

December 5, 2008

Key Metrics

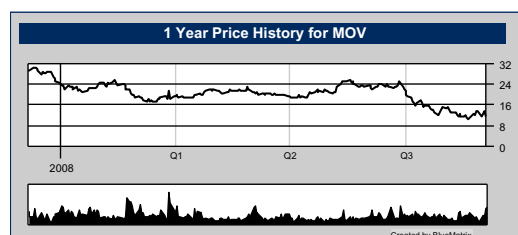
MOV - NYSE	\$11.41
Pricing Date	12/04/2008
Price Target	NA
52-Week Range	\$32.93-\$10.42
Shares Outstanding (mm)	17.6
Market Capitalization (\$mm)	\$200.8
3-Mo Average Daily Volume	219,442
Institutional Ownership	98%
Debt/Total Capital	11.1%
ROE	7.9%
Book Value/Share	\$16.80
Price/Book	0.7x
Dividend Yield	2.7%
LTM EBITDA Margin	12.20%

EPS(\$) FY: January

	2008A	Prior 2009E	Curr. 2009E	Prior 2010E	Curr. 2010E
1Q-Apr	0.09	--	0.05A	0.10E	(0.08)E
2Q-Jul	0.45	--	0.39A	0.44E	0.10E
3Q-Oct	0.78	0.78E	0.53A	1.04E	0.65E
4Q-Jan	0.40	0.50E	0.00E	0.65E	0.22E
FY	1.71	1.70E	0.95E	2.23E	0.90E
P/E	6.7x		12.0x		12.7x

Revenue(\$mm)

	2008A	Prior 2009E	Curr. 2009E	Prior 2010E	Curr. 2010E
1Q-Apr	101.4	--	101.4A	98.0E	80.0E
2Q-Jul	139.5	--	129.7A	125.0E	105.0E
3Q-Oct	180.2	166.0E	135.8A	173.0E	130.0E
4Q-Jan	153.6	141.0E	108.1E	147.0E	109.0E
FY	574.6	538.0E	475.0E	543.0E	424.0E



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: Hold

EPS Down \$0.25; FY10 Sales Decline Could Exceed Cost Cuts; Downgrade To Hold

Investment Highlights:

- **F3Q09 EPS of \$0.53 came in well below our \$0.78 estimate and LY EPS of \$0.78.** Movado reported F3Q09 EPS, ex-one time items, of \$0.53, \$0.25 below our estimate and LY's comparable result. The lower-than-expected results were primarily due to a 25% Y/Y drop in sales.
- **Weak economy drops comparable sales Y/Y roughly 20%, accessible luxury weak.** F3Q09 sales declined Y/Y 25% to \$135.8mm. Excluding roughly \$11mm in liquidated sales LY, more comparable sales results were down approximately 20%. While licensed brands expanded Y/Y 8.4%, which we believe limited international Y/Y declines to 4.7%, accessible luxury, which accounts for an estimated 40% of sales, declined Y/Y roughly \$25mm, resulting in U.S. wholesale revenues declining 31%. Movado's retail business declined Y/Y 13.4% on (7.9%) comparable store sales results.
- **Weakness could continue into FY10: lowering F4Q09/FY10 sales expectations materially.** Clearly the global slowdown has and could continue to negatively impact sales results. With consumers cutting back, and retailers closing doors and/or trimming inventories, similar comparable Y/Y trends could continue into 1H F10; therefore, we are reducing our F4Q09 sales estimate by \$33mm and FY10E revenues by \$119mm.
- **Roughly \$50mm in annualized FY10 cost cuts expected, could be masked by lower sales.** With roughly \$25mm in already announced cost cuts projected, Movado has targeted an additional \$25mm to \$30mm in annualized (substantial portion expected to be realized in FY10) compensation, marketing and other discretionary expense reductions for FY10. All told, Movado could reduce annual costs, in dollars, by an estimated \$30mm. While material, the reductions may not offset projected top-line declines and potentially lower gross margins. We are reducing our FY10 EPS estimate to \$0.90 from \$2.23.
- **Balance sheet remains solid yet FY09 free cash flow (FCF) could turn negative.** Movado's balance sheet remains solid with cash exceeding debt by \$16mm. YTD FCF of roughly (\$50mm), due primarily to increased inventory levels (up \$26mm Y/Y), should improve in 4Q09 but likely not enough to turn positive for the fiscal year.
- **Long-term value remains yet near-term conditions challenged: Downgrade to Hold.** While Movado's solid balance sheet, tangible book value of \$17 per share, and material earnings growth potential, assuming an improved economy, bode well for the company's long-term prospects, significantly reduced near-to-mid term expectations and limited visibility for improved economic conditions could limit upside share price growth; therefore, we are reducing our rating to Hold from Buy.

