

PERRY ELLIS INTERNATIONAL INC

Form 10-Q

June 06, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended April 28, 2012

OR

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

Commission File Number: 0-21764

PERRY ELLIS INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in its Charter)

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Florida (State or other jurisdiction of Incorporation or Organization)	59-1162998 (I.R.S. Employer Identification No.)
3000 N.W. 107 Avenue Miami, Florida (Address of Principal Executive Offices)	33172 (Zip Code)
Registrant's Telephone Number, Including Area Code: (305) 592-2830	

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

The number of shares outstanding of the registrant's common stock is 15,859,967 (as of May 31, 2012).

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PERRY ELLIS INTERNATIONAL, INC.

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(amounts in thousands, except share data)

	April 28, 2012	January 28, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 28,471	\$ 24,116
Accounts receivable, net	175,196	145,563
Inventories	167,200	198,264
Deferred income taxes	12,196	11,873
Prepaid income taxes	7,165	8,247
Other current assets	10,450	13,613
Total current assets	400,678	401,676
Property and equipment, net	54,801	56,496
Other intangible assets, net	248,995	242,634
Goodwill	13,794	13,794
Other assets	9,889	9,595
TOTAL	\$ 728,157	\$ 724,195
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 72,285	\$ 80,253
Accrued expenses and other liabilities	16,158	15,879
Accrued interest payable	1,203	4,186
Unearned revenues	3,917	4,179
Other current liabilities	7,544	7,263
Total current liabilities	101,107	111,760
Senior subordinated notes payable, net	150,000	150,000
Senior credit facility	23,162	21,679
Real estate mortgages	24,943	25,114
Deferred pension obligation	16,858	17,326
Unearned revenues and other long-term liabilities	15,200	15,425
Deferred income taxes	18,553	16,396
Total long-term liabilities	248,716	245,940
Total liabilities	349,823	357,700
Commitments and contingencies		
Equity:		
Preferred stock \$.01 par value; 5,000,000 shares authorized; no shares issued or outstanding		
Common stock \$.01 par value; 100,000,000 shares authorized; 16,900,761 shares issued and outstanding as of April 28, 2012 and 16,787,161 shares issued and outstanding as of January 28, 2012	167	167

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Additional paid-in-capital	162,408	160,997
Retained earnings	239,143	229,467
Accumulated other comprehensive loss	(7,426)	(8,178)
Total	394,292	382,453
Treasury stock at cost; 1,157,300 shares as of April 28, 2012 and January 28, 2012, respectively	(15,958)	(15,958)
Total equity	378,334	366,495
TOTAL	\$ 728,157	\$ 724,195

See Notes to Unaudited Condensed Consolidated Financial Statements

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(amounts in thousands, except per share data)

	Three Months Ended April 28, 2012	April 30, 2011
Revenues:		
Net sales	\$ 259,016	\$ 282,775
Royalty income	6,507	5,514
Total revenues	265,523	288,289
Cost of sales	177,783	191,319
Gross profit	87,740	96,970
Operating expenses		
Selling, general and administrative expenses	66,347	63,375
Depreciation and amortization	3,418	3,189
Total operating expenses	69,765	66,564
Operating income	17,975	30,406
Costs on early extinguishment of debt		1,306
Interest expense	3,809	4,666
Net income before income taxes	14,166	24,434
Income tax provision	4,490	9,056
Net income	9,676	15,378
Net income per share:		
Basic	\$ 0.66	\$ 1.07
Diluted	\$ 0.64	\$ 0.99
Weighted average number of shares outstanding		
Basic	14,641	14,421
Diluted	15,177	15,538

See Notes to Unaudited Condensed Consolidated Financial Statements

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(amounts in thousands)

	Three Months Ended	
	April 28,	April 30,
	2012	2011
Net income	\$ 9,676	\$ 15,378
Other Comprehensive income:		
Foreign currency translation adjustments, net	752	1,143
Comprehensive income	\$ 10,428	\$ 16,521

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents**PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(amounts in thousands)

	Three Months Ended	
	April 28, 2012	April 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 9,676	\$ 15,378
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,308	3,162
Provision for bad debts	146	85
Tax benefit from exercise of stock options	(80)	(175)
Amortization of debt issue cost	181	115
Amortization of premiums and discounts	12	(52)
Deferred income taxes	1,834	2,262
Share based compensation	1,186	1,359
Change in fair value and settlement of derivatives		(1,832)
Costs on early extinguishment of debt		1,306
Changes in operating assets and liabilities:		
Accounts receivable, net	(29,479)	(52,340)
Inventories	31,559	(2,821)
Other current assets and prepaid income taxes	(195)	2,576
Other assets	(78)	(577)
Deferred pension obligation	(469)	(395)
Accounts payable and accrued expenses	(7,736)	(2,535)
Income taxes payable		1,325
Accrued interest payable	(2,983)	(1,669)
Unearned revenues and other liabilities	(216)	560
Net cash provided by (used in) operating activities	6,666	(34,268)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,321)	(2,045)
Proceeds on sale of intangible assets		2,875
Payment on purchase of intangible assets	(7,000)	(500)
Proceeds in connection with purchase price adjustment	4,547	
Redemption of restricted funds as collateral		7,372
Net cash (used in) provided by investing activities	(3,774)	7,702
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from senior credit facility	115,398	122,603
Payments on senior credit facility	(113,915)	(187,431)
Payments on real estate mortgages	(173)	(154)
Proceeds from issuance of senior subordinate notes		150,000
Debt issuance costs		(3,000)
Payments on senior subordinate notes		(105,792)
Payments on capital leases	(103)	(88)
Proceeds from exercise of stock options	145	165
Tax benefit from exercise of stock options	80	175

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Proceeds from issuance of common stock		56,000
Stock issuance costs		(2,800)
Net cash provided by financing activities	1,432	29,678
Effect of exchange rate changes on cash and cash equivalents	31	92
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,355	3,204
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	24,116	18,524
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 28,471	\$ 21,728

Continued

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(amounts in thousands)

	Three Months Ended	
	April 28,	April 30,
	2012	2011
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 6,780	\$ 6,654
Income taxes	\$ 796	\$ 180
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Accrued purchases of property and equipment	\$	\$ 129
Capital lease financing	\$	\$ 15
Investment in joint venture	\$ 396	\$

See Notes to Unaudited Condensed Consolidated Financial Statements

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The accompanying unaudited condensed consolidated financial statements of Perry Ellis International, Inc. and subsidiaries (Perry Ellis or the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and in accordance with the requirements of the Securities and Exchange Commission on Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and changes in cash flows required by GAAP for annual financial statements. These condensed consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and related notes included in the Company s Annual Report on Form 10-K for the year ended January 28, 2012, filed with the Securities and Exchange Commission on April 12, 2012.

The information presented reflects all adjustments, which are in the opinion of management of a normal and recurring nature, necessary for a fair presentation of the interim periods. Results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the entire fiscal year.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU 2011-04 provides amendments to Topic 820 effective for public entities for interim and annual periods beginning after December 15, 2011, and should be applied prospectively. The amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Early adoption is not permitted for public entities. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011, and should be applied prospectively. The adoption of ASU 2011-04 did not have a material impact on the Company s results of operations or the Company s financial position.

In September 2011, the FASB issued ASU 2011-08, *Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. ASU 2011-08 simplifies how entities, both public and nonpublic, test goodwill for impairment. ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity s financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. The adoption of ASU No. 2011-08 is not expected to have a material impact on the Company s results of operations or the Company s financial position.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 provides for additional disclosures of both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The amendments in this update are effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods, and disclosures required by these amendments should be provided retrospectively for all comparative periods presented. The adoption of ASU No. 2011-11 did not have a material impact on the Company s results of operations or its financial position.

