

December 3, 2008

**Key Metrics**

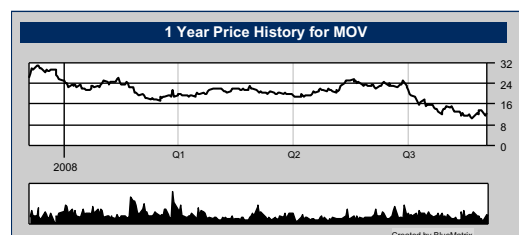
MOV - NYSE	\$12.34
Pricing Date	12/02/2008
Price Target	\$22.00
52-Week Range	\$32.93-\$10.42
Shares Outstanding (mm)	17.6
Market Capitalization (\$mm)	\$217.7
3-Mo Average Daily Volume	216,468
Institutional Ownership	98%
Debt/Total Capital	12.0%
ROE	9.7%
Book Value/Share	\$17.33
Price/Book	0.7x
Dividend Yield	2.7%

**EPS(\$)** FY: January

	2008A	Prior 2009E	Curr. 2009E	Prior 2010E	Curr. 2010E
1Q-Apr	0.09	--	0.05A	--	0.10E
2Q-Jul	0.45	--	0.39A	--	0.44E
3Q-Oct	0.78	--	0.78E	--	1.04E
4Q-Jan	0.40	--	0.50E	--	0.65E
FY	1.71	--	1.70E	--	2.23E
P/E	7.2x	--	7.3x	--	5.5x

**Revenue(\$mm)**

	2008A	Prior 2009E	Curr. 2009E	Prior 2010E	Curr. 2010E
1Q-Apr	101.4	--	101.4A	--	98.0E
2Q-Jul	139.5	--	129.7A	--	125.0E
3Q-Oct	180.2	--	166.0E	--	173.0E
4Q-Jan	153.6	--	141.0E	--	147.0E
FY	574.6	--	538.0E	--	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

#### F3Q09 Preview: Flat Y/Y Results Expected

**Investment Highlights:**

- **Movado to report F3Q09 results on Thursday, December 4th; conference call scheduled for 10:00 am EST.** We expect F3Q09 earnings per share of \$0.78, in-line with last year's comparable period and \$0.01 above the Street consensus.
- **Weakening economy/strengthening dollar should depress Y/Y sales.** We expect sales to decline 8% Y/Y to \$166mm due to weakening economic conditions and the strengthening U.S. dollar. Last year's comparable results included roughly \$11mm in liquidated sales with no liquidations expected in F3Q09. Ex-liquidation, we expect Y/Y sales to decline roughly 2%. Offsetting expected declines in mature lines should be ongoing development of the company's licensed lines.
- **Cost reductions expected to keep Y/Y EBIT margins flat.** We expect gross margins to improve 370bps Y/Y primarily due to LY's liquidated sales, which we believe were sold at cost. Ex-liquidation, we expect gross margins to decline 40bps Y/Y on slightly reduced sales leverage. Operating costs should remain flat Y/Y, in dollars, as cost cutting is expected to reduce SG&A by roughly \$2mm.
- **Cost cutting initiatives expected to improve profits, further reductions expected in FY10.** An announced plan to reduce its payroll expense by approximately 10%, generating pre-tax savings of roughly \$6mm in FY09 and \$25mm annually, should begin to boost profits with \$2mm in operating-cost reductions projected for F3Q09. F2Q09 results include a \$2.2mm charge related to the cost reduction program with total FY09 charges estimated at roughly \$9mm.
- **We maintain our Buy rating on the shares.**

