

September 10, 2008

**Key Metrics**

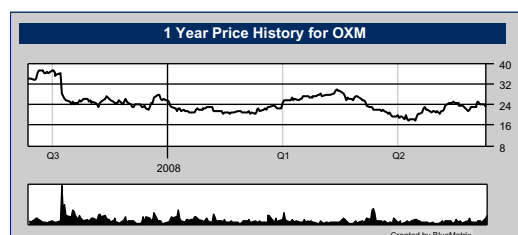
OXM - NYSE	\$25.25
Pricing Date	09/10/2008
Price Target	NA
52-Week Range	\$38.40-\$17.40
Shares Outstanding (mm)	15.7
Market Capitalization (\$mm)	\$396.4
3-Mo Average Daily Volume	188,720
Institutional Ownership	90%
Debt/Total Capital	34.9%
ROE	8.7%
Book Value/Share	\$26.41
Price/Book	1.0x
Dividend Yield	2.8%
LTM EBITDA Margin	9.71%

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

	2008A	Prior 2009E	Curr. 2009E	Prior 2010E	Curr. 2010E
1Q-Apr	0.95	--	0.59A	--	0.65E
2Q-Jul	0.49	0.33E	0.43A	--	0.43E
3Q-Oct	0.76	0.64E	0.45E	--	0.58E
4Q-Jan	0.36	0.37E	0.45E	--	0.54E
FY	2.59	--	1.93E	2.36E	2.19E
P/E	9.7x	--	13.1x	--	11.5x

**Revenue(\$mm)**

	2008A	Prior 2009E	Curr. 2009E	Prior 2010E	Curr. 2010E
1Q-Apr	292.4	--	272.9A	--	282.5E
2Q-Jul	244.6	230.0E	230.5A	--	239.7E
3Q-Oct	286.3	--	260.0E	--	273.0E
4Q-Jan	261.9	--	240.0E	--	252.0E
FY	1,085.3	1,002.9E	1,003.5E	1,053.1E	1,047.2E



**Company Description:** Oxford Industries, Inc. ([www.oxfordinc.com](http://www.oxfordinc.com)) is a producer and marketer of branded and private label apparel for men, women, and children. Oxford's customers include national chains, specialty catalogs, mass merchants, department stores, specialty stores, and Internet retailers.

## Oxford Industries, Inc.

### Rating: Hold

#### Q2 EPS Exceed Expectations; Q3 Estimates Reduced; Hold

**Investment Highlights:**

- **Oxford Industries F2Q09 EPS (ex-charges) of \$0.43 beat expectations.** Oxford Industries reported F2Q09 EPS of \$0.43, excluding one-time charges/benefits of roughly \$9mm. Upside to our estimates was generated by lower than expected SG&A costs.
- **Sales in line with expectations and anticipated declines across all lines.** F2Q09 sales declined 6% Y/Y to \$231mm, roughly in line with our estimate, with Tommy Bahama (TB), Ben Sherman, Lanier Clothes, and Oxford Apparel down Y/Y 2%, 11%, 11%, and 5%, respectively. Y/Y trends remained in line with expectations and fiscal first quarter's results. Lanier Clothes and Oxford apparel continued to suffer from a weak tailored clothing market and Ben Sherman suffered from U.S. and U.K. softness as well as the ongoing re-branding efforts. Retail traffic remained challenged at TB retail outlets but price points appear to be holding.
- **FY guidance maintained; 3Q EPS estimate lowered, 4QE expanded.** Despite the better than expected 2Q EPS results, we are maintaining our FY09 EPS estimate of \$1.93 and adjusting our 3Q EPS estimate down \$0.19 to \$0.45, reflecting a lower percentage of TB sales in the period. The percentage of TB sales and the company's EPS should expand in 4Q due to holiday shopping patterns and improved product pricing. We are also taking a more conservative stance on FY10 top-line and margin growth, and therefore reducing FY10E EPS to \$2.19 from \$2.36.
- **Restructuring expected to streamline/improve Lanier clothes' profits.** In an effort to improve Lanier clothes' profitability, Oxford exited/restructured underperforming businesses/licensing agreements, with one-time charges coming from inventory disposal costs, impairment of assets, license termination costs, and severance costs. Total net charges were roughly \$9.2mm, or \$0.38 per share. The actions could reduce the line's annual sales by roughly \$30mm with eventual profits expected to materialize from the category.
- **Share repurchases reduce cash; inventories appear in good shape.** Y/Y cash declined by roughly \$55mm to \$5mm as the company spent roughly \$60mm repurchasing stock in 2H08. Total debt remained relatively flat Y/Y at \$219mm, with inventories apparently in good shape, down \$27mm Y/Y.
- **Encouraging results, yet macro environment remains challenging.** While we believe recent restructuring activity should be a positive for long-term profits, economic conditions remain challenged. Additionally, with a greater percentage of EPS projected in 4Q, holiday shopping patterns could become key to achieving FY targets and bear watching. We maintain our Hold rating on the shares at this time.