Table of Contents**3. ACQUISITIONS***Acquisition of Ben Hogan*

On February 16, 2012, the Company acquired the world-wide intellectual property rights of the Ben Hogan family of brands from Callaway Golf Company for a purchase price of \$7.0 million. The acquisition was financed through existing cash and borrowings under the Company's existing senior credit facility. Ben Hogan brands are ideally positioned to strengthen the Company's golf business within the Men's Sportswear and Swim segment.

The purchase price of \$7.0 million was comprised of tradenames, which have been identified as indefinite useful life assets and are not subject to amortization.

Pro forma information for the acquisition of Ben Hogan has not been provided as it is immaterial to the Company's consolidated operations.

Acquisition of Rafaella

On January 28, 2011, the Company completed the acquisition of substantially all of the assets of Rafaella Apparel Group, Inc. (Rafaella), Rafaella Apparel Far East Limited (Rafaella Far East) and Verrazano, Inc. (Verrazano) pursuant to the Asset Purchase Agreement dated as of January 7, 2011 (the Agreement) by and among Rafaella, Rafaella Far East and Verrazano (collectively, the Sellers) and the Company.

At January 28, 2011, the initial consideration paid by the Company totaled \$80.0 million in cash and a warrant to purchase 106,565 shares of the Company's common stock valued at approximately \$2.6 million. During the fourth quarter of fiscal 2012, the cash portion of the purchase price was adjusted as set forth in the Agreement based on a post-closing true-up of net working capital, which resulted in total adjusted cash paid by the Company totaling \$75.4 million. The original cash paid was reduced by \$4.5, and such amount was included as a receivable from the Sellers in other current assets in the consolidated balance sheet as of January 28, 2012. The \$4.5 million was collected during the first quarter of fiscal 2013.

4. INVENTORIES

Inventories are stated at the lower of cost (weighted moving average cost) or market. Cost principally consists of the purchase price (adjusted for lower of cost or market), customs, duties, freight, and commissions to buying agents.

Inventories consisted of the following as of:

	April 28, 2012	January 28, 2012
	(in thousands)	
Finished goods	\$ 165,073	\$ 195,473
Raw materials and in process	2,127	2,791
Total	\$ 167,200	\$ 198,264

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Property and equipment consisted of the following:

	April 28, 2012	January 28, 2012
	(in thousands)	
Furniture, fixture and equipment	\$ 92,160	\$ 91,638
Buildings	19,532	19,525
Vehicles	902	902
Leasehold improvements	30,474	30,577
Land	9,210	9,210
Total	152,278	151,852
Less: accumulated depreciation and amortization	(97,477)	(95,356)
Total	\$ 54,801	\$ 56,496

The above table of property and equipment includes assets held under capital leases as of:

	April 28, 2012	January 28, 2012
	(in thousands)	
Furniture, fixture and equipment	\$ 1,093	\$ 1,093
Less: accumulated depreciation and amortization	(1,013)	(921)
Total	\$ 80	\$ 172

For the three months ended April 28, 2012 and April 30, 2011, depreciation and amortization expense relating to property and equipment amounted to \$3.1 million and \$2.9 million, respectively, for each of the periods. These amounts include amortization expense for leased property under capital leases.

6. INTANGIBLE ASSETS*Trademarks*

Trademarks included in other intangible assets, net, are considered indefinite-lived assets and totaled \$241.8 million at April 28, 2012 and \$235.2 million at January 28, 2012.

Other Intangible Assets

Other intangible assets represent customer lists as of:

	April 28, 2012	January 28, 2012
	(in thousands)	
Customer lists	\$ 8,450	\$ 8,450
Less: accumulated amortization	(1,215)	(972)

Total	\$ 7,235	\$ 7,478
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For the three months ended April 28, 2012 and April 30, 2011, amortization expense relating to customer lists amounted to approximately \$0.2 million, respectively, for each of the periods.

7. INVESTMENT IN JOINT VENTURE

On April 20, 2012, the Company formed a joint venture, Manhattan China Limited, with China Outfitters Holdings Limited (COHL). Under the joint venture agreement, Manhattan China Limited has 10,000,000 initial authorized shares of capital (joint venture shares). COHL holds 7,500,000 joint venture shares, a 75% ownership interest in the joint venture, and the Company holds 2,500,000 joint venture shares, a 25% ownership interest in Manhattan China Limited, which is accounted for under the equity method. The Company has a put option to sell its 2,500,000 joint venture shares to COHL in exchange for cash or COHL shares at any time before April 20, 2020. As of April 28, 2012, the Company's investment in unconsolidated joint venture, which is classified as an other long-term

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asset in the accompanying condensed consolidated balance sheets was approximately \$0.4 million. The Company did not have equity income (loss) for the three months ended April 28, 2012, as the joint venture had no operations.

8. LETTER OF CREDIT FACILITIES

Borrowings and availability under letter of credit facilities consist of the following as of:

	April 28, 2012	January 28, 2012
	(in thousands)	
Total letter of credit facilities	\$ 55,324	\$ 55,314
Outstanding letters of credit	(4,259)	(4,555)
Total letters of credit available	\$ 51,065	\$ 50,759

9. ADVERTISING AND RELATED COSTS

The Company's accounting policy relating to advertising and related costs is to expense these costs in the period incurred. Advertising and related costs were approximately \$4.0 million and \$3.8 million for the three months ended April 28, 2012 and April 30, 2011, respectively, and are included in selling, general and administrative expenses in the accompanying condensed consolidated statements of income.

10. NET INCOME PER SHARE

Basic net income per share is computed by dividing net income by the weighted average shares of outstanding common stock. The calculation of diluted net income per share is similar to basic earnings per share except that the denominator includes potentially dilutive common stock. The potentially dilutive common stock included in the Company's computation of diluted net income per share includes the effects of stock options, stock appreciation rights (SARS), warrants and unvested restricted shares as determined using the treasury stock method.

In connection with the acquisition of Rafaella, the Company issued a non-participating warrant as part of the purchase price which became exercisable on the business day immediately following the first business day after the closing. The warrant is exercisable for a total of 106,565 shares of the Company's common stock at an exercise price of \$.01 per share, which has been included in the calculation of diluted net income per share for the three months ended April 28, 2012 and April 30, 2011.

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The following table sets forth the computation of basic and diluted income per share:

	Three Months Ended	
	April 28, 2012	April 30, 2011
	(in thousands, except per share data)	
Numerator:		
Net income	\$ 9,676	\$ 15,378
Denominator:		
Basic-weighted average shares	14,641	14,421
Dilutive effect: equity awards	429	1,010
Dilutive effect: warrant	107	107
Diluted-weighted average shares	15,177	15,538
Basic income per share	\$ 0.66	\$ 1.07
Diluted income per share	\$ 0.64	\$ 0.99
Antidilutive effect: ⁽¹⁾	1,775	497

⁽¹⁾ Represents weighted average of stock options to purchase shares of common stock, SARS and restricted stock that were not included in computing diluted income per share because their effects were antidilutive for the respective periods.

