

BIRKS GROUP INC.
Form 20-F
June 30, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

.. **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

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

For the fiscal year ended March 26, 2016

OR

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

OR

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

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number: 001-32635

BIRKS GROUP INC.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Canada

(Jurisdiction of incorporation or organization)

1240 Phillips Square

Montreal Québec

Canada

H3B 3H4

(Address of principal executive offices)

Pat Di Lillo, 514-397-2592 (telephone), 514-397-2537 (facsimile)

1240 Phillips Square

Montreal Québec

Canada

H3B 3H4

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Voting Shares, without nominal or par value	NYSE MKT LLC
Securities registered or to be registered pursuant to Section 12(g) of the Act:	

None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None.

The number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report was:

10,242,911	Class A Voting Shares, without nominal or par value
7,717,970	Class B Multiple Voting Shares, without nominal or par value
0	Series A Preferred Shares, without nominal or par value, issuable in series

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued Other

by the International Accounting Standards Board "

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 " Item 18 "

If this is an Annual Report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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INTRODUCTION

References

Unless the context otherwise requires, the terms Birks Group, the Company, we, us, and our are used in this Annual Report to refer to Birks Group Inc., a Canadian corporation, and its subsidiaries on a consolidated basis. In addition, the term Mayors refers to Mayors Jewelers, Inc., a Delaware corporation, and its wholly-owned subsidiary, Mayors Jewelers of Florida, Inc., a Florida corporation, and the merger refers to the merger of Mayors with a wholly-owned subsidiary of the Company, as approved by the stockholders on November 14, 2005. The term Birks refers to Henry Birks & Sons Inc., the legal name of Birks Group prior to the merger.

Presentation of Financial and Other Information

The consolidated financial statements of Birks Group contained in this Annual Report are reported in United States (U.S.) dollars and have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. Unless otherwise indicated, all monetary references herein are denominated in U.S. dollars; references to dollars or \$ are to U.S. dollars and references to CAD\$ or Canadian dollars are to Canadian dollars.

Throughout this Annual Report, we refer to our fiscal year ending March 25, 2017, as fiscal 2017 and our fiscal years ended March 26, 2016, March 28, 2015, and March 29, 2014, as fiscal 2016, fiscal 2015 and fiscal 2014, respectively. Our fiscal year ends on the last Saturday in March of each year. The fiscal years ended March 26, 2016, March 28, 2015, and March 29, 2014 consisted of 52 weeks with four thirteen-week periods.

Forward-Looking Information

This Annual Report and other written reports and releases and oral statements made from time to time by the Company contain forward-looking statements which can be identified by their use of words like plans, expects, believes, will, anticipates, intends, projects, estimates, could, would, may, planned, goal, and other similar words and phrases, all of which have a meaning. All statements that address expectations, possibilities or projections about the future, including, without limitation, statements about our strategies for growth, expansion plans, sources or adequacy of capital, expenditures and financial results are forward-looking statements.

One must carefully consider such statements and understand that many factors could cause actual results to differ from the forward-looking statements, such as inaccurate assumptions and other risks and uncertainties, some known and some unknown. No forward-looking statement is guaranteed and actual results may vary materially. Such statements are made as of the date provided, and we assume no obligation to update any forward-looking statements to reflect future developments or circumstances.

One should carefully evaluate such statements by referring to the factors described in our filings with the Securities and Exchange Commission (SEC), especially on this Form 20-F and our Forms 6-K. Particular review is to be made of Items 3, 4 and 5 of this Form 20-F where we discuss in more detail various important risks and uncertainties that could cause actual results to differ from expected or historical results. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements. Since it is not possible to predict or identify all such factors, the identified items are not a complete statement of all risks or uncertainties.

Table of Contents**PART I****Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information**Selected Financial Data**

The following financial data as of March 26, 2016 and March 28, 2015 and for the years ended March 26, 2016, March 28, 2015 and March 29, 2014 have been derived from our audited consolidated financial statements, which are included elsewhere in this Annual Report. The following financial data as of March 29, 2014, March 30, 2013 and March 31, 2012 and for the years ended March 30, 2013 and March 31, 2012 have been derived from our audited consolidated financial statements not included in this Annual Report. The fiscal year ended March 31, 2012 consisted of 53 weeks, while all other fiscal years in the table below consisted of 52 weeks. The historical results included below and elsewhere in this Annual Report are not necessarily indicative of our future performance.