EQUITY RESEARCH

## Oxford Industries (OXM)

(In Millions, Except Per Share Data)

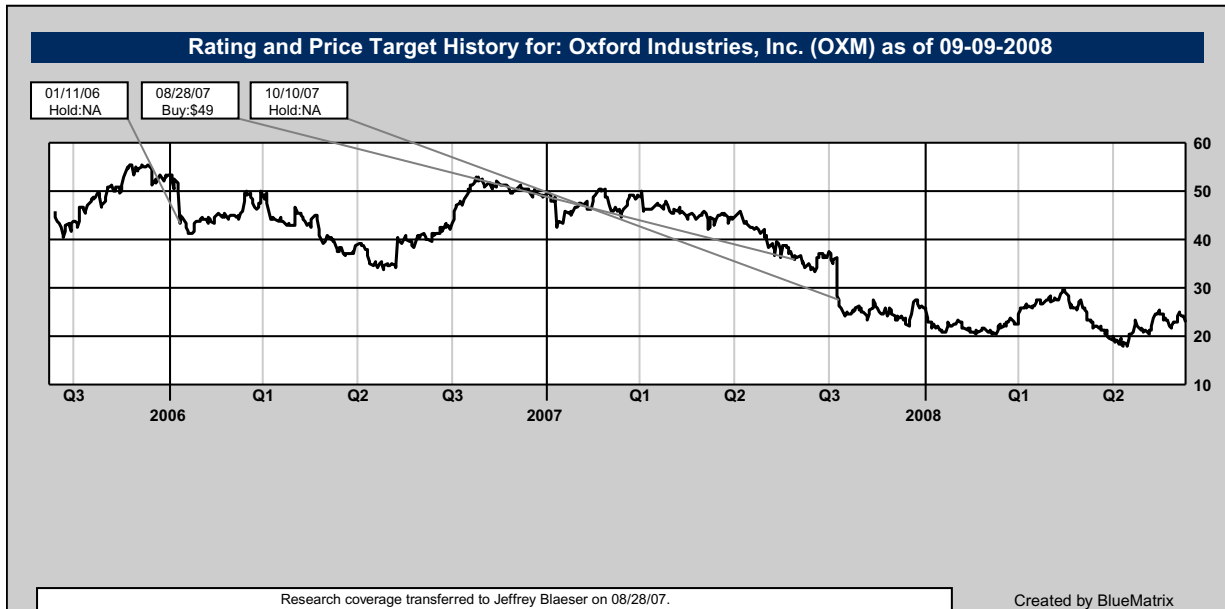
	FY* 2007	Q1 May-07	Q2 Aug-07	Q3 Nov-07	Q4 Feb-08	FY 2008	Q1 May-08	Q2** Aug-08	Q3E Nov-08	Q4E Jan-09	FYE 2009	Q1 May-09	Q2E Aug-09	Q3E Oct-09	Q4E Jan-10	FYE 2010
<b>Sales</b>	<b>1128.9</b>	<b>292.4</b>	<b>244.6</b>	<b>286.3</b>	<b>261.9</b>	<b>1085.3</b>	<b>272.9</b>	<b>230.5</b>	<b>260.0</b>	<b>240.0</b>	<b>1003.5</b>	<b>282.5</b>	<b>239.7</b>	<b>273.0</b>	<b>252.0</b>	<b>1047.2</b>
<i>% Increase</i>	1.8%	NA	NA	NA	NA	NA	-6.7%	-5.8%	-9.2%	-8.4%	-7.5%	3.5%	4.0%	5.0%	5.0%	4.4%
Cost of Goods Sold	681.1	171.9	141.6	174.1	159.9	647.4	156.6	130.4	156.0	139.0	582.0	163.3	137.9	163.3	145.7	610.0
<i>As % Sales</i>	60.3%	58.8%	57.9%	60.8%	61.0%	59.7%	57.4%	56.6%	60.0%	57.9%	58.0%	57.8%	57.5%	59.8%	57.8%	58.3%
<i>% Increase</i>	0.5%	NA	NA	NA	NA	NA	-8.9%	-7.9%	-10.4%	-13.1%	-10.1%	4.2%	5.7%	4.7%	4.8%	4.8%
<b>Gross Profit</b>	<b>447.8</b>	<b>120.5</b>	<b>103.0</b>	<b>112.2</b>	<b>102.0</b>	<b>437.8</b>	<b>116.3</b>	<b>100.1</b>	<b>104.0</b>	<b>101.0</b>	<b>421.4</b>	<b>119.2</b>	<b>101.9</b>	<b>109.7</b>	<b>106.3</b>	<b>437.2</b>
<i>Margin</i>	39.7%	41.2%	42.1%	39.2%	39.0%	40.3%	42.6%	43.4%	40.0%	42.1%	42.0%	42.2%	42.5%	40.2%	42.2%	41.7%
<i>% Increase</i>	3.7%	NA	NA	NA	NA	NA	-3.5%	-2.9%	-7.3%	-1.0%	-3.8%	2.5%	1.8%	5.5%	5.2%	3.7%
SG&A	356.4	93.1	89.0	92.8	91.2	366.0	99.6	86.2	90.5	88.0	364.3	101.1	89.9	93.9	91.7	376.7
<i>As % Sales</i>	31.6%	31.8%	36.4%	32.4%	34.8%	33.7%	36.5%	37.4%	34.8%	36.7%	36.3%	35.8%	37.5%	34.4%	36.4%	36.0%
<i>% Increase</i>	5.5%	NA	NA	NA	NA	NA	7.1%	-3.1%	-2.5%	-3.5%	-0.5%	1.5%	4.3%	3.8%	4.2%	3.4%
