

September 3, 2008

Key Metrics

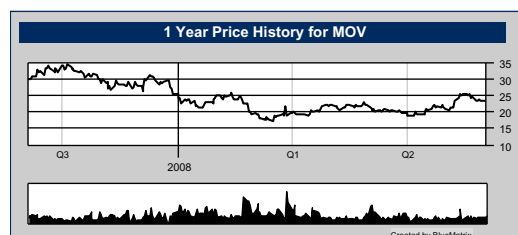
MOV - NYSE	\$23.54
Pricing Date	09/02/2008
Price Target	\$23.00
52-Week Range	\$34.99-\$17.16
Shares Outstanding (mm)	18.1
Market Capitalization (\$mm)	\$426.1
3-Mo Average Daily Volume	171,065
Institutional Ownership	98%
Debt/Total Capital	13.7%
ROE	10.5%
Book Value/Share	\$17.01
Price/Book	1.4x
Dividend Yield	1.3%

EPS(\$) FY: January

	2008A	Prior 2009E	Curr. 2009E	Prior 2010E	Curr. 2010E
1Q-Apr	0.09	--	0.05A	--	--
2Q-Jul	0.45	--	0.39E	--	--
3Q-Oct	0.78	--	0.82E	--	--
4Q-Jan	0.40	--	0.46E	--	--
FY	1.71	--	1.71E	--	1.93E
P/E	13.8x	--	13.8x	--	12.2x

Revenue(\$mm)

	2008A	Prior 2009E	Curr. 2009E	Prior 2010E	Curr. 2010E
1Q-Apr	101.4	--	101.4A	--	--
2Q-Jul	139.5	--	132.0E	--	--
3Q-Oct	180.2	--	177.5E	--	--
4Q-Jan	153.6	--	152.5E	--	--
FY	574.6	--	563.4E	--	594.6E



Company Description: *Movado Group, Inc. (www.movadogroup.com) engages in the design, development, marketing, distribution, and retailing of fine watches and jewelry. It sells watches under the brands, Movado, Ebel, Concord, ESQ Swiss, Coach, HUGO BOSS, Tommy Hilfiger, Juicy Couture, and soon-to-be-launched Lacoste. In addition, the company operates outlet stores and boutiques throughout the United States.*

Movado Group, Inc.

Rating: Buy

F2Q09 Preview: EPS Expected to Fall \$0.06 Y/Y

Investment Highlights:

- **Movado to report F2Q09 results on Thursday, September 4th; conference call scheduled for 10:00 am EST.** We expect F2Q09 earnings per share of \$0.39, \$0.06 below last year's comparable period and \$0.02 lower than the Street consensus.
- **Full-year guidance re-iterated on August 7th; could bode well for in-line or better results.** Movado re-iterated its guidance for FY09 EPS in a range between \$1.65 and \$1.72. While the company does not release quarterly guidance and we are at the high end of that range, our EPS estimates project stronger 2H results, which could bode well for in-line, if not better than expected, F2Q results.
- **Sales expected to decline 5% Y/Y on domestic weakness; ex-liquidated sales, revenues should remain flat.** We expect sales to decline Y/Y 5.4% to \$132mm. Excluding roughly \$8mm in liquidated sales in F2Q08, versus zero projected in F2Q09, sales should remain roughly flat Y/Y with international gains offsetting domestic weakness.
- **Gross margin expansion expected; reduced sales leverage expected to lower EBIT margins.** We expect gross margins to continue expanding as relatively new license profitability increases with higher sales. Reduced sales leverage is expected to offset gross margin gains with EBIT margins projected to decline to 10.2% from 11.7% a year ago.
- **Cost cutting initiatives could be a focal point of the call.** Movado announced a plan to reduce its payroll expense by approximately 10% with pre-tax cost savings of roughly \$6mm in FY09 and \$25mm annually. These cost savings are currently not factored into our EPS estimates or management's current guidance and could add up to \$0.70 to our FY10 EPS projection.
- **Price target and EPS estimates under review.** While we acknowledge the material positive impact Movado's cost reduction plan could have on EPS, our price target and EPS estimates are under review until more detailed information on the cost cutting initiatives is released.