The data presented below is only a summary and should be read in conjunction with our audited consolidated financial statements, including the notes thereto, included elsewhere in this Annual Report. You should also read the following summary data in conjunction with Item 5, *Operating and Financial Review and Prospects* included elsewhere in this Annual Report.

Income Statement Data:

	Fiscal Year Ended				
	March 26, 2016	March 28, 2015	March 29, 2014	March 30, 2013	March 31, 2012 (1)
(In thousands, except per share data)					
Net sales	\$ 285,826	\$ 301,637	\$ 281,165	\$ 292,759	\$ 302,317
Cost of sales	176,439	183,832	166,498	166,585	169,087
Gross profit	109,387	117,805	114,667	126,174	133,230
Selling, general and administrative expenses	91,125	103,735	105,512	110,806	118,075
Restructuring charges (2)	754	2,604			
Depreciation and amortization	5,229	5,932	5,426	4,563	4,713
Gain on sale of assets (3)	(3,229)				
Impairment of long-lived assets (4)		238			
Total operating expenses	93,879	112,509	110,938	115,369	122,788

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Operating income	15,508	5,296	3,729	10,805	10,442
Interest and other financial costs	10,020	11,285	9,512	9,272	10,200
Debt extinguishment charges (5)		2,643			
Income (loss) before income taxes	5,488	(8,632)	(5,783)	1,533	242
Income tax expense	50		18	20	23
Net income (loss) attributable to common shareholders	\$ 5,438	\$ (8,632)	\$ (5,801)	\$ 1,513	\$ 219
Net income (loss) per common share	\$ 0.30	\$ (0.48)	\$ (0.35)	\$ 0.11	\$ 0.02
Net income (loss) per common share diluted	\$ 0.30	\$ (0.48)	\$ (0.35)	\$ 0.11	\$ 0.02
Weighted average common shares outstanding	17,961	17,937	16,617	13,538	11,392
Weighted average common shares outstanding diluted	17,961	17,937	16,617	13,544	11,438
Dividends per share					

Table of Contents**Balance Sheet Data:**

	As of March 26, 2016	As of March 28, 2015	As of March 29, 2014	As of March 30, 2013	As of March 31, 2012
	(In thousands)				
Working capital	\$ 27,620	\$ 26,112	\$ 33,304	\$ 27,563	\$ 31,351
Total assets	\$ 184,640	\$ 180,204	\$ 190,494	\$ 179,952	\$ 185,167
Bank indebtedness	\$ 63,209	\$ 64,347	\$ 73,941	\$ 67,307	\$ 61,557
Long-term debt (including current portion)	\$ 53,174	\$ 56,784	\$ 54,750	\$ 41,895	\$ 50,965
Stockholders' equity	\$ 7,704	\$ 2,823	\$ 13,622	\$ 16,351	\$ 11,628
Common Stock:					
Value	\$ 69,601	\$ 69,601	\$ 69,475	\$ 64,489	\$ 60,896
Shares	17,961	17,961	17,850	14,834	11,392

- (1) The fiscal year ended March 31, 2012 consisted of 53 weeks.
- (2) Restructuring charges related to consolidating most of our corporate administrative workforce to Montreal as well as outsourcing a portion of our jewelry manufacturing and other corporate staff reductions. Refer to note 12 to our consolidated financial statements.
- (3) On August 4, 2015, the Company entered into an asset purchase agreement for the sale of the assets of the corporate sales division to Rideau Recognition Solutions Inc. (Rideau) for \$4.3 million (refer to note 6 to our consolidated financial statements) and executed a supply and licensing agreement for Birks products and Birks-branded products.
- (4) Impairment of long-lived assets for the fiscal year ended March 28, 2015, represents \$0.2 million non-cash impairment associated with a Canadian Birks retail shop-in-shop location and software impairment due to the decision to abandon a software project.
- (5) Debt extinguishment charges arising from amendments to senior secured term loan and senior secured revolving credit facility in 2015.

