

November 10, 2008

Key Metrics

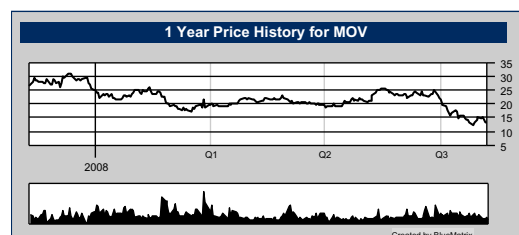
MOV - NYSE	\$15.68
Pricing Date	10/17/2008
Price Target	\$22.00
52-Week Range	\$32.93-\$14.44
Shares Outstanding (mm)	17.6
Market Capitalization (\$mm)	\$276.0
3-Mo Average Daily Volume	191,898
Institutional Ownership	98%
Debt/Total Capital	12.0%
ROE	9.7%
Book Value/Share	\$17.33
Price/Book	0.9x
Dividend Yield	2.2%

EPS(\$) FY: January

	2008A	Prior 2009E	Curr. 2009E	Prior 2010E	Curr. 2010E
1Q-Apr	0.09	--	0.05A	0.17E	0.10E
2Q-Jul	0.45	--	0.39A	0.55E	0.44E
3Q-Oct	0.78	0.88E	0.78E	1.01E	1.04E
4Q-Jan	0.40	0.56E	0.50E	0.67E	0.65E
FY	1.71	1.85E	1.70E	2.40E	2.23E
P/E	9.2x		9.2x		7.0x

Revenue(\$mm)

	2008A	Prior 2009E	Curr. 2009E	Prior 2010E	Curr. 2010E
1Q-Apr	101.4	--	101.4A	110.0E	98.0E
2Q-Jul	139.5	--	129.7A	141.9E	125.0E
3Q-Oct	180.2	177.5E	166.0E	186.4E	173.0E
4Q-Jan	153.6	152.5E	141.0E	156.3E	147.0E
FY	574.6	561.0E	538.0E	594.6E	543.0E



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

Adjusting For Potential Global Slowdown; PT to \$22 from \$28

Investment Highlights:

- **Global slowdown could impact sales - growth prospects remain positive.** While we believe management has factored in potential international weakness to guidance of EPS, pre-cost cutting savings, in a range of \$1.65 to \$1.72 (post cost cutting initiative estimated at \$1.83 to \$1.90), we are attempting to take a more conservator view due to an uncertain global economy, and have reduced our FY09 EPS estimate to \$1.70 from \$1.85 and our FY10 EPS estimate to \$2.23 from \$2.40.
- **Valuation remains compelling; reducing target/target multiple.** We are lowering our price target to \$22 from \$28 to reflect our updated EPS estimates and a roughly 10x FTM PE multiple, down from 13x previously. Our target multiple remains well below its historical average of 13x and future expected growth rates. The company maintains a strong balance sheet with cash exceeding debt by roughly \$25mm and a projected free cash flow yield over 7%.
- **New lines incremental to sales - 2008 door rationalization provides easier comparisons.** Offsetting potentially lost sales to an economic slowdown should be the ongoing maturation of 3 (Hugo Boss, LaCoste and Juicy Couture) lines recently launched plus easier Movado comps following an internal decision to rationalize the brand's domestic door count, which is projected to reduce FY09 sales by roughly \$10mm. Solid penetration in Asia, Europe, the Middle East, and the U.S. provides a fairly diverse sales base, which could limit exposure to any particular region.
- **Ahead of the curve - \$25mm in cost savings targeted for 2010.** Movado has already announced an initiative to reduce payroll by 10% with additional reductions expected within discretionary expenses. The total savings in FY10 is expected to be roughly \$2mm in 3Q09, \$4mm in 4Q09, and \$25mm (approximately \$19mm after estimated FY09 savings) in FY10. This initiative, factoring in \$19mm in FY10 savings, should add \$0.56 to EPS.
- **Upside potential remains strong - company targeting roughly 15% EBIT margins next year.** In addition to our lowered sales forecast, we are reducing our EBIT margin expectation slightly to 13.9%, below company expectations of EBIT margins approaching 15%. Granted, expectations can change, particularly within an uncertain environment; however, we believe a sufficient buffer is in place with opportunities for upside growth.

