

JOE'S JEANS INC.
Form 10-Q
July 15, 2010
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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 May 31, 2010

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: 0-18926

JOE S JEANS INC.

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction of incorporation or organization)

11-2928178

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

2340 South Eastern Avenue, Commerce, California

(Address of principal executive offices)

90040

(Zip Code)

(323) 837-3700

(Registrant's telephone number, including area code)

NO CHANGE

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The number of shares of the registrant's common stock outstanding as of July 15, 2010 was 63,624,134.

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JOE S JEANS INC.

QUARTERLY REPORT ON FORM 10-Q

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****JOE S JEANS INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except per share data)**

	May 31, 2010 (unaudited)	November 30, 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,556	\$ 13,195
Accounts receivable, net	2,405	1,731
Inventories, net	31,369	22,887
Due from related parties	261	210
Deferred income taxes, net	4,893	4,893
Prepaid expenses and other current assets	806	805
Total current assets	48,290	43,721
Property and equipment, net	4,342	3,162
Goodwill	3,836	3,836
Intangible assets	24,000	24,000
Deferred income taxes, net	4,806	4,806
Other assets	123	99
Total assets	\$ 85,397	\$ 79,624
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 17,048	\$ 13,590
Due to factor	3,901	3,129
Deferred licensing revenue	100	615
Due to related parties	214	254
Total current liabilities	21,263	17,588
Deferred rent	665	530
Total liabilities	21,928	18,118
Commitments and contingencies		
Stockholders' equity		
Common stock, \$0.10 par value: 100,000 shares authorized, 63,331 shares issued and 63,191 outstanding (2010) and 61,494 shares issued and 61,354 outstanding (2009)	6,335	6,151
Additional paid-in capital	104,158	103,605
Accumulated deficit	(44,224)	(45,450)
Treasury stock, 140 shares	(2,800)	(2,800)

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Total stockholders' equity	63,469	61,506
Total liabilities and stockholders' equity	\$ 85,397	\$ 79,624

The accompanying notes are an integral part of these financial statements.

Table of Contents**JOE S JEANS INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(in thousands, except per share data)

	Three months ended		Six months ended	
	May 31, 2010	May 31, 2009	May 31, 2010	May 31, 2009
	(unaudited)		(unaudited)	
Net sales	\$ 25,893	\$ 17,179	\$ 49,077	\$ 33,661
Cost of goods sold	14,392	8,496	26,210	16,712
Gross profit	11,501	8,683	22,867	16,949
Operating expenses				
Selling, general and administrative	10,182	6,904	19,916	13,989
Depreciation and amortization	168	134	381	269
	10,350	7,038	20,297	14,258
Operating income	1,151	1,645	2,570	2,691
Interest expense	125	94	216	200
Income before provision for taxes	1,026	1,551	2,354	2,491
Income taxes	494	226	1,128	366
Net income	\$ 532	\$ 1,325	\$ 1,226	\$ 2,125
Earnings per common share - basic	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.04
Earnings per common share - diluted	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.04
Weighted average shares outstanding				
Basic	62,385	59,887	61,717	59,806
Diluted	64,543	60,275	64,131	59,965

The accompanying notes are an integral part of these financial statements.

Table of Contents**JOE S JEANS INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

	Six months ended	
	May 31, 2010	May 31, 2009
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash (used in) provided by operating activities	\$ (3,757)	\$ 1,761
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,561)	(198)
Net cash used in investing activities	(1,561)	(198)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from factor borrowing, net	772	1,745
Proceeds from exercise of warrants	653	
Proceeds from exercise of options	30	
Taxes on net settled options exercised	(653)	
Payment of taxes on restricted stock units	(123)	(13)
Net cash provided by financing activities	679	1,732
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,639)	3,295
CASH AND CASH EQUIVALENTS, at beginning of period	13,195	3,465
CASH AND CASH EQUIVALENTS, at end of period	\$ 8,556	\$ 6,760

The accompanying notes are an integral part of these financial statements.

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JOE S JEANS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(in thousands)

	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total Stockholders Equity
Balance, November 30, 2008	59,946	\$ 5,996	\$ 102,859	\$ (69,970)	\$ (2,800)	\$ 36,085
Net income (unaudited)				2,125		2,125
Stock-based compensation, net of withholding taxes (unaudited)			460			460
Issuance of restricted stock (unaudited)	333	33	(33)			
Balance, May 31, 2009 (unaudited)	60,279	\$ 6,029	\$ 103,286	\$ (67,845)	\$ (2,800)	\$ 38,670
Balance, November 30, 2009	61,494	\$ 6,151	\$ 103,605	\$ (45,450)	\$ (2,800)	\$ 61,506
Net income (unaudited)						