Dividends and Dividend Policy

We have not paid dividends since 1998 and do not currently intend to pay dividends on our Class A voting shares or Class B multiple voting shares in the foreseeable future. Our ability to pay dividends on our Class A voting shares and Class B multiple voting shares are restricted by our credit agreements. See Item 5, Operating and Financial Review and Prospects Liquidity and Capital Resources. If dividends were declared by our Board of Directors, shareholders would receive a dividend equal to the per share dividend we would pay to holders of our Class A voting shares or holders of Class B multiple voting shares. Dividends we would pay to U.S. holders would generally be subject to withholding tax. See Item 10, Additional Information Taxation.

RISK FACTORS**Risks Related to the Company**

Additional financing or capital that may be required may not be available on commercially reasonable terms, or may not be available at all. Capital raised through the sale or issuance of equity securities may result in dilution to our current shareholders. Failure to obtain such additional financing or capital could have an adverse impact on our liquidity and financial condition including our ability to continue as a going concern.

The Company is actively engaged in identifying alternative sources of financing that includes raising additional funds through public or private equity or debt financing, including funding from governmental sources, which may not be possible as the success of raising additional funds is beyond our control. Our majority shareholder is not bound to provide this financing. The sale of additional equity securities could result in significant dilution to our current shareholders, and the securities issued in future financings may have rights, preferences and privileges that are senior to those of our common stock. The incurrence of additional indebtedness would result in increased debt service obligations and could result in operating and financing covenants that may restrict our operations. The term of our senior secured revolving credit facility expires on August 22, 2017 while our senior secured term loan matures August 22, 2018, as such, financing may be unavailable in amounts or on terms acceptable to us, or at all, which could have a material adverse impact on our business, including our ability to continue as a going concern.

Table of Contents***Our business could be adversely affected if we are unable to continue to lease retail stores in prime locations and successfully negotiate favorable lease terms.***

As of May 31, 2016, we had 46 leased retail stores, which include the capital lease of our Canadian headquarters and Montreal flagship store. The leases are generally in prime retail locations and generally have lease terms of ten years, with rent being a fixed minimum base plus, for a majority of the stores, a percentage of the store's sales volume (subject to some adjustments) over a specified threshold. Some of our Canadian leases (11 of 28 store leases) and U.S. leases (3 of 18 store leases) are up for renewal within the next two years and many uncontrollable factors can impact our ability to renew these leases, including but not limited to competition for key locations from other retailers. Approximately 30% of the Company's store leases are renewable within two years. The Company's capital expenditure requirements relating to renewing store leases is such that less than 15% of all store leases require capital expenditures in the next two years. The capital expenditures related to retail store locations in both Canada and the U.S. are estimated to be approximately \$8.8 million over the next two years to remodel, relocate or open new stores. Of the \$8.8 million, we estimate that \$4.3 million will be spent in fiscal 2017 leaving the balance to fiscal 2018. Although we are able to finance these capital expenditures with internally generated funds and existing financing arrangements, we continue our efforts towards obtaining additional external financing as well as considering potential asset restructurings to cover the capital expenditures needed in fiscal 2017 and fiscal 2018.

Historically, we have generally been successful in negotiating leases for lease renewals as our current leases near expiration. However, if we are unsuccessful at negotiating favorable renewal terms, locations or if more capital is required to meet landlord requirements for remodeling or relocating retail stores and we are unable to secure the necessary funds to complete these projects, our business, financial condition, and operating results could be adversely affected. In addition, we may not be able to locate suitable alternative sites in a timely manner. Our sales, earnings and cash flows will decline if we fail to maintain existing store locations, renew leases or relocate to alternative sites, in each case on attractive terms.

The level of our indebtedness could adversely affect our operations, liquidity and financial condition.

The level of our indebtedness and the debt service obligations is high in proportion to our assets and stockholders equity. Our debt levels fluctuate from time to time based on seasonal working capital needs. The following table sets forth our total indebtedness (including bank indebtedness and current and long-term portion of debt), total stockholders' equity, total capitalization and ratio of total indebtedness to total capitalization as of:

	March 26, 2016	March 28, 2015
Total indebtedness	\$ 116,383,000	\$ 121,131,000
Total stockholders' equity	7,704,000	2,823,000
Total capitalization	\$ 124,087,000	\$ 123,954,000
Ratio of total indebtedness to total capitalization	93.8%	97.7%