EQUITY RESEARCH

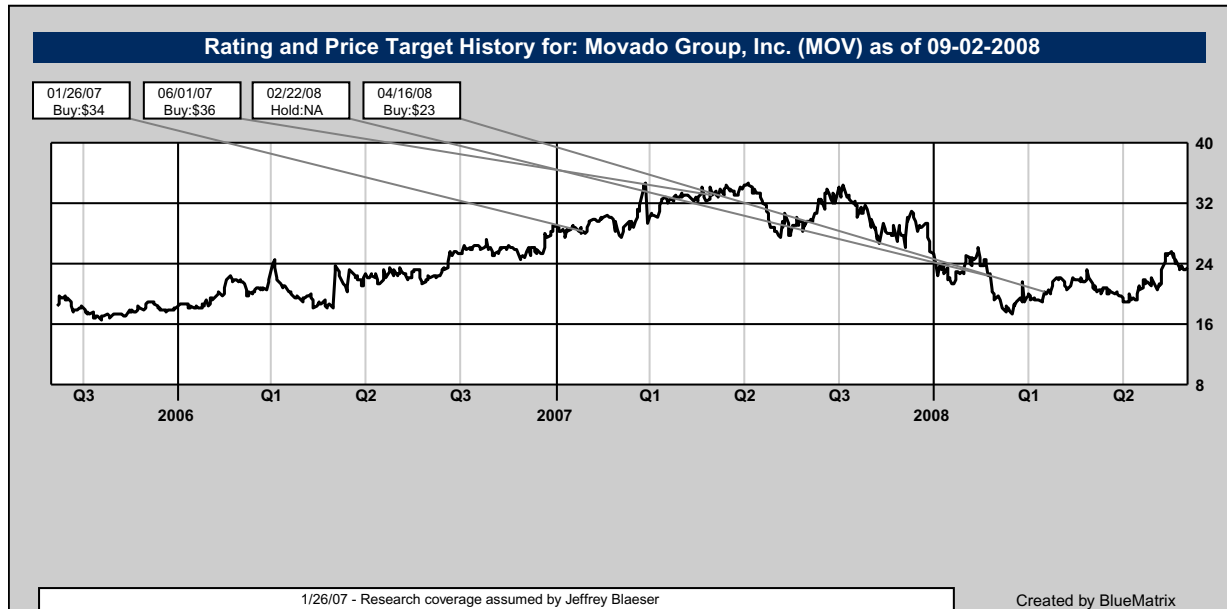
Movado Group (MOV)

(In Millions, Except Per Share Data)