EQUITY RESEARCH

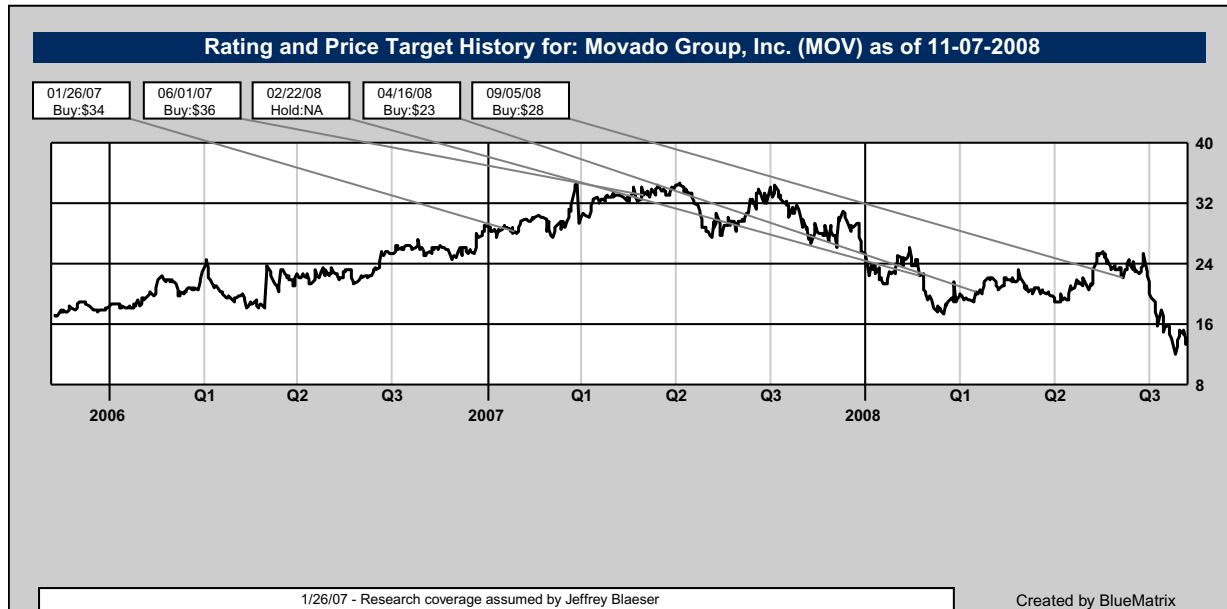
Movado Group (MOV)

(In Millions, Except Per Share Data)

