had the effect of minimizing the exchange rate impact on product costs and gross margins for fiscal years 2009, 2008, and 2007. Additionally, a portion of the Company's net sales are recorded in its foreign subsidiaries in a currency other than the local currency of that subsidiary. This predominantly occurs in the Company's Hong Kong and Swiss subsidiaries when they sell to Euro-based customers. This exposure is not hedged by the Company. Any fluctuation in the Euro exchange rate in relation to the Hong Kong dollar and Swiss franc would have an effect on these sales that are recorded in Euro. The currency effect on these Euro sales has an equal effect on their recorded gross profit since the costs of these sales are recorded in the entities' respective local currency.

Selling, General and Administrative ("SG&A") Expenses. The Company's SG&A expenses consist primarily of marketing, selling, distribution and general and administrative expenses. During the second half of fiscal 2009, the Company announced initiatives designed to streamline operations, reduce expenses, and improve efficiencies and effectiveness across the Company's global organization. In fiscal 2009, the Company recorded a total pre-tax charge of $11.1 million related to the completion of these programs and a restructuring of certain benefit arrangements. See Note 20 to the Consolidated Financial Statements included in this report. Additionally, the Company recorded a non-cash pre-tax impairment charge of $4.5 million consisting of property, plant and equipment, related to five Movado Boutiques.

Annual marketing expenditures are based principally on overall strategic considerations relative to maintaining or increasing market share in markets that management considers to be crucial to the Company's continued success as well as on general economic conditions in the various markets around the world in which the Company sells its products. Marketing expenses include various forms of media advertising, co-operative advertising with customers and distributors and other point-of-sale marketing and promotion spending.

Selling expenses consist primarily of salaries, sales commissions, sales force travel and related expenses, expenses associated with Baselworld, the annual watch and jewelry trade show and other industry trade shows and operating costs incurred in connection with the Company's retail business. Sales commissions vary with overall sales levels. Retail selling expenses consist primarily of payroll related and store occupancy costs.

Distribution expenses consist primarily of salaries of distribution staff, rental and other occupancy costs, security, depreciation and amortization of furniture and leasehold improvements and shipping supplies.

General and administrative expenses consist primarily of salaries and other employee compensation, employee benefit plan costs, office rent, management information systems costs, professional fees, bad debts, depreciation and amortization of furniture and leasehold improvements, patent and trademark expenses and various other general corporate expenses.

Interest Expense. The Company records interest expense on its private placement notes as well as on its revolving credit facilities. Through the date of this filing, the Company is in negotiations with banking institutions to establish a new asset-based credit agreement which, if consummated, would replace current facilities that have favorable interest rates when compared to rates generally available in the current market. As a result, the Company expects that future levels of interest expense will increase.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and those significant policies are more fully described in Note 1 to the Company's Consolidated Financial Statements. The preparation of these financial statements and the application of certain critical accounting policies require management to make judgments based on estimates and assumptions that affect the information reported. On an on-going basis, management evaluates its estimates and judgments, including those related to sales discounts and markdowns, product returns, bad debt, inventories, income taxes, warranty obligations, impairments and

contingencies and litigation. Management bases its estimates and judgments about the carrying values of assets and liabilities that are not readily apparent from other sources on historical experience, contractual commitments and on various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Management believes the following are the critical accounting policies requiring significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue Recognition

In the wholesale segment, the Company recognizes revenue upon transfer of title and risk of loss in accordance with its FOB shipping point terms of sale and after the sales price is fixed and determinable and collectability is reasonably assured. In the retail segment, transfer of title and risk of loss occurs at the time of register receipt. The Company records estimates for sales returns, volume-based programs and sales and cash discount allowances as a reduction of revenue in the same period that the sales are recorded. These estimates are based upon historical analysis, customer agreements and/or currently known factors that arise in the normal course of business. While returns have historically been within the Company's expectations and the provisions established, future return rates may differ from those experienced in the past. In the event that returns are authorized at a rate significantly higher than the Company's historic rate, the resulting returns could have an adverse impact on its operating results for the period in which such results materialize. In the fourth quarter of fiscal 2008, the Company recorded a one-time charge of $15.0 million related to estimated sales returns associated with the streamlining of the Movado brand wholesale distribution in the U.S. consisting of the planned reduction of approximately 1,400 wholesale customer doors. These sales returns were completed during fiscal 2009.

Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for amounts that may be uncollectible in the future. Estimates are used in determining the allowance for doubtful accounts and are based on an analysis of the aging of accounts receivable, assessments of collectability based on historic trends, the financial condition of the Company's customers and an evaluation of economic conditions. In general, while the actual bad debt losses have historically been within the Company's expectations and the allowances established, there can be no guarantee that the Company will continue to experience the same bad debt loss rates in the future. As of January 31, 2009, except for those accounts provided for in the reserve for doubtful accounts, the Company knew of no situations with any of the Company's major customers which would indicate the customer's inability to make their required payments.

Inventories

The Company values its inventory at the lower of cost or market. The Company's U.S. inventory is valued using the first-in, first-out (FIFO) method. The cost of finished goods and component inventories, held by international subsidiaries, are determined using average cost. The Company's management regularly reviews its sales to customers and customers' sell-through at retail to evaluate the adequacy of inventory reserves. Inventory classified as discontinued, together with the related component parts which can be assembled into saleable finished goods, is sold primarily through the Company's outlet stores. When management determines that finished product is unsaleable or that it is impractical to build the remaining components into watches for sale, a reserve is established for the cost of those products and components to value the inventory at the lower of cost or market. During the fiscal year ended January 31, 2009, the Company went through a process of scrapping unsaleable inventory and components which were reserved for and recorded as cost of sales in previous fiscal years.

Additionally in fiscal year 2009, the Company conducted its ongoing review of unsaleable inventory and associated components resulting in no material changes to existing reserves. During the fiscal years ended January 31, 2008 and 2007, the Company conducted an in depth review of all its discontinued components and watches. In doing so, the Company made an economic decision to convert these excess quantities of discontinued inventory into cash. As a result, the Company engaged in a liquidation through an independent third party to sell the excess product for cash. In addition, where it was not deemed economically feasible to invest the time, effort and/or cost, the Company initiated efforts to cleanse the inventory and scrap the product. The Company's estimates, based on which it establishes its inventory reserves, could vary significantly, either favorably or unfavorably, from actual requirements depending on future economic conditions, customer inventory levels or competitive conditions.

Long-Lived Assets

The Company periodically reviews the estimated useful lives of its depreciable assets based on factors including historical experience, the expected beneficial service period of the asset, the quality and durability of the asset and the Company's maintenance policy including periodic upgrades. Changes in useful lives are made on a prospective basis unless factors indicate the carrying amounts of the assets may not be recoverable and an impairment write-down is necessary.

The Company performs an impairment review of its long-lived assets once events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". When such a determination has been made, management compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has occurred, the loss is recognized during that period. The impairment loss is calculated as the difference between asset carrying values and the fair value of the long-lived assets.

During the fourth quarter of fiscal 2009, the Company determined that the carrying value of its long-lived assets with respects to five Movado Boutiques was not recoverable. The impairment review was performed pursuant to SFAS No. 144 because of the economic downturn in the U.S. that had a negative effect on the Company's fourth quarter ended January 31, 2009, the retail segment's largest quarter of the year in terms of sales and profitability. The deteriorating economy negatively affected the Boutiques' sales volumes. As a result, the Company recorded a non-cash pre-tax impairment charge of $4.5 million consisting of property, plant and equipment. The charge was calculated as the difference between the assets' carrying values and their estimated fair value. For the purposes of this calculation, fair value was determined using a discounted cash flow calculation. The impairment charge is included in the selling, general and administrative expenses in the fiscal 2009 Consolidated Statements of Income.

Warranties

All watches sold by the Company come with limited warranties covering the movement against defects in material and workmanship for periods ranging from two to three years from the date of purchase, with the exception of Tommy Hilfiger watches, for which the warranty period is ten years. In addition, the warranty period is five years for the gold plating on certain Movado watch cases and bracelets. The Company records an estimate for future warranty costs based on historical repair costs. Warranty costs have historically been within the Company's expectations and the provisions established. If such costs were to substantially exceed estimates, this could have an adverse effect on the Company's operating results.