11. EQUITY

The following table reflects the changes in equity of Perry Ellis International, Inc.:

	Total Equity of Perry Ellis International, Inc.
	(in thousands)
Equity at January 29, 2012	\$ 366,495
Comprehensive income	10,428
Share transactions under employee stock purchase plans	1,411
Equity at April 28, 2012	\$ 378,334
Equity at January 30, 2011	\$ 302,940
Comprehensive income	16,521
Share transactions under employee stock purchase plans	1,699
Issuance of common stock	53,200
Equity at April 30, 2011	\$ 374,360

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

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Accumulated other comprehensive loss at April 28, 2012 and January 28, 2012 was comprised of the following:

	April 28, 2012	January 28, 2012
	(in thousands)	
Foreign currency translation	\$ (303)	\$ (1,055)
Unrealized loss on pension liability, net of tax	(7,123)	(7,123)
	\$ (7,426)	\$ (8,178)

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In August 2009, the Company entered into an interest rate cap agreement (the "\$75 million Cap Agreement") for an aggregate notional amount of \$75 million associated with the 8^{7/8}% senior subordinated notes. The \$75 million Cap Agreement became effective on December 15, 2010 and was scheduled to terminate on September 15, 2013. The \$75 million Cap Agreement was being used to manage cash flow risk associated with the Company's floating interest rate exposure pursuant to the Swap Agreement. The \$75 million Cap Agreement did not qualify for hedge accounting treatment. In connection with the redemption of the 8^{7/8}% Senior Subordinated Notes Due 2013, the Company elected to terminate the \$75 million Cap Agreement. The Company made a \$1.6 million termination payment during March 2011.

The location and amount of (losses) on derivative instruments not designated as hedging instruments reported in the consolidated statements of income are as follows:

Derivatives Not Designed As Hedging Instruments	Location of (Loss) Recognized in Income	Three Months Ended	
		April 28, 2012	April 30, 2011
Derivative : 75 Million Cap Agreement	Interest expense	\$	\$ (103)
Total		\$	\$ (103)

(in thousands)

Refer to Note 18, Fair Value Measurements, for disclosures of the fair value and line item caption of derivative instruments recorded on the condensed consolidated balance sheets.

14. INCOME TAXES

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. The Company's U.S. federal income tax returns for 2009 through 2012 are open tax years. The Company's state tax filings are subject to varying statutes of limitations. The Company's unrecognized state tax benefits are related to open tax years from 2005 through 2012, depending on each state's particular statute of limitation. As of April 28, 2012, various state, local, and foreign income tax returns are under examination by taxing authorities. There are currently no U.S. federal income tax returns under examination.

The Company had a \$1.4 million liability recorded for unrecognized tax benefits as of January 28, 2012, which includes interest and penalties of \$0.4 million. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. All of the unrecognized tax benefits, if recognized, would affect the Company's effective tax rate. During the three months ended April 28, 2012, the total amount of unrecognized tax benefits decreased by approximately \$0.7 million, including \$0.3 million of settlement payments. The change to the total amount of the unrecognized tax benefit for the three months ended April 28, 2012 included a decrease in interest and penalties of approximately \$0.1 million.

During the quarter ended April 28, 2012, the Company reached a settlement with the State of New Jersey regarding the income tax liabilities pertaining to the 2004 through 2011 tax years. The liability was settled for less than the recorded amount resulting in a \$0.5 million benefit recorded to income tax expense. The Company does not currently anticipate a resolution within the next twelve months for any of the remaining unrecognized tax benefits as of April 28, 2012. However, the statute of limitations related to the Company's 2009 U.S. federal tax year will expire within the next twelve months. The lapse in the statute of limitations would be expected to decrease tax expense within the next twelve months. The expiration of the statute of limitations related to the Company's 2009 U.S. federal tax year could result in a tax benefit of up to approximately \$0.1 million.

15. STOCK OPTIONS, STOCK APPRECIATION RIGHTS AND RESTRICTED SHARES

During the three months ended April 28, 2012, the Company granted an aggregate of 327,198 SARs, to be settled in shares of common stock to certain key employees. The SARs have an exercise price of \$18.19, generally vest over a three-year period and have a seven-year term. The total fair value of the SARs, based on the Black-Scholes Option Pricing Model, amounted to approximately \$3.4 million, which will be recorded as compensation expense on a straight-line basis over the vesting period of each SAR.

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During the three months ended April 28, 2012, the Company granted performance based restricted stock to certain key employees pursuant to the Company's 2005 Long Term Incentive Compensation Plan, as amended and restated, and subject to certain conditions in the grant agreement. Such stock generally vests 100% in May 2015, provided that each employee is still an employee of the Company on such date, and the Company has met certain performance criteria. A total of 83,817 shares of restricted stock were issued at an estimated value of \$1.5 million, which will be recorded as compensation expense on a straight-line basis over the vesting period.

Also, during the three months ended April 28, 2012, the Company granted an aggregate of 5,500 shares of restricted stock to certain key employees, which vest over a two-year period at an estimated value of \$0.1 million. This value will be recorded as compensation expense on a straight-line basis over the vesting period of the restricted stock.

16. SEGMENT INFORMATION

The Company has four reportable segments: Men's Sportswear and Swim, Women's Sportswear, Direct-to-Consumer and Licensing. The Men's Sportswear and Swim and Women's Sportswear segments derive revenues from the design, import and distribution of apparel to department stores and other retail outlets, principally throughout the United States. The Direct-to-Consumer segment derives its revenues from the sale of the Company's branded and licensed products through its retail stores and e-commerce platform. The Licensing segment derives its revenues from royalties associated with the use of its brand names, principally Perry Ellis, Jantzen, John Henry, Original Penguin, Gotcha, Farah, Savane, Pro Player, Manhattan and Munsingwear. Segment results of prior periods were recast to conform to the current presentation.

The Company allocates certain corporate selling, general and administrative expenses based primarily on the revenues generated by the segments.

	Three Months Ended	
	April 28, 2012	April 30, 2011
	(in thousands)	
Revenues:		
Men's Sportswear and Swim	\$ 198,362	\$ 220,154
Women's Sportswear	42,402	48,417
Direct-to-Consumer	18,252	14,204
Licensing	6,507	5,514
Total revenues	\$ 265,523	\$ 288,289
Depreciation and amortization		
Men's Sportswear and Swim	\$ 2,122	\$ 2,266
Women's Sportswear	461	334
Direct-to-Consumer	724	511
Licensing	111	78
Total depreciation and amortization	\$ 3,418	\$ 3,189
Operating income		
Men's Sportswear and Swim	\$ 13,217	\$ 24,508
Women's Sportswear	1,136	3,095
Direct-to-Consumer	(1,740)	(1,736)
Licensing	5,362	4,539
Total operating income	\$ 17,975	\$ 30,406
Total costs on early extinguishment of debt		1,306
Total interest expense	3,809	4,666
Total net income before income taxes	\$ 14,166	\$ 24,434

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The Company sponsors a qualified pension plan. The following table provides the components of net benefit cost for the plan during the first quarter of fiscal 2013 and 2012:

	Three Months Ended	
	April 28, 2012	April 30, 2011
	(in thousands)	
Service cost	\$ 63	\$ 63
Interest cost	433	509
Expected return on plan assets	(483)	(544)
Amortization of net loss (gain)	131	4
Net periodic benefit cost	\$ 144	\$ 32

18. FAIR VALUE MEASUREMENTS

Accounts receivable, accounts payable, accrued interest payable and accrued expenses. The carrying amounts reported in the balance sheets approximate fair value due to the short-term nature of these instruments.

Real estate mortgages. The carrying amounts of the real estate mortgages were approximately \$25.6 million and \$25.8 million at April 28, 2012 and January 28, 2012, respectively. The carrying values of the real estate mortgages at April 28, 2012 and January 28, 2012 approximate fair value since they were recently entered into and thus the interest rates approximate market.

Senior credit facility. The carrying amount of the senior credit facility approximates fair value due to the frequent resets of its floating interest rate.

