

JOE'S JEANS INC.
Form 10-Q
October 15, 2008
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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 August 31, 2008

OR

**o 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

JOE S JEANS 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.)

5901 South Eastern Avenue, Commerce, California

(Address of principal executive offices)

90040

(Zip Code)

(323) 837-3700

(Registrant's telephone number, including area code)

NO CHANGE

(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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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 October 14, 2008 was 59,826,974.

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JOE S JEANS INC.

QUARTERLY REPORT ON FORM 10-Q

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****JOE S JEANS INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands)**

	August 31, 2008 (unaudited)	November 30, 2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,117	\$ 1,331
Accounts receivable, net of allowance for customer credits and returns of \$590 (2008) and \$652 (2007)	1,042	803
Inventories, net	21,040	20,803
Prepaid expenses and other current assets	203	282
Total current assets	25,402	23,219
Property and equipment, net	959	792
Goodwill	11,463	10,415
Intangible assets, net	13,200	13,200
Other assets	109	
Total assets	\$ 51,133	\$ 47,626
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 6,920	\$ 7,794
Due to factor	2,739	3,040
Due to related parties	9	1,142
Total current liabilities	9,668	11,976
Long term deferred rent	87	
Deferred tax liability	5,254	5,254
Total liabilities	15,009	17,230
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.10 par value: 5,000 shares authorized, no shares issued or outstanding		
Common stock, \$0.10 par value: 100,000 shares authorized, 59,939 shares issued and 59,827 outstanding	5,995	5,988
Additional paid-in capital	102,679	102,056
Accumulated deficit	(69,774)	(74,872)
Treasury stock, 112 shares	(2,776)	(2,776)

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Total stockholders' equity		36,124		30,396
Total liabilities and stockholders' equity	\$	51,133	\$	47,626

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

Table of Contents**JOE S JEANS INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(in thousands, except per share data)

	Three months ended		Nine months ended	
	August 31, 2008	August 25, 2007	August 31, 2008	August 25, 2007
	(unaudited)		(unaudited)	
Net sales	\$ 18,248	\$ 15,708	\$ 51,413	\$ 44,693
Cost of goods sold	9,303	9,123	27,242	25,664
Gross profit	8,945	6,585	24,171	19,029
Operating expenses				
Selling, general and administrative	6,134	5,335	17,706	16,922
Depreciation	70	91	244	266
	6,204	5,426	17,950	17,188
Operating income	2,741	1,159	6,221	1,841
Interest expense	(133)	(203)	(492)	(598)
Other expense				(25)
Income before provision for taxes	2,608	956	5,729	1,218
Income taxes	368	43	631	56
Net income	\$ 2,240	\$ 913	\$ 5,098	\$ 1,162
Earnings per common share - basic	\$ 0.04	\$ 0.02	\$ 0.09	\$ 0.03
Earnings per common share - diluted	\$ 0.04	\$ 0.02	\$ 0.09	\$ 0.03
Weighted average shares outstanding				
Basic	59,477	43,662	59,360	41,385
Diluted	60,063	45,541	59,752	42,682

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

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JOE S JEANS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine months ended	
	August 31, 2008	August 25, 2007
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by (used in) operating activities	\$ 3,533	\$ (8,223)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of property and equipment		2
Payments for earnout on trademark	(1,048)	
Purchases of property and equipment	(411)	(187)
Net cash used in investing activities	(1,459)	(185)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (net repayments) from factor borrowing, net	(301)	1,829
Proceeds from issuance of common stock	13	6,974
Net cash (used in) provided by financing activities	(288)	8,803
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,786	395
CASH AND CASH EQUIVALENTS, at beginning of period	1,331	385
CASH AND CASH EQUIVALENTS, at end of period	\$ 3,117	\$ 780

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

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JOE S JEANS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(in thousands)

	Common Stock Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total Stockholders Equity
Balance, November 25, 2006	34,455	\$ 3,447	\$ 79,763	\$ (77,126)	\$ (2,776)	\$ 3,308
Net loss (unaudited)				1,162		1,162
Stock-based compensation (unaudited)			15			15
Issuance of common stock and warrants (unaudited)	10,776	1,078	5,896			6,974
Balance, August 25, 2007 (unaudited)	45,231	\$ 4,525	\$ 85,674	\$ (75,964)	\$ (2,776)	\$ 11,459
Balance, November 30, 2007	59,862	\$ 5,988	\$ 102,056	\$ (74,872)	\$ (2,776)	\$ 30,396
Net income (unaudited)				5,098		