

SKECHERS USA INC  
Form 10-Q  
November 03, 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 September 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 NOVEMBER 1, 2017:  
133,925,344.

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



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

FORM 10-Q

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## 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)

	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$802,932	\$718,536
Trade accounts receivable, less allowances of \$48,449 in 2017 and \$41,647 in 2016	485,277	326,844
Other receivables	23,184	19,191
Total receivables	508,461	346,035
Inventories	697,659	700,515
Prepaid expenses and other current assets	65,306	62,680
Total current assets	2,074,358	1,827,766
Property, plant and equipment, net	532,482	494,473
Deferred tax assets	30,744	26,043
Other assets, net	55,676	45,388
Total non-current assets	618,902	565,904
<b>TOTAL ASSETS</b>	<b>\$2,693,260</b>	<b>\$2,393,670</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Current installments of long-term borrowings	\$1,797	\$1,783
Short-term borrowings	10,629	6,086
Accounts payable	501,332	520,437
Accrued expenses	85,224	93,424
Total current liabilities	598,982	621,730
Long-term borrowings, excluding current installments	71,390	67,159
Deferred tax liabilities	418	412
Other long-term liabilities	22,773	18,855
Total non-current liabilities	94,581	86,426
Total liabilities	693,563	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

131,299 and 130,386 shares issued and outstanding at September 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

September 30, 2017 and December 31, 2016	24	24
Additional paid-in capital	443,786	419,038
Accumulated other comprehensive loss	(18,022 )	(26,604 )
Retained earnings	1,456,885	1,211,045
Skechers U.S.A., Inc. equity	1,882,804	1,603,633
Non-controlling interests	116,893	81,881
Total stockholders' equity	1,999,697	1,685,514
TOTAL LIABILITIES AND EQUITY	\$2,693,260	\$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		Nine Months Ended	
	September 30, 2017	2016	September 30, 2017	2016
Net sales	\$1,094,829	\$942,417	\$3,193,571	\$2,799,021
Cost of sales	574,842	512,439	1,708,765	1,520,637
Gross profit	519,987	429,978	1,484,806	1,278,384
Royalty income	2,917	2,970	10,368	8,902
	522,904	432,948	1,495,174	1,287,286
Operating expenses:				
Selling	89,559	67,782	263,318	197,627
General and administrative	316,852	261,815	904,631	747,403
	406,411	329,597	1,167,949	945,030
Earnings from operations	116,493	103,351	327,225	342,256
Other income (expense):				
Interest income	780	348	1,574	933
Interest expense	(1,560 )	(1,296 )	(4,895 )	(4,545 )
Other, net	2,147	(1,485 )	5,507	(1,310 )
Total other income (expense)	1,367	(2,433 )	2,186	(4,922 )
Earnings before income tax expense	117,860	100,918	329,411	337,334
Income tax expense	11,030	24,376	42,546	67,144
Net earnings	106,830	76,542	286,865	270,190
Less: Net earnings attributable to non-controlling interests	14,520	11,432	41,025	33,361
Net earnings attributable to Skechers U.S.A., Inc.	\$92,310	\$65,110	\$245,840	\$236,829
Net earnings per share attributable to Skechers U.S.A., Inc.:				
Basic	\$0.59	\$0.42	\$1.58	\$1.54
Diluted	\$0.59	\$0.42	\$1.57	\$1.53
Weighted average shares used in calculating net earnings per				
share attributable to Skechers U.S.A., Inc.:				
Basic	155,824	154,211	155,502	154,006
Diluted	156,741	155,203	156,276	154,999

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		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net earnings	\$ 106,830	\$ 76,542	\$ 286,865	\$ 270,190
Other comprehensive income, net of tax:				
Gain on foreign currency translation adjustment	4,713	117	11,870	6,453
Comprehensive income	111,543	76,659	298,735	276,643
Less: Comprehensive income attributable to non-controlling interests	15,326	11,224	44,313	32,550
Comprehensive income attributable to Skechers U.S.A., Inc.	\$ 96,217	\$ 65,435	\$ 254,422	\$ 244,093

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)

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net earnings	\$286,865	\$270,190
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of property, plant and equipment	59,576	47,648
Amortization of other assets	10,474	9,554
Provision for bad debts and returns	13,397	12,253
Non-cash share-based compensation	21,737	17,118
Deferred income taxes	(4,694 )	789
Loss (gain) on non-current assets	(1,614 )	916
Net foreign currency adjustments	(7,431 )	988
(Increase) decrease in assets:		
Receivables	(164,379 )	(93,710 )
Inventories	10,139	100,378
Prepaid expenses and other current assets	(9,819 )	(10,696 )
Other assets	(7,319 )	(4,708 )
Decrease in liabilities:		
Accounts payable	(25,118 )	(92,581 )
Accrued expenses and other long-term liabilities	(6,311 )	(15,201 )
Net cash provided by operating activities	175,503	242,938
Cash flows from investing activities:		
Capital expenditures	(102,163 )	(80,751 )
Intangible asset additions	(134 )	—
Purchases of investments	(1,890 )	(3,485 )
Proceeds from sales of investments		