This level of leverage could adversely affect our results of operations, liquidity and financial condition. Although we believe that our financial situation has improved compared to the prior fiscal year, some examples of how high level of indebtedness could affect our results of operations, liquidity and financial condition may include the following:

make it difficult for us to satisfy our obligations with respect to our indebtedness;

increase our vulnerability to adverse economic and industry conditions;

increase our vulnerability to fluctuations in interest rates;

require us to dedicate a substantial portion of cash from operations to the payment of debt service, thereby reducing the availability of cash to fund working capital, capital expenditures and other general corporate purposes;

limit our ability to obtain additional financing for working capital, capital expenditures, general corporate purposes or acquisitions;

create additional risk to us and our shareholders investment value if we are unable to renew our credit facilities under similar terms and conditions;

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place us at a disadvantage compared to our competitors that have a lower degree of leverage; and

negatively affect the price of our stock.

Significant restrictions on our borrowing capacity could result in our inability to fund our cash flow requirements or maintain minimum excess availability requirements under the terms of our secured asset-based credit facilities needed to support our day-to-day operations.

Our ability to fund our operations and meet our cash flow requirements in order to fund our operations is dependent upon our ability to maintain positive excess availability under our senior credit facilities. Our senior secured revolving credit facility administrative agent may impose, at any time, discretionary reserves, which would lower the level of borrowing availability under our senior secured revolving credit facility (customary for asset-based loans), at their reasonable discretion, to: i) ensure that we maintain adequate liquidity for the operation of our business, ii) cover any deterioration in the amount or value of the collateral, and iii) reflect impediments to the lenders to realize upon the collateral. There is no limit to the amount of discretionary reserves that our senior secured revolving credit facility administrative agent may impose at its reasonable discretion.

In addition to these possible restrictions to our availability to borrow under our senior secured revolving credit facility, we agreed as part of the November 2014 amendments to our senior secured credit facilities that we must meet certain minimum adjusted EBITDA levels (calculated on a twelve-month rolling basis as defined in the agreements) if our availability under our senior secured revolving credit facility is below \$8.0 million for any five consecutive days. Failure to meet the minimum adjusted EBITDA covenant in the event that availability falls below \$8.0 million as described above is considered an event of default, which could result in the outstanding balances borrowed under our senior secured term loan and senior secured revolving credit facility becoming due immediately. Furthermore, a \$12.5 million, and a \$5.0 million seasonal availability block are automatically imposed by the senior secured revolving credit facility administrative agent and the senior secured term loan administrative agent each year from December 20th to January 20th and from January 21st to February 10th, respectively, and both the senior secured revolving credit facility and the senior secured term loan are subject to cross default provisions with all other loans by which if we are in default with any other loans, the default will immediately apply to both the senior secured revolving credit facility and the senior secured term loan. Such default could result in the acceleration of the repayment of balances borrowed under these facilities. Any significant discretionary reserves or other restrictions imposed by our lenders as outlined above could have a significant impact on our ability to fund our operations and meet our cash flow requirements.

Our business depends, in part, on factors affecting consumer spending that are out of our control.

Our business depends on consumer demand for our products and, consequently, is sensitive to a number of factors that are beyond our control that influence consumer spending, including general economic conditions, consumer confidence in future economic conditions and political conditions, tourism, recession and fears of recession, consumer debt, disposable consumer income, conditions in the housing market, consumer perceptions of personal well-being and security, fuel prices, inclement weather, interest rates, foreign exchange rates, sales tax rate increases, inflation, and war and fears of war. In particular, we have seen that the economic downturn and the uncertain economic environment in the past years has contributed to declining revenues and losses for our business. Jewelry purchases are discretionary for consumers and may be particularly and disproportionately affected by adverse trends in the general economy and the equity markets. Adverse changes in factors affecting discretionary consumer spending could reduce consumer demand for our products, resulting in a reduction in our sales and harming our business and operating results. A substantial portion of our customers use credit, either from our private label and proprietary credit cards or another consumer credit source, to purchase jewelry. When there is a downturn in the general economy, fewer people

may use or be approved for credit, which could result in a reduction in net sales and/or an increase in bad debts, which in turn, could lead to an unfavorable impact on our overall profitability. Consequently, our belief that we currently have sufficient liquidity to fund our operations is based on certain assumptions about the future state of the economy, the future availability of borrowings to fund our operations and our future operating performance. To the extent that the economy and other conditions affecting our business are significantly worse than we anticipate, we may not achieve our projected level of financial performance and we may determine that we do not have sufficient capital to fund our operations.