Senior secured notes. The carrying amounts of the senior secured notes were approximately \$150.0 million at April 28, 2012 and January 28, 2012, respectively. As of April 28, 2012 and January 28, 2012, the fair value of the 7⁷/₈% senior subordinated notes payable was approximately \$150.5 million and \$154.3 million, respectively, based on quoted market prices.

Interest rate cap. The interest rate cap agreement was terminated during March 2011, therefore no fair value measurements were reported as of April 28, 2012 and January 28, 2012, respectively.

These estimated fair value amounts have been determined using available market information and appropriate valuation methods.

19. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

The Company and several of its subsidiaries (the Guarantors) have fully and unconditionally guaranteed the senior subordinated notes on a joint and several basis. The following are condensed consolidating financial statements, which present, in separate columns: Perry Ellis International, Inc., (Parent Only), the Guarantors on a combined, or where appropriate, consolidated basis, and the Non-Guarantors on a consolidated basis. Additional columns present eliminating adjustments and consolidated totals as of April 28, 2012 and January 28, 2012 and for the three months ended April 28, 2012 and April 30, 2011. The combined Guarantors are 100% owned subsidiaries of Perry Ellis International, Inc., and have fully and unconditionally guaranteed the senior subordinated notes payable on a joint and several basis.

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET (UNAUDITED)

AS OF APRIL 28, 2012

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	\$	\$ 1,731	\$ 26,740	\$	\$ 28,471
Accounts receivable, net		149,890	25,306		175,196
Intercompany receivable	190,616			(190,616)	
Inventories		141,203	25,997		167,200
Other current assets		30,423	2,117	(2,729)	29,811
Total current assets	190,616	323,247	80,160	(193,345)	400,678
Property and equipment, net		50,068	4,733		54,801
Intangible assets, net		223,459	39,330		262,789
Investment in subsidiaries	337,580			(337,580)	
Other assets	6,309	3,105	475		9,889
TOTAL	\$ 534,505	\$ 599,879	\$ 124,698	\$ (530,925)	\$ 728,157
LIABILITIES AND EQUITY					
Current Liabilities:					
Accounts payable, accrued expenses and other current liabilities	\$ 6,171	\$ 84,868	\$ 15,036	\$ (4,968)	\$ 101,107
Intercompany payable		140,470	51,061	(191,531)	
Total current liabilities	6,171	225,338	66,097	(196,499)	101,107
Notes payable and senior credit facility	150,000	23,162			173,162
Other long-term liabilities		67,885	5,430	2,239	75,554
Total long-term liabilities	150,000	91,047	5,430	2,239	248,716
Total liabilities	156,171	316,385	71,527	(194,260)	349,823
Total Equity	378,334	283,494	53,171	(336,665)	378,334
TOTAL	\$ 534,505	\$ 599,879	\$ 124,698	\$ (530,925)	\$ 728,157

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PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET (UNAUDITED)

AS OF JANUARY 28, 2012

(amounts in thousands)

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	\$	\$ 294	\$ 23,822	\$	\$ 24,116
Accounts receivable, net		124,016	21,547		145,563
Intercompany receivable	191,614			(191,614)	
Inventories		169,800	28,464		198,264
Other current assets		31,069	5,843	(3,179)	33,733
Total current assets	191,614	325,179	79,676	(194,793)	401,676
Property and equipment, net		51,745	4,751		56,496
Intangible assets, net		216,702	39,726		256,428
Investment in subsidiaries	327,904			(327,904)	
Other assets	6,333	3,182	80		9,595
TOTAL	\$ 525,851	\$ 596,808	\$ 124,233	\$ (522,697)	\$ 724,195
LIABILITIES AND EQUITY					
Current Liabilities:					
Accounts payable, accrued expenses and other current liabilities	\$ 9,356	\$ 91,712	\$ 16,110	\$ (5,418)	\$ 111,760
Intercompany payable		139,786	53,495	(193,281)	
Total current liabilities	9,356	231,498	69,605	(198,699)	111,760
Notes payable and senior credit facility	150,000	21,679			171,679
Other long-term liabilities		66,262	5,760	2,239	74,261
Total long-term liabilities	150,000	87,941	5,760	2,239	245,940
Total liabilities	159,356	319,439	75,365	(196,460)	357,700
Total Equity	366,495	277,369	48,868	(326,237)	366,495
TOTAL	\$ 525,851	\$ 596,808	\$ 124,233	\$ (522,697)	\$ 724,195

Table of Contents**PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)****FOR THE THREE MONTHS ENDED APRIL 28, 2012****(amounts in thousands)**

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	\$	\$ 228,928	\$ 36,595	\$	\$ 265,523
Gross profit		70,842	16,898		87,740
Operating income		13,500	4,475		17,975
Interest and income taxes		7,375	924		8,299
Equity in earnings of subsidiaries, net	9,676			(9,676)	
Net income	9,676	6,125	3,551	(9,676)	9,676
Comprehensive income	10,428	6,125	4,303	(10,428)	10,428

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)****FOR THE THREE MONTHS ENDED APRIL 30, 2011****(amounts in thousands)**

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenue	\$	\$ 258,837	\$ 29,452	\$	\$ 288,289
Gross profit		82,584	14,386		96,970
Operating income		26,053	4,353		30,406
Costs on early extinguishment of debt		1,306			1,306
Interest and income taxes		13,150	572		13,722
Equity in earnings of subsidiaries, net	15,378			(15,378)	
Net income	15,378	11,597	3,781	(15,378)	15,378
Comprehensive income	16,521	11,597	4,924	(16,521)	16,521

Table of Contents**PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)****FOR THE THREE MONTHS ENDED APRIL 28, 2012****(amounts in thousands)**

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (1,975)	\$ 3,105	\$ 5,536	\$	\$ 6,666
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment		(1,106)	(215)		(1,321)
Payment on purchase of intangible assets		(7,000)			(7,000)
Proceeds in connection with purchase price adjustment		4,547			4,547
Net cash used in investing activities		(3,559)	(215)		(3,774)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Borrowings on senior credit facility		115,398			115,398
Payments on senior credit facility		(113,915)			(113,915)
Payments on real estate mortgages		(173)			(173)
Payments on capital leases		(103)			(103)
Proceeds from exercise of stock options	145				145
Tax benefit from exercise of stock options	80				80
Intercompany transactions	1,719	684	(2,434)	31	
Net cash provided by (used in) financing activities	1,944	1,891	(2,434)	31	1,432
Effect of exchange rate changes on cash and cash equivalents	31		31	(31)	31
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,437	2,918		4,355
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		294	23,822		24,116
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$	\$ 1,731	\$ 26,740	\$	\$ 28,471

PERRY ELLIS INTERNATIONAL, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)****FOR THE THREE MONTHS ENDED APRIL 30, 2011****(amounts in thousands)**

	Parent Only	Guarantors	Non-Guarantors	Eliminations	Consolidated
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NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 23,861	\$ (96,634)	\$ 39,837	\$ (1,332)	\$ (34,268)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment		(2,007)	(38)		(2,045)
Proceeds on sale of intangible assets			2,875		2,875
Payment on purchase of intangible assets		(500)			(500)
Redemption of restricted funds as collateral		7,372			7,372
Net cash provided by investing activities		4,865	2,837		7,702
CASH FLOWS FROM FINANCING ACTIVITIES:					
Borrowings from senior credit facility		122,603			122,603
Payments on senior credit facility		(187,431)			(187,431)
Payments on real estate mortgages		(154)			(154)
Proceeds from issuance of senior subordinate notes	150,000				150,000
Debt issuance costs	(3,000)				(3,000)
Payments on senior subordinate notes	(105,792)				(105,792)
Payments on capital leases		(88)			(88)
Proceeds from exercise of stock options	165				165
Tax benefit from exercise of stock options	175				175
Proceeds from issuance of common stock	56,000				56,000
Stock issuance costs	(2,800)				(2,800)
Intercompany transactions	(118,701)	156,839	(38,230)	92	
Net cash (used in) provided by operating activities	(23,953)	91,769	(38,230)	92	29,678
Effect of exchange rate changes on cash and cash equivalents	92		92	(92)	92
NET INCREASE IN CASH AND CASH EQUIVALENTS			4,536	(1,332)	3,204
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD			19,174	(650)	18,524
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$	\$	\$ 23,710	\$ (1,982)	\$ 21,728

20. SUBSEQUENT EVENTS

Pursuant to FASB ASC TOPIC 855 - *Subsequent Events*, the Company evaluated subsequent events through the date the financial statements were issued for potential recognition or disclosure in the consolidated financial statements.