EQUITY RESEARCH

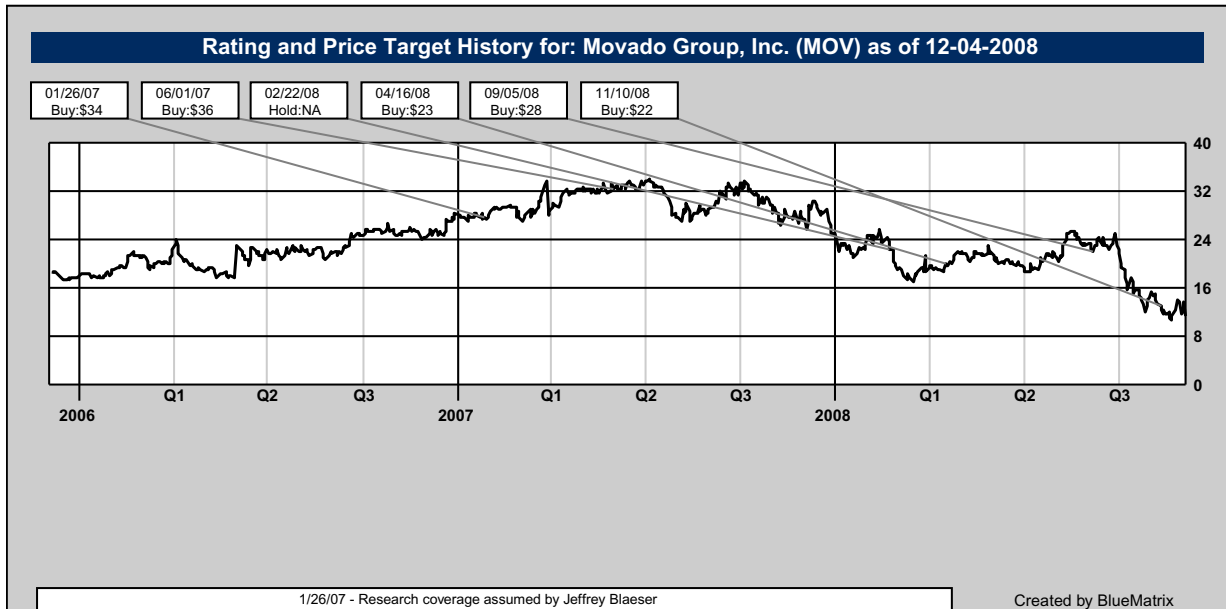
Movado Group (MOV)