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Our business could be adversely affected if our relationships with any primary vendors are terminated or if the delivery of their products is delayed or interrupted.

We compete with other jewelry retailers for access to vendors that will provide us with the quality and quantity of merchandise necessary to operate our business, and our merchandising strategy depends upon our ability to maintain good relations with significant vendors. Certain brand name watch manufacturers have distribution agreements with our company that, among other things, provide for specific sales locations, yearly renewal terms and early termination provisions at the manufacturer's discretion. In fiscal 2016, merchandise supplied by our largest luxury timepiece supplier and sold through our stores accounted for approximately 39% of our total net sales. Our relationships with primary suppliers are generally not pursuant to long-term agreements.

We obtain materials and manufactured items from third-party suppliers. Any delay or interruption in our suppliers' abilities to provide us with necessary materials and components may affect our manufacturing capabilities or may require us to seek alternative supply sources. Any delay or interruption in receiving supplies could impair our ability to supply products to our stores and, accordingly, could have a material adverse effect on our business, results of operations and financial condition. The abrupt loss of any of our third-party suppliers, especially our largest luxury timepiece supplier, or a decline in the quality or quantity of materials supplied by any third-party suppliers could cause significant disruption in our business.

We may not successfully manage our inventory, which could have an adverse effect on our net sales, profitability, cash flow and liquidity.

As a retail business, our results of operations are dependent on our ability to manage our inventory. To properly manage our inventory, we must be able to accurately estimate customer demand and supply requirements and purchase new inventory accordingly. If we fail to sell the inventory we purchase or manufacture, we may be required to write-down our inventory or pay our vendors without new purchases, creating additional vendor financing, which would have an adverse impact on our earnings and cash flows. Additionally, a significant portion of the merchandise we sell is carried on a consignment basis prior to sale or is otherwise financed by vendors, which reduces our required capital investment in inventory. Any significant change in these consignment or vendor financing relationships could have a material adverse effect on our net sales, cash flows and liquidity.

Fluctuations in the availability and prices of our raw materials and finished goods may adversely affect our results of operations.

We offer a large selection of distinctive high quality merchandise, including diamond, gemstone and precious metal jewelry, rings, wedding bands, earrings, bracelets, necklaces, charms, timepieces and gifts. Accordingly, significant changes in the availability or prices of diamonds, gemstones, and precious metals we require for our products could adversely affect our earnings. We do not maintain long-term inventories or otherwise hedge a material portion of the price of raw materials. A significant increase in the price of these materials could adversely affect our net sales and gross margins.

Applicable laws and regulations related to consumer credit may adversely affect our business.

The operation of our credit business subjects us to substantial regulation relating to disclosure and other requirements upon origination, servicing, debt collection and particularly upon the amount of finance charges we can impose. Any adverse change in the regulation of consumer credit could adversely affect our earnings. For example, new laws or regulations could limit the amount of interest or fees we, or our banks, can charge on consumer loan accounts, or restrict our ability to collect on account balances, which could have a material adverse effect on our earnings.

Compliance with existing and future laws or regulations could require material expenditures or otherwise adversely affect our business or financial results. Failure to comply with these laws or regulations, even if inadvertent, could result in negative publicity, and fines, either of which could have a material adverse effect on our results of operations.

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We are exposed to currency exchange risks that could have a material adverse effect on our results of operations and financial condition.

While we report financial results in U.S. dollars, a substantial portion of our sales are recorded in Canadian dollars. For our operations located in Canada, non-Canadian currency transactions and assets and liabilities subject us to foreign currency risk. Conversely, for the operations located in the U.S., non-U.S. currency transactions and assets and liabilities subject us to foreign currency risk. In addition, material fluctuations in foreign currency exchange rates, resulting in a weakening of the Canadian dollar relative to the U.S. dollar, could significantly reduce our borrowing availability under our secured revolving credit facility, which is denominated in U.S. dollars, and limit our ability to finance our operations. For purposes of financial reporting, our financial statements are reported in U.S. dollars by translating, where necessary, net sales and expenses from Canadian dollars at the average exchange rates prevailing during the period, while assets and liabilities are translated at year-end exchange rates, with the effect of such translation recorded in accumulated other comprehensive income. As a result, for purposes of financial reporting, foreign exchange gains or losses recorded in earnings relate to non-Canadian dollar transactions of the operations located in Canada and non-U.S. dollar transactions of the operations located in the U.S. We expect to continue to report our financial results in U.S. dollars. Consequently, our reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses.