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Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless the context otherwise requires, all references to Perry Ellis, the Company, we, us or our include Perry Ellis International, Inc. and its subsidiaries. This management's discussion and analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended January 28, 2012, filed with the Securities and Exchange Commission on April 12, 2012.

Forward Looking Statements

We caution readers that this report includes forward-looking statements as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations rather than historical facts and they are indicated by words or phrases such as anticipate, believe, budget, contemplate, continue, could, envision, estimate, expect, guidance, indicate, intend, may, potential, predict, probably, pro-forma, project, seek, should, target, or will or the negative thereof or other variations thereon and other phrases or comparable terminology. We have based such forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, many of which are beyond our control. Some of the factors that could affect our financial performance, cause actual results to differ from our estimates, or underlie such forward-looking statements, are set forth in various places in this report. These factors include, but are not limited to:

general economic conditions,

a significant decrease in business from or loss of any of our major customers or programs,

anticipated and unanticipated trends and conditions in our industry, including the impact of recent or future retail and wholesale consolidation,

recent and future economic conditions, including turmoil in the financial and credit markets,

the effectiveness of our planned advertising, marketing and promotional campaigns,

our ability to contain costs,

disruptions in the supply chain,

our future capital needs and our ability to obtain financing,

our ability to protect our trademarks,

our ability to integrate acquired businesses, trademarks, tradenames and licenses,

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our ability to predict consumer preferences and changes in fashion trends and consumer acceptance of both new designs and newly introduced products,

the termination or non-renewal of any material license agreements to which we are a party,

changes in the costs of raw materials, labor and advertising,

our ability to carry out growth strategies including expansion in international and direct to consumer retail markets,

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the level of consumer spending for apparel and other merchandise,

our ability to compete,

exposure to foreign currency risk and interest rate risk,

possible disruption in commercial activities due to terrorist activity and armed conflict, and

other factors set forth in this report and in our other Securities and Exchange Commission (SEC) filings.

You are cautioned that all forward-looking statements involve risks and uncertainties, detailed in our filings with the SEC. You are cautioned not to place undue reliance on these forward-looking statements, which are valid only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements to reflect new information or the occurrence of unanticipated events or otherwise.

Critical Accounting Policies

Included in the footnotes to the consolidated financial statements in our Annual Report on Form 10-K for the year ended January 28, 2012 is a summary of all significant accounting policies used in the preparation of our consolidated financial statements. We follow the accounting methods and practices as required by accounting principles generally accepted in the United States of America (GAAP). In particular, our critical accounting policies and areas in which we use judgment are in the areas of revenue recognition, the estimated collectability of accounts receivable, the recoverability of obsolete or overstocked inventory, the impairment of long-lived assets that are our trademarks and goodwill, and the measurement of retirement related benefits. We believe that there have been no significant changes to our critical accounting policies during the three months ended April 28, 2012 as compared to those we disclosed in Management ' s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended January 28, 2012.

Table of Contents**Results of Operations**

The following table sets forth, for the periods indicated, selected financial data expressed by segments and includes a reconciliation of EBITDA to operating income, the most directly comparable GAAP financial measure:

	Three Months Ended	
	April 28, 2012	April 30, 2011
	(in thousands)	
Revenues by segment:		
Men's Sportswear and Swim	\$ 198,362	\$ 220,154
Women's Sportswear	42,402	48,417
Direct-to-Consumer	18,252	14,204
Licensing	6,507	5,514
Total revenues	\$ 265,523	\$ 288,289
	000000	000000
	Three Months Ended	
	April 28, 2012	April 30, 2011
Reconciliation of operating income to EBITDA		
Operating income by segment:		
Men's Sportswear and Swim	\$ 13,217	\$ 24,508
Women's Sportswear	1,136	3,095
Direct-to-Consumer	(1,740)	(1,736)
Licensing	5,362	4,539
Total operating income	\$ 17,975	\$ 30,406
Add:		
Depreciation and amortization		
Men's Sportswear and Swim	2,122	2,266
Women's Sportswear	461	334
Direct-to-Consumer	724	511
Licensing	111	78
Total depreciation and amortization	3,418	3,189
EBITDA by segment:		
Men's Sportswear and Swim	\$ 15,339	\$ 26,774
Women's Sportswear	1,597	3,429
Direct-to-Consumer	(1,016)	(1,225)
Licensing	5,473	4,617
Total EBITDA	\$ 21,393	\$ 33,595
EBITDA margin by segment		
Men's Sportswear and Swim	7.7%	12.2%
Women's Sportswear	3.8%	7.1%
Direct-to-Consumer	-5.6%	-8.6%

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Licensing	84.1%	83.7%
Total EBITDA margin	8.1%	11.7%

EBITDA consists of earnings before interest, taxes, depreciation and amortization. EBITDA is not a measurement of financial performance under accounting principles generally accepted in the United States of America, and does not represent cash flow from operations. The most directly comparable GAAP financial measure, presented above, is operating income. EBITDA and EBITDA margin are presented solely as a supplemental disclosure because management believes that they are a common measure of operating performance in the apparel industry.

The following is a discussion of the results of operations for the three month period in the first quarter of the fiscal year ending February 2, 2013 (fiscal 2013) compared with the three month period in the first quarter of the fiscal year ended January 28, 2012 (fiscal 2012).

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Results of Operations - three months ended April 28, 2012 compared to the three months ended April 30, 2011.

Net sales. Men's Sportswear and Swim net sales for the three months ended April 28, 2012 were \$198.4 million, a decrease of \$21.8 million, or 9.9%, from \$220.2 million for the three months ended April 30, 2011. Net sales decreases came primarily from our planned decrease in Perry Ellis, partially offset by increases in our golf and Axist businesses.

Women's Sportswear net sales for the three months ended April 28, 2012 were \$42.4 million, a decrease of \$6.0 million, or 12.4%, from \$48.4 million for the three months ended April 30, 2011. Net sales decreased primarily due to our Rafaella sportswear business, partially offset by increases in our contemporary Laundry dress business.

Direct-to-Consumer net sales for the three months ended April 28, 2012 were \$18.3 million, an increase of \$4.1 million, or 28.9%, from \$14.2 million for the three months ended April 30, 2011. The primary reason for the increase is our continued store expansion and our e-commerce platform growth. We also realized positive comparable store increases in our store base.

Royalty income. Royalty income for the three months ended April 28, 2012 was \$6.5 million, an increase of \$1.0 million, or 18.2%, from \$5.5 million for the three months ended April 30, 2011. Royalty income increases were attributable to Perry Ellis and Original Penguin footwear, as well as the fragrance license for Laundry by Shelli Segal.