Amortization	6.4	1.7	1.3	1.2	1.2	5.4	0.8	1.1	1.2	1.2	4.2	1.0	1.0	1.0	1.0	4.0
<i>As % Sales</i>	0.6%	0.6%	0.5%	0.4%	NA	0.5%	0.3%	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
<i>% Increase</i>	-16.2%	NA	NA	NA	NA	NA	-53.5%	-19.7%	-2.2%	0.5%	-21.9%	26.9%	-5.5%	-16.7%	-16.7%	-5.8%
Royalties/Other (Income)	-15.2	-5.2	-3.8	-5.0	-5.3	-19.3	-4.2	-4.4	-4.5	-5.0	-18.0	-4.2	-5.0	-4.8	-5.0	-19.0
<i>As % Sales</i>	-1.3%	-1.8%	-1.6%	-1.7%	NA	-1.8%	-1.5%	-1.9%	-1.7%	-2.1%	-1.8%	-1.5%	-2.1%	-1.8%	-2.0%	-1.8%
<i>% Increase</i>	15.7%	NA	NA	NA	NA	NA	-19.0%	13.6%	-10.0%	-5.4%	-6.4%	0.0%	14.9%	6.7%	0.0%	5.3%
Operating Expense	347.6	89.6	86.4	89.1	87.1	352.2	96.2	82.9	87.2	84.2	350.5	97.9	85.9	90.1	87.7	361.7
<i>As % Sales</i>	30.8%	30.6%	35.3%	31.1%	NA	32.5%	35.3%	36.0%	33.5%	35.1%	34.9%	34.7%	35.8%	33.0%	34.8%	34.5%
<b>Operating Profit</b>	<b>100.1</b>	<b>30.9</b>	<b>16.6</b>	<b>23.2</b>	<b>14.9</b>	<b>85.7</b>	<b>20.1</b>	<b>17.2</b>	<b>16.8</b>	<b>16.8</b>	<b>70.9</b>	<b>21.3</b>	<b>16.0</b>	<b>19.6</b>	<b>18.6</b>	<b>75.5</b>
<i>Margin</i>	8.9%	10.6%	6.8%	8.1%	NA	7.9%	7.4%	7.5%	6.5%	7.0%	7.1%	7.5%	6.7%	7.2%	7.4%	7.2%
<i>% Increase</i>	1.0%	NA	NA	NA	NA	NA	-35.1%	3.6%	-27.5%	12.7%	-17.2%	5.9%	-7.0%	16.9%	10.5%	6.5%
Interest Expense	22.2	5.4	5.1	5.5	6.4	22.4	6.3	6.0	6.3	6.3	24.9	6.0	6.0	6.0	6.0	24.0
Other Income	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	0.0
<b>Pretax Profit</b>	<b>77.9</b>	<b>25.5</b>	<b>11.5</b>	<b>17.7</b>	<b>8.6</b>	<b>63.3</b>	<b>13.7</b>	<b>11.2</b>	<b>10.5</b>	<b>10.5</b>	<b>46.0</b>	<b>15.3</b>	<b>10.0</b>	<b>13.6</b>	<b>12.6</b>	<b>51.5</b>
<i>Margin</i>	6.9%	8.7%	4.7%	6.2%	NA	5.8%	5.0%	4.9%	4.0%	4.4%	4.6%	5.4%	4.2%	5.0%	5.0%	4.9%
