

SKECHERS USA INC
Form 10-Q
August 04, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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 AND EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission File Number 001-14429

SKECHERS U.S.A., INC.

(Exact name of registrant as specified in its charter)

Delaware 95-4376145
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

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228 Manhattan Beach Blvd.

Manhattan Beach, California 90266
(Address of Principal Executive Office) (Zip Code)

(310) 318-3100

(Registrant's Telephone Number, Including Area Code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 small reporting company)

Smaller reporting company

Emerging growth company

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

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

THE NUMBER OF SHARES OF CLASS A COMMON STOCK OUTSTANDING AS OF AUGUST 1, 2017:
133,885,844.

THE NUMBER OF SHARES OF CLASS B COMMON STOCK OUTSTANDING AS OF AUGUST 1, 2017:
24,545,188.

SKECHERS U.S.A., INC. AND SUBSIDIARIES

FORM 10-Q

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1.	<u>Condensed Consolidated Financial Statements (Unaudited):</u>	
	<u>Condensed Consolidated Balance Sheets</u>	3
	<u>Condensed Consolidated Statements of Earnings</u>	4
	<u>Condensed Consolidated Statements of Comprehensive Income</u>	5
	<u>Condensed Consolidated Statements of Cash Flows</u>	6
	<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	20
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	31
Item 4.	<u>Controls and Procedures</u>	31

PART II – OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	32
Item 1A.	<u>Risk Factors</u>	34
Item 5.	<u>Other Information</u>	35
Item 6.	<u>Exhibits</u>	37
	<u>Signatures</u>	38

PART I – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SKECHERS U.S.A., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except par values)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$751,581	\$718,536
Trade accounts receivable, less allowances of \$49,107 in 2017 and \$41,647 in 2016	494,683	326,844
Other receivables	24,884	19,191
Total receivables	519,567	346,035
Inventories	669,741	700,515
Prepaid expenses and other current assets	54,119	62,680
Total current assets	1,995,008	1,827,766
Property, plant and equipment, net	527,441	494,473
Deferred tax assets	33,517	26,043
Other assets, net	53,324	45,388
Total non-current assets	614,282	565,904
TOTAL ASSETS	\$2,609,290	\$2,393,670
LIABILITIES AND EQUITY		
Current liabilities:		
Current installments of long-term borrowings	\$1,792	\$1,783
Short-term borrowings	4,049	6,086
Accounts payable	528,251	520,437
Accrued expenses	101,518	93,424
Total current liabilities	635,610	621,730
Long-term borrowings, excluding current installments	68,271	67,159
Deferred tax liabilities	417	412
Other long-term liabilities	21,734	18,855
Total non-current liabilities	90,422	86,426
Total liabilities	726,032	708,156
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000 shares authorized; none issued		
and outstanding	—	—
Class A common stock, \$0.001 par value; 500,000 shares authorized;	131	130

131,259 and 130,386 shares issued and outstanding at June 30, 2017

and December 31, 2016, respectively

Class B convertible common stock, \$0.001 par value; 75,000 shares

authorized; 24,545 shares issued and outstanding at

June 30, 2017 and December 31, 2016	24	24
Additional paid-in capital	436,296	419,038
Accumulated other comprehensive loss	(21,929)	(26,604)
Retained earnings	1,364,575	1,211,045
Skechers U.S.A., Inc. equity	1,779,097	1,603,633
Non-controlling interests	104,161	81,881
Total stockholders' equity	1,883,258	1,685,514
TOTAL LIABILITIES AND EQUITY	\$2,609,290	\$2,393,670

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net sales	\$1,025,934	\$877,810	\$2,098,742	\$1,856,604
Cost of sales	537,613	461,556	1,133,923	1,008,198
Gross profit	488,321	416,254	964,819	848,406
Royalty income	3,221	3,307	7,451	5,932
	491,542	419,561	972,270	854,338
Operating expenses:				
Selling	99,950	75,966	173,759	129,844
General and administrative	305,283	243,240	587,779	485,589
	405,233	319,206	761,538	615,433
Earnings from operations	86,309	100,355	210,732	238,905
Other income (expense):				
Interest income	381	319	794	585
Interest expense	(1,845)	(1,861)	(3,334)	(3,249)
Other, net	2,664	(2,604)	3,359	175
Total other income (expense)	1,200	(4,146)	819	(2,489)
Earnings before income tax expense	87,509	96,209	211,551	236,416
Income tax expense	14,109	12,200	31,516	42,768
Net earnings	73,400	84,009	180,035	193,648
Less: Net earnings attributable to non-controlling interests	13,865	9,902	26,505	21,929
Net earnings attributable to Skechers U.S.A., Inc.	\$59,535	\$74,107	\$153,530	\$171,719
Net earnings per share attributable to Skechers U.S.A., Inc.:				
Basic	\$0.38	\$0.48	\$0.99	\$1.12
Diluted	\$0.38	\$0.48	\$0.98	\$1.11
Weighted average shares used in calculating net earnings per				
share attributable to Skechers U.S.A, Inc.:				
Basic	155,579	154,049	155,340	153,901
Diluted	156,174	155,023	156,016	154,912

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF
 COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net earnings	\$73,400	\$84,009	\$180,035	\$193,648
Other comprehensive income, net of tax:				
Gain on foreign currency translation adjustment	2,574	338	7,156	6,336
Comprehensive income	75,974	84,347	187,191	199,984
Less: Comprehensive income attributable to non-controlling				
interests	14,663	8,353	28,987	21,326
Comprehensive income attributable to Skechers U.S.A., Inc.	\$61,311	\$75,994	\$158,204	\$178,658

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net earnings	\$ 180,035	\$ 193,648
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of property, plant and equipment	38,693	30,555
Amortization of other assets	6,878	5,820
Provision for bad debts and returns	11,252	8,385
Non-cash share-based compensation	14,248	10,870
Deferred income taxes	(7,498)	692
Loss on non-current assets	665	557
Net foreign currency adjustments	(5,388)	(441)
(Increase) decrease in assets:		
Receivables	(178,308)	(130,707)
Inventories	34,467	33,789
Prepaid expenses and other current assets	3,672	(4,142)
Other assets	(5,986)	(3,867)
Increase (decrease) in liabilities:		
Accounts payable	6,119	54,213
Accrued expenses and other long-term liabilities	10,302	(17,090)
Net cash provided by operating activities	109,151	182,282
Cash flows from investing activities:		
Capital expenditures	(76,502)	(55,034)
Purchases of investments	(1,023)	(2,194)
Proceeds from sales of investments	240	131