Gross profit. Gross profit was \$87.7 million for the three months ended April 28, 2012, decreasing \$9.3 million, or 9.6 %, from \$97.0 million for the three months ended April 30, 2011.

Gross profit margin. As a percentage of total revenue, gross profit margins were 33.0% for the three months ended April 28, 2012, as compared to 33.6% for the three months ended April 30, 2011, a decrease of 60 basis points. This decrease is primarily associated with the impact from the write-down and liquidation of planned exits of brands, which will be experienced during fiscal 2013. This decrease was partially offset by higher margins in our direct-to-consumer business, golf lifestyle and licensing.

Selling, general and administrative expenses. Selling, general and administrative expenses for the three months ended April 28, 2012 were \$66.3 million, an increase of \$2.9 million, or 4.6%, from \$63.4 million for the three months ended April 30, 2011. The increase was in line with our expectations and was primarily attributed to the direct-to-consumer business for new stores opened during fiscal 2012. Also, we experienced costs in the amount of approximately \$0.8 million related to our reorganization which encompassed the exit of our Rafaella distribution facility and move to our current third party logistics warehouse and severance expense related to exited businesses.

EBITDA. Men's Sportswear and Swim EBITDA margin for the three months ended April 28, 2012 decreased 450 basis points to 7.7%, from 12.2% for the three months ended April 30, 2011. The EBITDA margin was negatively impacted by the reduction in gross profit margin, which was attributable to higher levels of promotional activity in our Perry Ellis sportswear collection business, partially offset by higher gross profit margins in our golf lifestyle business. We also realized reduced leverage from selling, general and administrative expenses attributable to the planned revenue reductions in this segment.

Women's Sportswear EBITDA margin for the three months ended April 28, 2012 decreased 330 basis points to 3.8%, from 7.1% for the three months ended April 30, 2011. The margin was negatively impacted by the costs associated with moving the Rafaella collection sportswear business from the warehouse logistics provider it had been using prior to the acquisition to our third party logistics warehouse. Margin was also negatively impacted by the loss of leverage in selling, general and administrative expenses attributable to the planned revenue reductions in this segment.

Direct-to-Consumer EBITDA margin for the three months ended April 28, 2012 increased 300 basis points to (5.6)%, from (8.6)% for the three months ended April 30, 2011. The increase was primarily attributable to the expansion of gross profit margin as described above. In addition, the segment realized favorable leverage in selling, general and administrative expenses attributable to the revenue increases realized in the segment.

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Licensing EBITDA margin for the three months ended April 28, 2012 increased 40 basis points to 84.1%, from 83.7% for the three months ended April 30, 2011. This increase was primarily attributed to the increase in license business as discussed above.

Depreciation and amortization. Depreciation and amortization for the three months ended April 28, 2012, was \$3.4 million, an increase of \$0.2 million, or 6.3%, from \$3.2 million for the three months ended April 30, 2011. The increase is attributed to our capital expenditures, primarily in the direct-to-consumer segment.

Costs on early extinguishment of debt. During the first quarter of fiscal 2012, we retired our 8^{7/8}% senior subordinated notes payable in the amount of \$104.3 million with the proceeds of our new 7^{7/8}% senior subordinated notes due 2019. In connection with this retirement, we paid an additional \$1.5 million in fees and premiums. Also, we wrote-off approximately \$853,000 in unamortized discount and bond fees associated with the senior subordinated notes. Additionally, we wrote off the remaining premium that was associated with the termination of the swap that occurred during fiscal 2011 in the amount of \$1.1 million. The senior subordinated notes were scheduled to mature on September 15, 2013. There were no comparable transactions during the first quarter of fiscal 2013.

Interest expense. Interest expense for the three months ended April 28, 2012 was \$3.8 million, a decrease of \$0.9 million, or 19.1%, from \$4.7 million for the three months ended April 30, 2011. The overall decrease in interest expense is primarily attributable to the 8^{7/8}% senior subordinated notes and the 7^{7/8}% senior subordinated notes that were outstanding simultaneously for about one month during fiscal 2012 causing us to have approximately \$0.7 million in redundant interest expense. There were no comparable transactions during the first quarter of fiscal 2013.

Income taxes. The income tax expense for the three months ended April 28, 2012, was \$4.5 million, a decrease of \$4.6 million as compared to \$9.1 million for the three months ended April 30, 2011. For the three months ended April 28, 2012, our effective tax rate was 31.7% as compared to 37.1% for the three months ended April 30, 2011. The overall decrease in the effective tax rate is attributed to decreased withholding taxes, which taxes were specific to the sale of foreign intangibles in the prior year in the amount of \$0.6 million, as well as a change in ratio of income between domestic and foreign operations, of which the foreign operations are taxed at lower statutory tax rates.

Net income. The net income for the three months ended April 28, 2012 was \$9.7 million, a decrease of \$5.7 million, or 37.0%, as compared to \$15.4 million for the three months ended April 30, 2011. The changes in operating results were due to the items described above.

Liquidity and Capital Resources

We rely principally on cash flow from operations and borrowings under our senior credit facility to finance our operations, acquisitions and capital expenditures; and to a lesser extent, on letter of credit facilities for the acquisition of a small portion of our inventory purchases. We believe that our working capital requirements will decrease for fiscal 2013 driven primarily by lower levels of inventory. As of April 28, 2012, our total working capital was \$299.6 million as compared to \$289.9 million as of January 28, 2012 and \$269.9 million as of April 30, 2011. We believe that our cash flows from operations and availability under our senior credit facility and remaining letter of credit facilities are sufficient to meet our working capital needs. We also believe that our real estate assets, which had a net book value of \$23.8 million at April 28, 2012, have a higher market value. These real estate assets may provide us with additional capital resources. Additional borrowings against these real estate assets, however, would be subject to certain loan to value criteria established by lending institutions. As of April 28, 2012, we had mortgage loans on these properties totaling \$25.6 million.

Net cash provided by operating activities was \$6.7 million for the three months ended April 28, 2012, as compared to cash used in operating activities of \$34.3 million for the three months ended April 30, 2011.

The cash provided by operating activities for three months ended April 28, 2012 is primarily attributable to a decrease in inventory of \$31.6 million associated with inventory management; offset by an increase in accounts receivable of \$29.5 million due to the increase in sales toward the end of the first quarter, and a reduction of our accounts payable and accrued expenses of \$7.7 million. As a result of the decrease in inventory for the first quarter of fiscal 2013, our inventory turnover ratio decreased to 3.3 as compared to 3.7 for the comparable quarter in fiscal 2012. The cash used in operating activities for three months ended April 30, 2011 is primarily attributable to an increase in accounts receivable of \$52.3 million due to the increase in sales toward the end of the first quarter, an

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increase in inventory of \$2.8 million and a reduction of our accounts payable and accrued expenses of \$2.6 million; offset by a decrease in other assets and prepaid income taxes. As a result of this increase in inventory and the inventory acquired through the Rafaella acquisition in January 2011, for the first quarter of fiscal 2012, our inventory turnover ratio decreased to 3.7 as compared to 4.8 for the comparable quarter of fiscal 2011.

Net cash used in investing activities was \$3.8 million for the three months ended April 28, 2012, as compared to cash provided by investing activities of \$7.7 million for the three months ended April 30, 2011. The net cash used during the first three months of fiscal 2013 primarily reflects the purchase of Ben Hogan in the amount of \$7.0 million and the purchase of property and equipment in the amount of \$1.3 million; offset by the proceeds related to the Rafaella purchase price adjustment of \$4.5 million. The net cash provided during the first three months of fiscal 2012 primarily reflects the redemption of restricted cash collateralizing letters of credit in the amount of \$7.3 million acquired in the Rafaella acquisition and the proceeds from the sale of certain foreign intangible in the amount of \$2.9 million; offset by the purchase of property and equipment in the amount of \$2.0 million. We anticipate capital expenditures during fiscal 2013 of \$10 million to \$11 million in technology, systems, retail stores, and other expenditures.