Quarter End	FY 2006	Q1 Apr-06	Q2 Jul-06	Q3 Oct-06	Q4 Jan-07	FY 2007	Q1 Apr-07	Q2 Jul-07	Q3 Oct-07	Q4 Jan-08	FY 2008	Q1 Apr-08	Q2E Jul-08	Q3E Oct-08	Q4E Jan-09	FYE 2009	FYE 2010
Sales	470.9	97.7	126.6	166.3	142.3	532.9	101.4	139.5	180.2	153.6	574.6	101.4	132.0	177.5	152.5	563.4	594.6
<i>% Increase</i>	12.4%	11.4%	9.8%	17.3%	12.8%	13.1%	3.7%	10.2%	8.3%	7.9%	7.8%	0.0%	-5.4%	-1.5%	-0.7%	-1.9%	5.5%
Cost of Goods Sold	184.6	38.2	48.1	68.4	55.3	209.9	39.7	56.1	70.3	60.8	226.9	36.3	47.5	63.0	55.7	202.5	213.3
<i>As % Sales</i>	39.2%	39.0%	38.0%	41.1%	38.9%	39.4%	39.2%	40.2%	39.0%	39.6%	39.5%	35.8%	36.0%	35.5%	36.5%	36.0%	35.9%
<i>% Increase</i>	9.4%	9.3%	6.0%	23.0%	13.4%	13.7%	4.1%	16.7%	2.8%	9.8%	8.1%	-8.5%	-15.3%	-10.3%	-8.4%	-10.7%	5.3%
Gross Profit	286.3	59.6	78.5	97.9	86.9	322.9	61.7	83.3	109.9	92.8	347.7	65.0	84.5	114.5	96.8	360.8	381.3
<i>Margin</i>	60.8%	61.0%	62.0%	58.9%	61.1%	60.6%	60.8%	59.8%	61.0%	60.4%	60.5%	64.2%	64.0%	64.5%	63.5%	64.0%	64.1%
<i>% Increase</i>	14.5%	12.8%	12.2%	13.6%	12.4%	12.8%	3.5%	6.2%	12.2%	6.7%	7.7%	5.5%	1.4%	4.2%	4.4%	3.8%	5.7%
G&A	239.1	56.2	64.4	74.3	71.9	266.8	58.9	67.0	81.4	78.6	285.9	63.4	71.0	86.0	81.0	301.4	315.1
<i>As % Sales</i>	50.8%	57.5%	50.9%	44.7%	50.5%	50.1%	58.1%	48.0%	45.2%	51.2%	49.8%	62.6%	53.8%	48.5%	53.1%	53.5%	53.0%
<i>% Increase</i>	12.2%	10.8%	11.7%	10.7%	13.3%	11.6%	4.9%	4.0%	9.5%	9.3%	7.1%	7.7%	6.0%	5.7%	3.0%	5.4%	4.5%
Operating Profit	47.3	3.4	14.1	23.6	15.0	56.1	2.8	16.3	28.5	14.2	61.8	1.6	13.5	28.5	15.8	59.4	66.2
<i>Margin</i>	10.0%	3.5%	11.1%	14.2%	10.6%	10.5%	2.7%	11.7%	15.8%	9.2%	10.8%	1.6%	10.2%	16.0%	10.4%	10.5%	11.1%
<i>% Increase</i>	27.4%	60.5%	14.6%	24.0%	8.7%	18.7%	-19.3%	16.1%	20.9%	-5.7%	10.1%	-41.8%	-17.5%	0.0%	11.7%	-3.8%	11.4%
Interest Expense	4.2	0.9	0.9	1.0	0.9	3.8	0.9	0.9	0.9	0.8	3.5	0.7	0.9	0.9	0.9	3.4	3.6
Interest Income	1.1	0.9	0.6	0.8	1.0	3.3	1.2	1.1	1.1	1.3	4.7	1.0	1.1	1.0	1.1	4.2	4.4
Other Income	-1.1	0.0	0.0	0.4	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Profit	43.1	3.4	13.8	23.7	15.1	56.0	3.1	16.5	28.6	14.7	63.0	1.9	13.7	28.6	16.0	60.2	67.0
<i>Margin</i>	9.2%	3.5%	10.9%	14.3%	10.6%	10.5%	3.1%	11.9%	15.9%	9.6%	11.0%	1.8%	10.4%	16.1%	10.5%	10.7%	11.3%
<i>% Increase</i>	28.0%	154.3%	20.8%	33.5%	19.7%	29.8%	-7.2%	20.0%	20.8%	-2.9%	12.5%	-40.6%	-17.2%	0.0%	9.3%	-4.4%	11.3%
Taxes(benefit)	10.4	0.6	2.4	6.5	3.8	13.3	0.6	4.1	7.2	3.7	15.6	0.6	3.4	7.2	4.0	15.2	16.8
<i>Rate</i>	24.1%	17.9%	17.5%	27.6%	25.0%	23.8%	20.6%	24.9%	25.0%	25.0%	24.8%	30.4%	25.0%	25.0%	25.0%	25.2%	25.0%
Minority Interest	0.0	-0.1	0.0	0.0	0.2	0.1	0.1	0.1	0.2	0.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Net Income--Oper.	32.7	2.9	11.3	17.2	11.1	42.5	2.4	12.3	21.3	10.8	46.7	1.2	10.3	21.5	12.0	45.0	50.3
<i>Margin</i>	6.9%	2.9%	9.0%	10.3%	7.8%	8.0%	2.4%	8.8%	11.8%	7.0%	8.1%	1.2%	7.8%	12.1%	7.9%	8.0%	8.5%
<i>% Increase</i>	27.9%	186.4%	32.7%	29.0%	12.9%	29.9%	-15.9%	8.1%	24.0%	-3.2%	9.9%	-48.0%	-16.3%	0.9%	11.5%	-3.7%	11.7%
EPS--Operations	1.25	0.11	0.43	0.64	0.41	1.59	0.09	0.45	0.78	0.40	1.71	0.05	0.39	0.82	0.46	1.71	1.93
<i>% Increase</i>	24.9%	182.3%	30.4%	26.1%	9.8%	26.9%	-18.3%	5.3%	22.0%	-3.9%	7.9%	-46.8%	-13.6%	4.8%	16.7%	0.0%	12.9%
Shares Out. Diluted	26.2	26.4	26.6	26.8	27.0	26.8	27.2	27.3	27.2	27.2	27.3	26.6	26.4	26.2	26.0	26.3	26.0