Stock-Based Compensation

On February 1, 2006, the Company adopted the provisions of SFAS No. 123(R), “Share-Based Payment”, electing to use the modified prospective application transition method, and accordingly, prior period financial statements have not been restated. Under this method, the fair value of all stock options granted after adoption and the unvested portion of previously granted awards must be recognized in the Consolidated Statements of Income. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of each option at the grant date which requires that certain assumptions be made. The expected life of stock option grants is determined using historical data and represents the time period which the stock option is expected to be outstanding until it is exercised. The risk free interest rate is the yield on the grant date of U.S. Treasury constant maturities with a maturity date closest to the expected life of the stock option. The expected stock price volatility is derived from historical volatility and calculated based on the estimated term structure of the stock option grant. The expected dividend yield is calculated using the expected annualized dividend which remains constant during the expected term of the option.

SFAS No. 123(R) requires that compensation expense for equity instruments be accrued based on the estimated number of instruments for which the requisite service is expected to be rendered. Additionally, for performance based awards, compensation expense should be accrued only if it is probable that the performance condition will be achieved. The Company reviews the estimates of forfeitures and the probability of performance conditions being achieved at each reporting period. Any changes to compensation expense as a result of a change in these estimates are reflected in the period of change. During fiscal 2009, as a result of the deteriorating global economy, it became apparent that the performance goals for certain Long Term Incentive Plan grants would not be achieved. This resulted in the reversal of previously accrued stock-based compensation expenses of approximately $3.2 million.

Income Taxes

The Company follows SFAS No. 109, "Accounting for Income Taxes". Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax laws and tax rates in each jurisdiction where the Company operates, and applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the enactment date. In addition, the amounts of any future tax benefits are reduced by a valuation allowance to the extent such benefits are not expected to be realized on a more-likely-than-not basis. The Company calculates estimated income taxes in each of the jurisdictions in which it operates. This process involves estimating actual current tax expense along with assessing temporary differences resulting from differing treatment of items for both book and tax purposes.

The Company adopted the provisions of the FIN 48, “Accounting for Uncertainty in Income Taxes”, on February 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS No. 109. FIN 48 also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions. The Company previously recognized income tax positions based on management’s estimate of whether it was reasonably possible that a liability had been incurred for unrecognized tax benefits by applying SFAS No. 5, Accounting for Contingencies. The provisions of FIN 48 became effective for the Company on February 1, 2007. For additional information related to income taxes see Note 8 to the Consolidated Financial Statements.

RESULTS OF OPERATIONS

The following is a discussion of the results of operations for fiscal 2009 compared to fiscal 2008 and fiscal 2008 compared to fiscal 2007 along with a discussion of the changes in financial condition during fiscal 2009.

The following are net sales by business segment (in thousands):

	Fiscal Year Ended January 31,		
	2009	2008	2007
Wholesale:			
United States	$ 165,829	$ 235,093	$ 279,465
International	205,520	231,338	166,209
Retail	89,508	93,119	87,191
Net sales	$ 460,857	$ 559,550	$ 532,865

The following table presents the Company's results of operations expressed as a percentage of net sales for the fiscal years indicated:

	Fiscal Year Ended January 31,		
	2009 % of net sales	2008 % of net sales	2007 % of net sales
Net sales	100.0%	100.0%	100.0%
Gross margin	62.4%	60.2%	60.6%
Selling, general and administrative expenses	61.7%	51.1%	50.8%
Operating income	0.7%	9.1%	9.8%
Other income	0.2%	0.0%	0.3%
Interest expense	0.6%	0.6%	0.7%
Interest income	0.5%	0.8%	0.6%
Provision / (benefit) for income taxes	0.2%	(1.7)%	0.5%
Minority interests	0.1%	0.1%	0.1%
Net income	0.5%	10.9%	9.4%

Fiscal 2009 Compared to Fiscal 2008

Net Sales

Net sales in fiscal 2009 were $460.9 million, below prior year by $98.7 million or 17.6%. For fiscal 2008, liquidation sales of excess discontinued inventory were $31.1 million. In addition, net sales in fiscal 2008 included a one-time charge of $15.0 million related to estimated future sales returns associated with the streamlining of the Movado brand wholesale distribution in the U.S. which consisted of the reduction of approximately 1,400 wholesale customer doors. Excluding the liquidation of excess

discontinued inventory and the charge for the reduction of wholesale customer doors in fiscal 2008, fiscal 2009 net sales were below prior year by $82.6 million, or 15.2%. As a result of the weaker average U.S. dollar during fiscal 2009 when compared to the prior year, and the resulting translation of the international subsidiaries' financial results, the effect of foreign currency translation increased fiscal 2009 net sales by $7.6 million when compared to the prior year.

United States Wholesale Net Sales

Net sales in fiscal 2009 in the U.S. wholesale segment were $165.8 million, representing a 29.5% decrease from prior year sales of $235.1 million. For fiscal 2008, liquidation sales of excess discontinued inventory in the U.S. wholesale segment were $14.2 million. In addition, net sales in fiscal 2008 included a one-time charge of $15.0 million related to estimated future sales returns associated with the streamlining of the Movado brand wholesale distribution in the U.S. which consisted of the reduction of wholesale customer doors. Excluding the liquidation of excess discontinued inventory and the charge for the reduction of the wholesale customer doors in fiscal 2008, fiscal 2009 net sales were below prior year by $70.1 million, or 29.7%. (The remaining discussion in this paragraph excludes the impact of the liquidation sales of excess discontinued inventory and the charge for the reduction of wholesale customer doors in fiscal 2008). The decrease in U.S. wholesale net sales of $70.1 million was primarily due to lower sales in the accessible luxury category of $62.7 million, or 37.0% below the prior year. Additionally, lower sales were recorded in the luxury category of $7.1 million. The lower sales recorded in both the luxury and accessible luxury categories are primarily attributable to the unfavorable impact of the deteriorating global economy. Sales in the licensed brand category were above prior year by $1.6 million. The increase in licensed brand sales was primarily driven by market expansion and growth in the newer licensed brands.

International Wholesale Net Sales

Net sales in fiscal 2009 in the international wholesale segment were $205.5 million, representing an 11.2% decrease from prior year sales of $231.3 million. For fiscal 2008, liquidation sales of excess discontinued inventory in the international wholesale segment were $16.9 million. Excluding the liquidation of excess discontinued inventory in fiscal 2008, fiscal 2009 net sales were below prior year by $8.9 million, or 4.1%. (The remaining discussion in this paragraph excludes the impact of the liquidation sales of excess discontinued inventory in fiscal 2008). The decrease in international net sales of $8.9 million was primarily due to lower sales in the luxury category of $9.6 million or 15.0% below the prior year. Lower sales were also recorded in the accessible luxury category of $8.9 million or 19.6%. The lower sales recorded in both the luxury and accessible luxury categories are primarily attributable to the unfavorable impact of the deteriorating global economy. Net sales in the licensed brand category were above prior year by $9.3 million or 9.6%. This increase was primarily the result of international market expansion as well as growth in the newer licensed brands. As a result of the weaker average U.S. dollar during fiscal 2009 when compared to the prior year, and the resulting translation of the international subsidiaries' financial results, the effect of foreign currency translation increased net sales for fiscal 2009 by $7.6 million when compared to the prior year.

Retail Net Sales

Net sales in fiscal 2009 in the retail segment were $89.5 million, representing a 3.9% decrease from prior year sales of $93.1 million. The decrease in sales was the net result of lower sales in the Movado Boutiques, partially offset by higher sales in the outlet stores. Sales in the Movado Boutiques were below prior year by 16.4%. The decrease in sales was driven by a decline in comparable store sales of

17.3%, primarily attributable to the unfavorable impact of the deteriorating U.S. economy. Sales in the outlet stores increased by 6.3%, driven by an increase in comparable store sales of 6.9%. The Company operated 32 outlet stores and 29 Movado Boutiques as of January 31, 2009, compared to 32 outlet stores and 30 Movado Boutiques as of January 31, 2008.

The Company considers comparable store sales to be sales of stores that were open as of February 1st of the last year through January 31st of the current year. The Company had 27 comparable Movado Boutiques and 29 comparable outlet stores for the year ended January 31, 2009. The sales from stores that have been relocated, renovated or refurbished are included in the calculation of comparable store sales. The method of calculating comparable store sales varies across the retail industry. As a result, the calculation of comparable store sales may not be the same as measures reported by other companies.

Gross Profit

Gross profit for the 2009 fiscal year was $287.6 million or 62.4% of net sales as compared to $336.7 million or 60.2% of net sales in the prior year. The decrease in gross profit of $49.1 million was primarily the result of the decrease in sales volume. The gross margin percentage was negatively impacted in fiscal 2008 by the liquidation sales of excess discontinued inventory. Excluding the liquidation sales of excess discontinued inventory, the gross margin percentage was 64.0% for fiscal year 2008, compared to 62.4% in the current year. This decrease in gross margin percentage was primarily the result of the mix of sales by bus