EQUITY RESEARCH

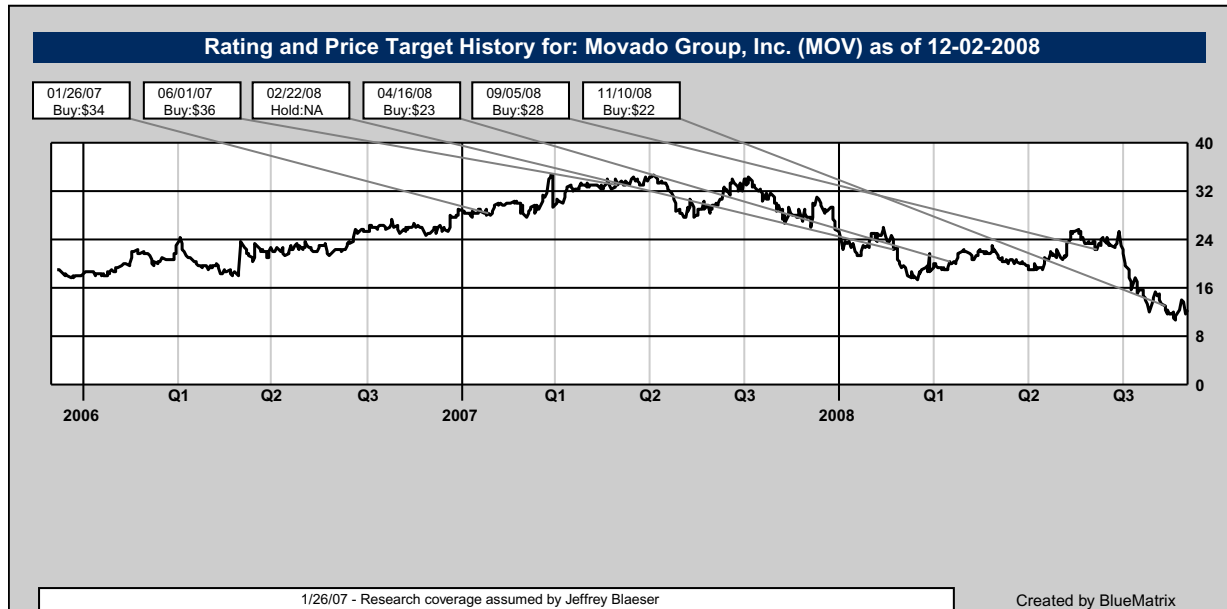
**Movado Group (MOV)**

(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
<b>Sales</b>	<b>532.9</b>	<b>101.4</b>	<b>139.5</b>	<b>180.2</b>	<b>153.6</b>	<b>574.6</b>	<b>101.4</b>	<b>129.7</b>	<b>166.0</b>	<b>141.0</b>	<b>538.0</b>	<b>98.0</b>	<b>125.0</b>	<b>173.0</b>	<b>147.0</b>	<b>543.0</b>
<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%
<b>Gross Profit</b>	<b>322.9</b>	<b>61.7</b>	<b>83.3</b>	<b>109.9</b>	<b>92.8</b>	<b>347.7</b>	<b>65.0</b>	<b>83.9</b>	<b>107.4</b>	<b>90.9</b>	<b>347.3</b>	<b>63.1</b>	<b>80.8</b>	<b>111.6</b>	<b>94.8</b>	<b>350.3</b>
<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%
<b>Operating Profit</b>	<b>56.1</b>	<b>2.8</b>	<b>16.3</b>	<b>28.5</b>	<b>14.2</b>	<b>61.8</b>	<b>1.6</b>	<b>13.3</b>	<b>26.2</b>	<b>16.9</b>	<b>58.0</b>	<b>3.1</b>	<b>14.7</b>	<b>35.5</b>	<b>22.0</b>	<b>75.2</b>
<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
<b>Pretax Profit</b>	<b>56.0</b>	<b>3.1</b>	<b>16.5</b>	<b>28.6</b>	<b>14.7</b>	<b>63.0</b>	<b>1.9</b>	<b>13.1</b>	<b>26.3</b>	<b>17.1</b>	<b>58.3</b>	<b>3.5</b>	<b>15.1</b>	<b>36.1</b>	<b>22.5</b>	<b>77.1</b>
<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
<b>Net Income--Oper.</b>	<b>42.5</b>	<b>2.4</b>	<b>12.3</b>	<b>21.3</b>	<b>10.8</b>	<b>46.7</b>	<b>1.2</b>	<b>9.8</b>	<b>19.7</b>	<b>12.8</b>	<b>43.6</b>	<b>2.5</b>	<b>11.0</b>	<b>26.3</b>	<b>16.4</b>	<b>56.3</b>
<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%
<b>EPS--Operations</b>	<b>1.59</b>	<b>0.09</b>	<b>0.45</b>	<b>0.78</b>	<b>0.40</b>	<b>1.71</b>	<b>0.05</b>	<b>0.39</b>	<b>0.78</b>	<b>0.50</b>	<b>1.70</b>	<b>0.10</b>	<b>0.44</b>	<b>1.04</b>	<b>0.65</b>	<b>2.23</b>
<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]	54.55	35.42
HOLD [H]	43.18	34.21
SELL [S]	2.27	0.00

## Meaning of Ratings

- A) Buy means reasonable outperformance relative to the market (Russell 2000) over 12-18 months.  
 B) Hold means market-type (Russell 2000) risk adjusted performance; potential source of funds.  
 C) Sell means expected to underperform the market (Russell 2000) over 12-18 months.

**Other Disclosures**

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