

Centric Brands Inc.
Form 10-Q
November 14, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 0-18926

Centric Brands Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of incorporation or organization)

11-2928178
(I.R.S. Employer Identification No.)

350 5th Avenue, 6th Floor, New York, NY 10118
(Address of principal executive offices) (Zip Code)

(646) 582-6000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Smaller reporting company
Non-accelerated filer	Emerging growth company
Accelerated filer	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's common stock outstanding as of November 14, 2018 was 58,335,575.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

CENTRIC BRANDS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share and per share data)

	September 30, 2018 (unaudited)	December 31, 2017 (Note 1)	September 30, 2017 (unaudited)
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,514	\$ 8,250	\$ 2,792
Accounts receivable, net	21,490	22,246	23,732
Inventories	33,567	31,733	38,004
Prepaid expenses and other current assets	5,157	4,832	5,170
Total current assets	63,728	67,061	69,698
Property and equipment, net	7,281	8,417	9,287
Goodwill	8,406	8,380	8,471
Intangible assets, net	87,195	89,332	90,414
Other assets	2,255	484	515
Total assets	\$ 168,865	\$ 173,674	\$ 178,385
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued expenses	\$ 35,251	\$ 22,204	\$ 26,218
Short-term convertible note	—	13,694	13,565
Current portion of long-term debt	3,438	2,813	2,188
Total current liabilities	38,689	38,711	41,971
Line of credit	24,414	21,254	20,819
Convertible notes	14,866	13,866	13,549
Long-term debt, net of current portion	42,309	44,896	45,444
Deferred income taxes, net	4,093	6,650	12,880
Other liabilities	3,732	3,554	3,591
Total liabilities	128,103	128,931	138,254
Commitments and contingencies (Note 14)			
Equity			
Series A convertible preferred stock, \$0.10 par value: 50,000 shares authorized, issued and outstanding at September 30,	5	5	5

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2018, December 31, 2017 and September 30, 2017

Series A-1 convertible preferred stock, \$0.10 par value:

4,587,964, 0 and 0 shares authorized, issued and outstanding
at September 30, 2018, December 31, 2017 and September
30, 2017, respectively

Common stock, \$0.10 par value: 100,000,000 shares

authorized, 14,132,311, 13,488,366 and 13,330,849 shares
issued and outstanding at September 30, 2018, December 31,
2017 and September 30, 2017, respectively

Additional paid-in capital

Accumulated other comprehensive income

Accumulated deficit

Total equity

Total liabilities and equity

459	—	—
1,413	1,349	1,333
76,248	61,314	60,384
408	271	740
(37,771)	(18,196)	(22,331)
40,762	44,743	40,131
\$ 168,865	\$ 173,674	\$ 178,385

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CENTRIC BRANDS INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND

COMPREHENSIVE (LOSS) INCOME

(in thousands, except per share data)

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net sales	\$ 39,831	\$ 42,389	\$ 114,614	\$ 118,944
Cost of goods sold	22,671	24,334	66,774	66,067
Gross profit	17,160	18,055	47,840	52,877
Operating expenses				
Selling, general and administrative	25,029	15,334	58,992	47,633
Depreciation and amortization	1,377	1,493	4,252	4,526
Total operating expenses	26,406	16,827	63,244	52,159
Operating (loss) income	(9,246)	1,228	(15,404)	718
Interest expense	2,462	2,262	7,097	6,536
Other expense (income), net				