	FY 2007	Q1 Apr-07	Q2 Jul-07	Q3 Oct-07	Q4 Jan-08	FY 2008	Q1 Apr-08	Q2 Jul-08	Q3E Oct-08	Q4E Jan-09	FYE 2009	Q1E Apr-09	Q2E Jul-09	Q3E Oct-09	Q4E Jan-10	FYE 2010
Sales	532.9	101.4	139.5	180.2	153.6	574.6	101.4	129.7	166.0	141.0	538.0	98.0	125.0	173.0	147.0	543.0
<i>% Increase</i>	13.1%	3.7%	10.2%	8.3%	7.9%	7.8%	0.0%	-7.0%	-7.9%	-8.2%	-6.4%	-3.3%	-3.6%	4.2%	4.3%	0.9%
Cost of Goods Sold	209.9	39.7	56.1	70.3	60.8	226.9	36.3	45.8	58.6	50.1	190.8	34.9	44.3	61.4	52.2	192.7
<i>As % Sales</i>	39.4%	39.2%	40.2%	39.0%	39.6%	39.5%	35.8%	35.3%	35.3%	35.5%	35.5%	35.6%	35.4%	35.5%	35.5%	35.5%
<i>% Increase</i>	13.7%	4.1%	16.7%	2.8%	9.8%	8.1%	-8.5%	-18.4%	-16.6%	-17.6%	-15.9%	-4.0%	-3.4%	4.8%	4.3%	1.0%
Gross Profit	322.9	61.7	83.3	109.9	92.8	347.7	65.0	83.9	107.4	90.9	347.3	63.1	80.8	111.6	94.8	350.3
<i>Margin</i>	60.6%	60.8%	59.8%	61.0%	60.4%	60.5%	64.2%	64.7%	64.7%	64.5%	64.5%	64.4%	64.6%	64.5%	64.5%	64.5%
<i>% Increase</i>	12.8%	3.5%	6.2%	12.2%	6.7%	7.7%	5.5%	0.7%	-2.3%	-2.0%	-0.1%	-2.9%	-3.8%	3.9%	4.3%	0.9%
G&A	266.8	58.9	67.0	81.4	78.6	285.9	63.4	70.6	81.3	74.0	289.2	60.0	66.0	76.1	72.8	275.0
<i>As % Sales</i>	50.1%	58.1%	48.0%	45.2%	51.2%	49.8%	62.6%	54.4%	48.9%	52.5%	53.8%	61.3%	52.8%	44.0%	49.6%	50.6%
<i>% Increase</i>	11.6%	4.9%	4.0%	9.5%	9.3%	7.1%	7.7%	5.3%	-0.2%	-5.9%	1.2%	-5.3%	-6.4%	-6.3%	-1.6%	-4.9%
Operating Profit	56.1	2.8	16.3	28.5	14.2	61.8	1.6	13.3	26.2	16.9	58.0	3.1	14.7	35.5	22.0	75.2
<i>Margin</i>	10.5%	2.7%	11.7%	15.8%	9.2%	10.8%	1.6%	10.3%	15.8%	12.0%	10.8%	3.1%	11.8%	20.5%	14.9%	13.9%
<i>% Increase</i>	18.7%	-19.3%	16.1%	20.9%	-5.7%	10.1%	-41.8%	-18.4%	-8.2%	19.5%	-6.0%	90.8%	10.3%	35.7%	29.7%	29.6%
Interest Expense	3.8	0.9	0.9	0.9	0.8	3.5	0.7	0.8	0.7	0.7	2.8	0.6	0.6	0.5	0.5	2.2
Interest Income	3.3	1.2	1.1	1.1	1.3	4.7	1.0	0.5	0.8	0.8	3.1	1.0	1.0	1.1	1.0	4.1
Other Income	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Profit	56.0	3.1	16.5	28.6	14.7	63.0	1.9	13.1	26.3	17.1	58.3	3.5	15.1	36.1	22.5	77.1
<i>Margin</i>	10.5%	3.1%	11.9%	15.9%	9.6%	11.0%	1.8%	10.1%	15.8%	12.1%	10.8%	3.5%	12.1%	20.9%	15.3%	14.2%
<i>% Increase</i>	29.8%	-7.2%	20.0%	20.8%	-2.9%	12.5%	-40.6%	-21.0%	-8.1%	16.5%	-7.4%	86.5%	15.7%	37.2%	31.5%	32.3%
Taxes(benefit)	13.3	0.6	4.1	7.2	3.7	15.6	0.6	3.2	6.6	4.3	14.6	0.9	4.1	9.7	6.1	20.8
<i>Rate</i>	23.8%	20.6%	24.9%	25.0%	25.0%	24.8%	30.4%	24.6%	25.0%	25.0%	25.1%	27.0%	27.0%	27.0%	27.0%	27.0%
Minority Interest	0.1	0.1	0.1	0.2	0.2	0.6	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Net Income--Oper.	42.5	2.4	12.3	21.3	10.8	46.7	1.2	9.8	19.7	12.8	43.6	2.5	11.0	26.3	16.4	56.3
<i>Margin</i>	8.0%	2.4%	8.8%	11.8%	7.0%	8.1%	1.2%	7.5%	11.9%	9.1%	8.1%	2.6%	8.8%	15.2%	11.2%	10.4%
<i>% Increase</i>	29.9%	-15.9%	8.1%	24.0%	-3.2%	9.9%	-48.0%	-20.3%	-7.4%	18.9%	-6.8%	103.2%	12.7%	33.6%	28.0%	29.2%
EPS--Operations	1.59	0.09	0.45	0.78	0.40	1.71	0.05	0.39	0.78	0.50	1.70	0.10	0.44	1.04	0.65	2.23
<i>% Increase</i>	26.9%	-18.3%	5.3%	22.0%	-3.9%	7.9%	-46.8%	-14.3%	-0.7%	27.3%	-0.9%	113.4%	13.1%	34.1%	28.5%	31.2%
Shares Out. Diluted	26.8	27.2	27.3	27.2	27.2	27.3	26.6	25.4	25.4	25.4	25.7	25.3	25.3	25.3	25.3	25.3

Source: Company reports and Morgan Joseph estimates

Required Disclosures



Price Target

Our price target is \$22.

Valuation Methodology

Our \$22 price target is based on a 10x multiple, which is conservatively below the company's historical multiple and projected growth rates.

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.

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Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [B]	55.32	36.54
HOLD [H]	43.62	31.71
SELL [S]	1.06	0.00

Meaning of Ratings

- A) Buy means reasonable outperformance relative to the market (S&P500) over 12-18 months.
 B) Hold means market-type risk adjusted performance; potential source of funds.
 C) Sell means expected to underperform the market (S&P500) over 12-18 months.

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