Net cash provided by financing activities for the three months ended April 28, 2012, was \$1.4 million, as compared to \$29.7 million for the three months ended April 30, 2011. The net cash provided during the first three months of fiscal 2013 primarily reflects net borrowings on our senior credit facility of \$1.5 million, proceeds from exercises of stock options of \$0.1 million and a tax benefit from the exercise of stock options of \$0.1 million; partially offset by payments of \$0.2 million on our mortgage loans. The net cash provided during the first three months of fiscal 2012 primarily reflects net proceeds from the issuance of our new 7⁷/₈% senior subordinated notes in the amount of \$147.0 million and net proceeds from our stock offering in the amount of \$53.2 million; partially offset by net payments on our senior credit facility of \$64.8 million and the retirement of our 8⁷/₈% senior subordinated notes in the amount of \$105.8 million, including redemption premiums and commissions of \$1.5 million.

In November 2011, our Board of Directors extended and increased our stock repurchase program, which now authorizes us to repurchase up to \$40 million of our common stock for cash over the next twelve months. Although our Board of Directors allocated a maximum of \$40 million to carry out the program, we are not obligated to purchase any specific number of outstanding shares and will reevaluate the program on an ongoing basis.

During September 2011, our Board of Directors authorized the retirement of 2,462,196 shares of treasury stock, which were recorded at a cost of approximately \$17.4 million. Accordingly, we reduced common stock and additional paid-in-capital by \$25,000 and \$17.4 million, respectively. Additionally, we repurchased shares of our common stock during the fourth quarter of fiscal 2012 at a cost of approximately \$16.0 million. We did not repurchase any shares of our common stock during fiscal 2013 and fiscal 2011. Total purchases under the stock repurchase program as of January 28, 2012 were \$33.4 million.

Acquisitions

Acquisition of Ben Hogan

On February 16, 2012, we acquired the world-wide intellectual property rights of the Ben Hogan family of brands from Callaway Golf Company. The acquisition was financed through existing cash and borrowings under our existing senior credit facility. Ben Hogan brands are ideally positioned to strengthen our golf business within the Men's Sportswear and Swim segment.

The purchase price of \$7.0 million was comprised of tradenames, which have been identified as indefinite useful life assets and are not subject to amortization.

Investment in Joint Venture

On April 20, 2012, we formed a joint venture, Manhattan China Limited, with China Outfitters Holdings Limited, (COHL). Under the joint venture agreement Manhattan China Limited has 10,000,000 initial authorized shares of capital or joint venture shares. COHL holds 7,500,000 joint venture shares, a 75% ownership interest in the joint venture, and we hold 2,500,000 joint venture shares, a 25% ownership interest in Manhattan China

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Limited, which is accounted for under the equity method. We have a put option to sell our 2,500,000 joint venture shares to COHL in exchange for cash or COHL shares at any time before April 20, 2020. As of April 28, 2012, our investment in unconsolidated joint venture, which is classified as an other long-term asset in the accompanying condensed consolidated balance sheets, was approximately \$0.4 million. We did not have equity income (loss) for the three months ended April 28, 2012, as the joint venture had no operations.

Senior Credit Facility

On December 2, 2011, we amended and restated our existing senior credit facility (the Credit Facility), with Wells Fargo Bank, National Association, as agent for the lenders, and Bank of America, N.A., as syndication agent. The Credit Facility provides a revolving credit facility of up to an aggregate amount of \$125 million, subject to increases from time to time in increments of \$25 million up to a maximum of \$200 million. The Credit Facility has a five-year term that expires on December 2, 2016. At April 28, 2012 and January 28, 2012, we had outstanding borrowings of \$23.2 million and \$21.7 million, respectively, under the Credit Facility.

Certain Covenants. The Credit Facility contains certain financial and other covenants, which, among other things, require us to maintain a minimum fixed charge coverage ratio if availability falls below certain thresholds. We are not aware of any non-compliance with any of our covenants in this Credit Facility. These covenants may restrict our ability and the ability of our subsidiaries to, among other things, incur additional indebtedness and liens in certain circumstances, redeem or repurchase capital stock, make certain investments or sell assets. We may pay cash dividends subject to certain restrictions set forth in the covenants including, but not limited to, meeting a minimum excess availability threshold and no occurrence of a default. We could be materially harmed if we violate any covenants, as the lenders under the Credit Facility could declare all amounts outstanding, together with accrued interest, to be immediately due and payable. If we are unable to repay those amounts, the lenders could proceed against our assets and the assets of our subsidiaries that are borrowers or guarantors. In addition, a covenant violation that is not cured or waived by the lenders could also constitute a cross-default under certain of our other outstanding indebtedness, such as the indenture relating to our 7⁷/₈% senior subordinated notes due April 1, 2019, our letter of credit facilities, or our real estate mortgage loans. Such a cross-default could result in all of our debt obligations becoming immediately due and payable, which we may not be able to satisfy.

Borrowing Base. Borrowings under the Credit Facility are limited to a borrowing base calculation, which generally restricts the outstanding balance to the sum of (a) 87.5% of eligible receivables plus (b) 87.5% of eligible foreign accounts up to \$1.5 million plus (c) the lesser of (i) the inventory loan limit, which equals 80% of the maximum credit under the Credit Facility at the time, (ii) 70.0% of eligible finished goods inventory, or (iii) 90.0% of the net recovery percentage (as defined in the Credit Facility) of eligible inventory.

Interest. Interest on the outstanding principal balance drawn under the Credit Facility accrues, at our option, at either (a) the greater of the agent's prime lending rate plus a margin of 1.25% per year through March 31, 2012, provided such margin shall be adjusted quarterly thereafter, or the Federal Funds rate in effect on such day plus one half of one percent (.50%); or (b) the rate quoted by the agent as the Eurodollar Rate for one-, two- or three-month Eurodollar deposits, as selected by us, plus a margin of 2.25% per year through March 31, 2012. Thereafter, the margin adjusts quarterly, in a range of 1.75% to 2.50%, based on our previous quarterly average of excess availability plus excess cash on the last day of the previous quarter.

Security. As security for the indebtedness under the Credit Facility, we granted to the lenders a first priority security interest (subject to liens permitted under the Credit Facility to be senior thereto) in substantially all of our existing and future assets, including, without limitation, accounts receivable, inventory, deposit accounts, general intangibles, equipment and capital stock or membership interests, as the case may be, of certain subsidiaries, and real estate but excluding our non-U.S. subsidiaries and all of our trademark portfolio.

Letter of Credit Facilities

As of April 28, 2012, we maintained two U.S. dollar letter of credit facilities totaling \$55.0 million and one letter of credit facility totaling \$0.3 million utilized by our United Kingdom subsidiary. Each documentary letter of credit is secured primarily by the consignment of merchandise in transit under that letter of credit and certain subordinated liens on our assets.

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During the third quarter of fiscal 2012, we increased one of our two U.S. dollar letters of credit from \$10.0 million to \$15.0 million, under existing terms and reduced the letter of credit facility utilized by our United Kingdom subsidiary from \$1.0 million to \$0.3 million. As of April 28, 2012 and January 28, 2012, there was \$51.1 million and \$50.8 million, respectively, available under our existing letter of credit facilities.