Source: Company reports and Morgan Joseph estimates

Required Disclosures



Price Target

Our price target is \$23.

Valuation Methodology

Our \$23 price target is based on a 13x multiple, which is conservatively below its peer group's average multiple and in line with the company's historical average, on our FY09 EPS estimate.

Risk Factors

- Movado is somewhat dependent upon licensed product lines.
- Movado outsources manufacturing to independent parties.
- Movado's product lines are considered discretionary and could be impacted by recessions.
- Price changes in precious stones could impact profit margins.
- The watch manufacturing business is highly competitive.
- New technologies are limiting consumer dependency on watches.

I, Jeffrey Blaeser, the author of this research report, certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers, and no part of my compensation was, is, or will be directly or indirectly tied to the specific recommendations or views contained in this research report.

Research analyst compensation is dependent, in part, upon investment banking revenues received by Morgan Joseph & Co. Inc.

Morgan Joseph & Co. Inc. intends to seek or expects to receive compensation for investment banking services from the subject company within the next three months.

Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [B]	55.68	34.69
HOLD [H]	43.18	31.58
SELL [S]	1.14	0.00

Meaning of Ratings

- A) Buy means reasonable outperformance relative to the market over 12-18 months.
 B) Hold means market-type risk adjusted performance; potential source of funds.
 C) Sell means expected to underperform the market.

Other Disclosures

The information contained herein is based upon sources believed to be reliable but is not guaranteed by us and is not considered to be all inclusive. It is not to be construed as an offer or the solicitation of an offer to sell or buy the securities mentioned herein. Morgan Joseph & Co. Inc., its affiliates, shareholders, officers, staff, and/or members of their families, may have a position in the securities mentioned herein, and, before or after your receipt of this report, may make or recommend purchases and/or sales for their own accounts or for the accounts of other customers of the Firm from time to time in the open market or otherwise. Opinions expressed are our present opinions only and are subject to change without notice. Morgan Joseph & Co. Inc. is under no obligation to provide updates to the opinions or information provided herein. Additional information is available upon request.

© Copyright 2008 by Morgan Joseph & Co. Inc.

Morgan Joseph & Co. Inc.

600 Fifth Avenue, 19th Fl
 New York, NY 10020
 Tel. 212.218.3700
 Fax. 212.218.3789

Sales and Trading**New York**

Tel. 212.218.3767
 Fax. 212.218.3705

Pittsford

Tel. 877.237.6542
 Fax. 585.899.6029