<i>% Increase</i>	3.6%	NA	NA	NA	NA	NA	-46.2%	-2.7%	-40.5%	22.7%	-27.4%	11.1%	-10.9%	29.8%	19.7%	12.0%
Taxes(benefit)	27.4	8.5	2.8	4.0	2.7	17.9	4.2	4.4	3.6	3.6	15.8	5.2	3.4	4.6	4.3	17.5
<i>Rate</i>	35.2%	33.1%	24.1%	22.6%	31.2%	28.3%	30.8%	39.4%	34.0%	34.0%	34.3%	34.0%	34.0%	34.0%	34.0%	34.0%
<b>Net Income--Oper.</b>	<b>50.5</b>	<b>17.1</b>	<b>8.7</b>	<b>13.7</b>	<b>5.9</b>	<b>45.4</b>	<b>9.5</b>	<b>6.8</b>	<b>6.9</b>	<b>7.0</b>	<b>30.2</b>	<b>10.1</b>	<b>6.6</b>	<b>9.0</b>	<b>8.3</b>	<b>34.0</b>
<i>Margin</i>	4.5%	5.8%	3.6%	4.8%	NA	4.2%	3.5%	2.9%	2.7%	2.9%	3.0%	3.6%	2.7%	3.3%	3.3%	3.2%
<i>% Increase</i>	2.0%	NA	NA	NA	NA	NA	-44.3%	-22.3%	-49.3%	17.7%	-33.5%	5.9%	-2.9%	29.8%	19.7%	12.6%
<b>EPS--Operations</b>	<b>2.83</b>	<b>0.95</b>	<b>0.49</b>	<b>0.76</b>	<b>0.36</b>	<b>2.59</b>	<b>0.59</b>	<b>0.43</b>	<b>0.45</b>	<b>0.45</b>	<b>1.93</b>	<b>0.65</b>	<b>0.43</b>	<b>0.58</b>	<b>0.54</b>	<b>2.19</b>
<i>% Increase</i>	1.4%	NA	NA	NA	NA	NA	-38.0%	-11.0%	-41.3%	24.2%	-25.6%	9.9%	-2.0%	29.8%	19.7%	13.9%
Shares Out. Basic	17.7	17.7	17.8	17.8	16.3	17.4	16.0	15.4	15.4	15.4	15.5	15.4	15.4	15.4	15.4	15.4
Shares Out. Diluted	17.9	17.9	17.9	17.9	16.4	17.6	16.1	15.7	15.5	15.5	15.7	15.5	15.5	15.5	15.5	15.5

Source: Company reports and Morgan Joseph estimates

\*Unadjusted Fiscal year end

\*\*Morgan Joseph estimates as to the impact of one-time benefits/charges by line

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Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [B]	56.18	34.00
HOLD [H]	42.70	31.58
SELL [S]	1.12	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.

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