8^{7/8}% \$150 Million Senior Subordinated Notes Payable

In fiscal 2004, we issued \$150 million 8^{7/8}% senior subordinated notes, due September 15, 2013. The proceeds of this offering were used to redeem our previously issued \$100 million 12^{1/4}% senior subordinated notes and to pay down the outstanding balance of the senior credit facility at that time. The proceeds to us were \$146.8 million yielding an effective interest rate of 9.1%.

On March 8, 2011, the senior subordinated notes due September 15, 2013 were called and subsequently retired by the issuance of new notes more fully described herein. In connection with the call, we incurred an early call premium of \$1.5 million. We also wrote-off the remaining unamortized discount and bond fees associated with the senior subordinated notes.

7^{7/8}% \$150 Million Senior Subordinated Notes Payable

In March 2011, we issued \$150 million 7^{7/8}% senior subordinated notes, due April 1, 2019. The proceeds of this offering were used to retire the \$150 million 8^{7/8}% senior subordinated notes due September 15, 2013 and to repay a portion of the outstanding balance on the senior credit facility. The proceeds to us were \$146.5 million yielding an effective interest rate of 8.0%.

Certain Covenants. The indenture governing the senior subordinated notes contains certain covenants which restrict our ability and the ability of our subsidiaries to, among other things, incur additional indebtedness in certain circumstances, pay dividends or make other distributions on, redeem or repurchase capital stock, make investments or other restricted payments, create liens on assets to secure debt, engage in transactions with affiliates, and effect a consolidation or merger. We are not aware of any non-compliance with any of our covenants in this indenture. We could be materially harmed if we violate any covenants because the indenture's trustee could declare the outstanding notes, together with accrued interest, to be immediately due and payable, which we may not be able to satisfy. In addition, a violation could also constitute a cross-default under the senior credit facility, the letter of credit facilities and the real estate mortgages resulting in all of our debt obligations becoming immediately due and payable, which we may not be able to satisfy.

Real Estate Mortgage Loans

In fiscal 2003, we acquired our main administrative office, warehouse and distribution facility in Miami and partially financed the acquisition of the facility with an \$11.6 million mortgage loan. Interest was fixed at 7.123%. In August 2008, we executed a maturity extension of the real estate mortgage loan until July 1, 2010. In July 2010, we paid off the then existing real estate mortgage loan and refinanced our main administrative office, warehouse and distribution facility in Miami with a \$13.0 million mortgage loan. The loan is due on August 1, 2020. Principal and interest of \$83,000 were due monthly based on a 25 year amortization with the outstanding principal due at maturity. Interest was fixed at 5.80%. In October 2011, we amended the mortgage agreement to modify the interest rate. The interest rate was reduced to 5.00% per annum and the terms were restated to reflect new monthly payments of principal and interest of \$77,000 based on a 25 year amortization with the outstanding principal due at maturity. At April 28, 2012, the balance of the real estate mortgage loan totaled \$12.3 million, net of discount, of which \$265,000 is due within one year.

In June 2006, we entered into a mortgage loan for \$15 million secured by our Tampa facility. The loan is due on June 7, 2016. Principal and interest of \$297,000 were due quarterly based on a 20 year amortization with the outstanding principal due at maturity. Interest was set at 6.25% for the first five years, at which point it would have reset based on the terms and conditions of the promissory note. In June 2010, we negotiated with the bank to accelerate the rate reset that was scheduled to occur in June 2011, and the interest rate was reduced to 5.75% per annum, among other changes to the loan. In October 2011, we amended the mortgage agreement to modify the interest rate. The interest rate was reduced to 4.95% per annum and the terms were restated to reflect new quarterly payments of principal and interest of \$268,000, based on a 20 year amortization with the outstanding principal due at maturity. At April 28, 2012, the balance of the real estate mortgage loan totaled \$13.3 million, net of discount, of which \$409,000 is due within one year.

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The real estate mortgage loans contain certain covenants. We are not aware of any non-compliance with any of these covenants. If we violate any covenants, the lender under the real estate mortgage loan could declare all amounts outstanding thereunder to be immediately due and payable, which we may not be able to satisfy. A covenant violation could also constitute a cross-default under our senior credit facility, the letter of credit facilities and indenture relating to our senior subordinated notes resulting in all our debt obligations becoming immediately due and payable, which we may not be able to satisfy.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements as defined by applicable GAAP and SEC rules.

Effects of Inflation and Foreign Currency Fluctuations

We do not believe that inflation or foreign currency fluctuations significantly affected our results of operations for the three months ended April 28, 2012.

Item 3: Quantitative and Qualitative Disclosures about Market Risks

The market risk inherent in our financial statements represents the potential changes in the fair value, earnings or cash flows arising from changes in interest rates. We manage this exposure through regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. Our policy allows the use of derivative financial instruments for identifiable market risk exposure, including interest rate.

Derivatives on \$150 Million Senior Subordinated Notes Payable

In August 2009, we entered into an interest rate cap agreement (the \$75 million Cap Agreement) for an aggregate notional amount of \$75 million associated with our 8⁷/₈% senior subordinated notes. The \$75 million Cap Agreement became effective on December 15, 2010 and was scheduled to terminate on September 15, 2013. The \$75 million Cap Agreement was being used to manage cash flow risk associated with our floating interest rate exposure pursuant to the Swap Agreement. The \$75 million Cap Agreement did not qualify for hedge accounting treatment. We terminated the \$75 million Cap Agreement during March 2011. In connection with the termination, we paid \$1.6 million. The change in fair value resulted in an increase to interest expense of \$0.1 million for the three months ended April 30, 2011.

Commodity Price Risk

We are exposed to market risks for the pricing of cotton and other fibers, which may impact fabric prices. Fabric is a portion of the overall product cost, which includes various components. We manage our fabric prices by using a combination of different strategies including the utilization of sophisticated logistics and supply chain management systems, which allow us to maintain maximum flexibility in our global sourcing of products. This provides us with the ability to re-direct our sourcing of products to the most cost-effective jurisdictions. In addition, we may modify our product offerings to our customers based on the availability of new fibers, yield enhancement techniques and other technological advances that allow us to utilize more cost effective fibers. Finally, we also have the ability to adjust our price points of such products, to the extent market conditions allow. These factors, along with our foreign-based sourcing offices, allow us to procure product from lower cost countries or capitalize on certain tariff-free arrangements, which help mitigate any commodity price increases that may occur. We have not historically managed, and do not currently intend to manage, commodity price exposures by using derivative instruments.

Other

Our current exposure to foreign exchange risk is not significant and accordingly, we have not entered into any transactions to hedge against those risks.

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We carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) of the Securities Exchange Act. Based upon this evaluation, our Chairman of the Board and Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of April 28, 2012 in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the quarter ended April 28, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION**Item 6. Exhibits****Index to Exhibits**

Exhibit Number	Exhibit Description	Where Filed
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
32.1	Certification of Principal Executive Officer pursuant to Section 1350	Filed herewith.
32.2	Certification of Principal Financial Officer pursuant to Section 1350	Filed herewith.
101.INS	XBRL Instance Document ⁽¹⁾	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema ⁽¹⁾	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase ⁽¹⁾	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase ⁽¹⁾	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase ⁽¹⁾	Filed herewith.

- (1) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

June 6, 2012

Perry Ellis International, Inc.
By: /S/ ANITA BRITT
Anita Britt, Chief Financial Officer
(Principal Financial Officer)

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Exhibit Index

Exhibit Number	Exhibit Description
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)
32.1	Certification of Principal Executive Officer pursuant to Section 1350
32.2	Certification of Principal Financial Officer pursuant to Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase