

ICONIX BRAND GROUP, INC.
Form 10-Q
August 14, 2017

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended June 30, 2017

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 1-10593

ICONIX BRAND GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	11-2481903 (I.R.S. Employer Identification No.)
1450 Broadway, New York, NY (Address of principal executive offices)	10018 (Zip Code)

(212) 730-0030

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of Common Stock, as of the latest practicable date.

Common Stock, \$.001 Par Value- 57,091,549 shares as of August 10, 2017.

EXPLANATORY NOTE

The unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q update and supersede the GAAP financial information provided in the Company's Press Release dated August 9, 2017.

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Part I. Financial Information

Item 1. Financial Statements

Iconix Brand Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Balance Sheets

(in thousands, except par value)

	June 30, 2017	December 31, 2016
Assets		
Current Assets:		
Cash and cash equivalents	\$ 108,865	\$ 137,114
Restricted cash	204,170	177,269
Accounts receivable, net	61,260	64,376
Other assets – current	20,574	31,676
Current assets held for sale	—	302,342
Total Current Assets	394,869	712,777
Property and equipment:		
Furniture, fixtures and equipment	21,359	20,508
Less: Accumulated depreciation	(14,672)	(13,827)
	6,687	6,681
Other Assets:		
Other assets	9,932	10,719
Deferred income tax asset	881	884
Trademarks and other intangibles, net	990,482	1,003,895
Investments and joint ventures	115,364	99,309
Goodwill	167,759	171,250
	1,284,418	1,286,057
Total Assets	\$ 1,685,974	\$ 2,005,515
Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 72,088	\$ 60,401
Deferred revenue	7,501	8,399
Current portion of long-term debt	298,596	160,435
Other liabilities – current	8,134	1,311
Current liabilities held for sale	—	28,583
Total Current Liabilities	386,319	259,129
Deferred income tax liability	72,517	86,099
Other tax liabilities	1,078	5,243
Long-term debt, less current maturities	663,361	1,093,725
Other liabilities	9,551	9,946
Total Liabilities	1,132,826	1,454,142

Redeemable Non-Controlling Interest, net of installment payments due from

non-controlling interest holders, redemption value of \$31,172

and \$60,665, respectively	31,172	56,729
Commitments and contingencies		
Stockholders' Equity:		
Common stock, \$.001 par value shares authorized 150,000; shares issued 90,003 and		
89,717, respectively	90	89
Additional paid-in capital	1,038,966	1,033,729
Retained earnings	304,206	257,704
Accumulated other comprehensive loss	(56,552)	(70,428)
Less: Treasury stock – 32,803 and 32,680 shares at cost, respectively	(844,018)	(842,952)
Total Iconix Brand Group, Inc. Stockholders' Equity	442,692	378,142
Non-Controlling Interest, net of installment payments due from non-controlling		
interest holders	79,284	116,502
Total Stockholders' Equity	521,976	494,644
Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity	\$1,685,974	\$2,005,515

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Income Statements

(in thousands, except earnings per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Licensing revenue	\$61,647	\$68,209	\$120,370	\$135,885
Selling, general and administrative expenses	26,802	29,506	52,192	62,107
Loss on termination of licenses	23,230	—	23,230	—
Depreciation and amortization	571	895	1,223	1,860
Equity earnings on joint ventures	(1,059)	(1,363)	(1,992)	(2,556)
Gain on deconsolidation of joint venture	(3,772)	—	(3,772)	—
Gain (loss) on sale of trademarks	—	1,125	—	(9,844)
Operating income	15,875	38,046	49,489	84,318
Other expenses (income):				
Interest expense	14,130	21,890	28,876	41,417
Interest income	(141)	(193)	(267)	(547)
Other income	—	(9)	(1)	(16)
Loss (gain) on extinguishment of debt	13,919	(4,288)	19,400	(4,288)
Foreign currency translation loss (gain)	3,416	(734)	3,845	(116)
Other expenses – net	31,324	16,666	51,853	36,450
(Loss) income from continuing operations before income taxes	(15,449)	21,380	(2,364)	47,868
Provision (benefit) for income taxes	(5,501)	6,888	386	15,724
Net (loss) income from continuing operations	(9,948)	14,492	(2,750)	32,144
Less: Net income attributable to non-controlling interest from				
continuing operations	3,904	3,890	6,386	6,916
Net (loss) income from continuing operations attributable to Iconix				
Brand Group, Inc.	(13,852)	10,602	(9,136)	25,228
(Loss) income from discontinued operations before income taxes	(11,140)	3,387	(23,924)	10,625
Gain on sale of Entertainment segment	104,327	—	104,327	—
Provision for income taxes	34,060	805	28,962	2,577
Net income from discontinued operations	59,127	2,582	51,441	8,048
Less: Net income attributable to non-controlling interest from				
discontinued operations	1,634	1,602	2,943	3,081
Net income from discontinued operations attributable to				
Iconix Brand Group, Inc.	57,493	980	48,498	4,967
Net income attributable to Iconix Brand Group, Inc.	\$43,641	\$11,582	\$39,362	\$30,195

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Earnings (loss) per share - basic:				
Continuing operations	\$ (0.26)	\$ 0.22	\$ (0.20)	\$ 0.52
Discontinued operations	\$ 1.01	\$ 0.02	\$ 0.85	\$ 0.10
Earnings per share - basic	\$ 0.75	\$ 0.24	\$ 0.65	\$ 0.62
Earnings (loss) per share - diluted:				
Continuing operations	\$ (0.26)	\$ 0.21	\$ (0.19)	\$ 0.50
Discontinued operations	\$ 1.00	\$ 0.02	\$ 0.84	\$ 0.10
Earnings per share - diluted	\$ 0.74	\$ 0.23	\$ 0.65	\$ 0.60
Weighted average number of common shares outstanding:				
Basic	57,082	49,035	57,026	48,772
Diluted	57,568	50,675	57,568	50,501

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net (loss) income from continuing operations	\$ (9,948)	\$ 14,492	\$ (2,750)	\$ 32,144
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	11,917	(7,526)	14,546	4,956