(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	Q3 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	135.8	108.1	475.0	80.0	105.0	130.0	109.0	424.0
<i>% Increase</i>	13.1%	3.7%	10.2%	8.3%	7.9%	7.8%	0.0%	-7.0%	-24.6%	-29.6%	-17.3%	-21.1%	-19.0%	-4.3%	0.8%	-10.7%
Cost of Goods Sold	209.9	39.7	56.1	70.3	60.8	226.9	36.3	45.8	49.6	38.4	170.1	29.6	38.3	47.5	39.2	154.6
<i>As % Sales</i>	39.4%	39.2%	40.2%	39.0%	39.6%	39.5%	35.8%	35.3%	36.5%	35.5%	35.8%	37.0%	36.5%	36.5%	36.0%	36.5%
<i>% Increase</i>	13.7%	4.1%	16.7%	2.8%	9.8%	8.1%	-8.5%	-18.4%	-29.3%	-36.8%	-25.0%	-18.5%	-16.3%	-4.4%	2.2%	-9.1%
Gross Profit	322.9	61.7	83.3	109.9	92.8	347.7	65.0	83.9	86.2	69.7	304.9	50.4	66.7	82.6	69.8	269.4
<i>Margin</i>	60.6%	60.8%	59.8%	61.0%	60.4%	60.5%	64.2%	64.7%	63.5%	64.5%	64.2%	63.0%	63.5%	63.5%	64.0%	63.5%
<i>% Increase</i>	12.8%	3.5%	6.2%	12.2%	6.7%	7.7%	5.5%	0.7%	-21.6%	-24.9%	-12.3%	-22.5%	-20.5%	-4.2%	0.0%	-11.6%
G&A	266.8	58.9	67.0	81.4	78.6	285.9	63.4	70.6	68.2	70.0	272.2	53.0	63.0	60.0	62.0	238.0
<i>As % Sales</i>	50.1%	58.1%	48.0%	45.2%	51.2%	49.8%	62.6%	54.4%	50.2%	64.7%	57.3%	66.3%	60.0%	46.2%	56.9%	56.1%
<i>% Increase</i>	11.6%	4.9%	4.0%	9.5%	9.3%	7.1%	7.7%	5.3%	-16.2%	-11.0%	-4.8%	-16.4%	-10.7%	-12.0%	-11.4%	-12.6%
Operating Profit	56.1	2.8	16.3	28.5	14.2	61.8	1.6	13.3	18.0	(0.3)	32.7	(2.6)	3.7	22.6	7.8	31.4
<i>Margin</i>	10.5%	2.7%	11.7%	15.8%	9.2%	10.8%	1.6%	10.3%	13.3%	-0.2%	6.9%	-3.3%	3.5%	17.3%	7.1%	7.4%
<i>% Increase</i>	18.7%	-19.3%	16.1%	20.9%	-5.7%	10.1%	-41.8%	-18.4%	-36.8%	NM	-47.1%	NM	-72.4%	25.2%	NM	-4.0%
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	0.4	0.8	2.7	0.5	0.5	0.5	0.5	2.0
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	17.7	(0.1)	32.5	(2.7)	3.6	22.6	7.8	31.2
<i>Margin</i>	10.5%	3.1%	11.9%	15.9%	9.6%	11.0%	1.8%	10.1%	13.1%	-0.1%	6.9%	-3.4%	3.4%	17.3%	7.1%	7.4%
<i>% Increase</i>	29.8%	-7.2%	20.0%	20.8%	-2.9%	12.5%	-40.6%	-21.0%	-38.1%	NM	-48.3%	NM	-72.6%	27.1%	NM	-4.2%
Taxes(benefit)	13.3	0.6	4.1	7.2	3.7	15.6	0.6	3.2	4.3	(0.0)	8.0	(0.7)	1.0	6.1	2.1	8.4
<i>Rate</i>	23.8%	20.6%	24.9%	25.0%	25.0%	24.8%	30.4%	24.6%	24.0%	24.0%	24.6%	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	13.5	(0.1)	24.4	(2.0)	2.6	16.5	5.7	22.8
<i>Margin</i>	8.0%	2.4%	8.8%	11.8%	7.0%	8.1%	1.2%	7.5%	9.9%	-0.1%	5.1%	-2.5%	2.5%	12.7%	5.2%	5.4%
<i>% Increase</i>	29.9%	-15.9%	8.1%	24.0%	-3.2%	9.9%	-48.0%	-20.3%	-36.7%	NM	-47.8%	NM	-73.3%	22.1%	NM	-6.8%
EPS--Operations	1.59	0.09	0.45	0.78	0.40	1.71	0.05	0.39	0.53	(0.00)	0.95	(0.08)	0.10	0.65	0.22	0.90
<i>% Increase</i>	26.9%	-18.3%	5.3%	22.0%	-3.9%	7.9%	-46.8%	-14.3%	-31.7%	NM	-44.3%	NM	-73.1%	22.2%	NM	-5.3%
Shares Out. Diluted	26.8	27.2	27.3	27.2	27.2	27.3	26.6	25.4	25.2	25.2	25.6	25.2	25.2	25.2	25.2	25.2

Source: Company reports and Morgan Joseph estimates

Required Disclosures



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Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [B]	53.49	36.96
HOLD [H]	44.19	31.58
SELL [S]	2.33	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.

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