We operate in a highly competitive and fragmented industry.

The retail jewelry business is highly competitive and fragmented, and we compete with nationally recognized jewelry chains as well as a large number of independent regional and local jewelry retailers and other types of retailers who sell jewelry and gift items, such as department stores and mass merchandisers. We also compete with internet sellers of jewelry. Because of the breadth and depth of this competition, we are constantly under competitive pressure that both constrains pricing and requires extensive merchandising and marketing efforts in order for us to remain competitive.

We are controlled by a single shareholder whose interests may be different from yours.

As of May 31, 2016, Grande Rousse Trust beneficially owns or controls 76.0% of all classes of our outstanding voting shares, which are directly owned by Montrovest B.V. (Montrovest) and Mangrove Holding S.A. (Mangrove), Montrovest and Mangrove own 49.3% and 26.7% of our outstanding voting shares respectively. The trustee of Grande Rousse Trust is Rohan Private Trust Company Limited (the Trustee). Dr. Lorenzo Rossi di Montelera, who is our Chairman of the Board, is a beneficiary of Grande Rousse Trust. Under our restated articles, Montrovest and Mangrove, as holders of the Class B multiple voting shares, have the ability to control most actions requiring shareholder approval, including electing the members of our Board of Directors and the issuance of new equity.

The Trustee, Montrovest and Mangrove may have different interests than you have and may make decisions that do not correspond to your interests. In addition, the fact that we are controlled by one shareholder may have the effect of delaying or preventing a change in our management or voting control.

Hurricanes and other severe weather conditions could cause a disruption in our operations, which could have an adverse impact on our results of operations.

Our U.S. operations are located in Georgia and Florida, regions that are susceptible to hurricanes. In the past, hurricanes have forced the closure of some of our stores, resulting in a reduction in net sales during such periods. Future hurricanes could significantly disrupt our U.S. operations and could have a material adverse effect on our overall results of operations. In addition, severe weather such as ice storms, snow storms and blizzards in Canada can

cause conditions whereby peak holiday shopping could be materially affected.

Terrorist acts or other catastrophic events could have a material adverse effect on our business and results of operations.

Terrorist acts, acts of war or hostility, natural disasters or other catastrophic events could have an immediate disproportionate impact on discretionary spending on luxury goods upon which our operations are dependent. For example, in the aftermath of the terrorist attacks carried out on September 11, 2001, tourism and business travel was significantly reduced in all of our markets, which had an adverse impact on our net sales. Similarly, the SARS epidemic in Toronto, Ontario in the spring of 2003 had an adverse impact on net sales in our stores in that region. Similar future events could have a material adverse impact on our business and results of operations.

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We may not be able to adequately protect our intellectual property and may be required to engage in costly litigation as a protective measure.

To establish and protect our intellectual property rights, we rely upon a combination of trademark and trade secret laws, together with licenses, exclusivity agreements and other contractual covenants. In particular, the Birks and Mayors trademarks are of significant value to our retail operations. The measures we take to protect our intellectual property rights may prove inadequate to prevent misappropriation of our intellectual property. Monitoring the unauthorized use of our intellectual property is difficult. Litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type could result in substantial costs and diversion of resources, may result in counterclaims or other claims against us and could significantly harm our results of operations.

A significant privacy breach of our information systems could disrupt or negatively affect our business.

The protection of customer, employee and company data is important to us, and our customers expect that their personal information will be adequately protected. Although we have developed and implemented systems and processes that are designed to protect our information and prevent data loss and other security breaches, such measures cannot provide absolute security. We rely upon information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities, including e-commerce sales, supply chain, merchandise distribution, customer invoicing and collection of payments. We use information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. The secure operation of these information technology networks, and the processing and maintenance of this information is critical to our business operations and strategy. A significant breach of customer, employee or company data could damage our reputation, our relationship with customers and the Birks or Mayors brands and could result in lost sales, sizable fines, significant breach-notification costs and lawsuits as well as adversely affect results of operations. In addition, it could harm our ability to execute our business and adversely impact sales, costs and earnings. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate cost-effective preventative measures. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches.

Failure to successfully implement or make changes to information systems could disrupt or negatively impact our business.

In addition to regularly evaluating and making changes and upgrades to our information systems, we have begun to implement in fiscal 2016, a new enterprise resource planning (ERP) system with the Microsoft Dynamics AX for Retail platform in order to update our retail systems including point of sale (POS), supply chain, warehouse management and finance. While we follow a disciplined methodology when evaluating and making such changes, there can be no assurances that we will successfully implement such changes, that such changes will occur without disruptions to our operations, that the new or upgraded systems will achieve the desired business objectives or that the internal controls will be effective in preventing misstatements in financial reporting. Any such disruptions, inadequate internal controls or the failure to successfully implement new or upgraded systems such as those referenced above, could have a material adverse effect on our results of operations and could also affect our reputation, our relationship with customers and our brands.

The Company conducts retail operations within the United States and Canada, supplies itself from several sources within and outside North America, and has cross border financing arrangements. The risks of doing business internationally could increase its costs, reduce its profits, disrupt its business, or impact its reputation and brand development strategy.

The Company generates all of its net sales in North America. The Company also relies on certain foreign third-party vendors and suppliers. As a result, the Company is subject to the risks of doing business in jurisdictions within and outside North America, including:

the laws, regulations and policies of governments relating to loans and operations, the costs or desirability of complying with local practices and customs and the impact of various anti-corruption, anti-money laundering and other laws affecting the activities of the Company;

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potential negative consequences from changes in taxation policies or currency restructurings;

potential negative consequences from the application of taxation policies, including transfer pricing rules and sales tax matters;

import and export licensing requirements and regulations, as well as unforeseen changes in regulatory requirements;

economic instability in foreign countries;

uncertainties as to enforcement of certain contract and other rights;

the potential for rapid and unexpected changes in government, economic and political policies, political or civil unrest, acts of terrorism or the threat of boycotts; and

inventory risk exposures.

While these factors and the effect of these factors are difficult to predict, any one or more of them could lower the Company's revenues, impact its cash flow, increase its costs, reduce its earnings or disrupt its business.

Risks Related to Class A Voting Shares

Our share price could be adversely affected if a large number of Class A voting shares are offered for sale or sold.

Future issuances or sales of a substantial number of our Class A voting shares by us, Montrovest, Mangrove, or another significant shareholder in the public market could adversely affect the price of our Class A voting shares, which may impair our ability to raise capital through future issuances of equity securities. As of May 31, 2016, we had 10,242,911 Class A voting shares issued and outstanding. Sales of restricted securities in the public market, or the availability of these Class A voting shares for sale, could adversely affect the market price of Class A voting shares.

As a retail jeweler with a limited public float, the price of our Class A voting shares may fluctuate substantially, which could negatively affect the value of our Class A voting shares and could result in securities class action claims against us.

The price of our Class A voting shares may fluctuate substantially due to, among other things, the following factors: (1) fluctuations in the price of the shares of a small number of public companies in the retail jewelry business; (2) additions or departures of key personnel; (3) announcements of legal proceedings or regulatory matters; and (4) general volatility in the stock market. The market price of our Class A voting shares could also fluctuate substantially if we fail to meet or exceed expectations for our financial results or if there is a change in financial estimates or securities analysts' recommendations.

Significant price and value fluctuations have occurred in the past with respect to the securities of retail jewelry and related companies. In addition, because the public float of our Class A voting shares is relatively small, the market

price of our Class A voting shares is likely to be volatile. There is limited trading volume in our Class A voting shares, rendering them subject to significant price volatility. In addition, the stock market has experienced volatility that has affected the market prices of equity securities of many companies, and that has often been unrelated to the operating performance of such companies. A number of other factors, many of which are beyond our control, could also cause the market price of our Class A voting shares to fluctuate substantially. In the past, following periods of downward volatility in the market price of a company's securities, class action litigation has often been pursued. If our Class A voting shares were similarly volatile and litigation was pursued against us, it could result in substantial costs and a diversion of our management's attention and resources.

We are governed by the laws of Canada, and, as a result, it may not be possible for shareholders to enforce civil liability provisions of the securities laws of the U.S.

We are governed by the laws of Canada. A substantial portion of our assets are located outside the U.S. and some of our directors and officers are residents outside of the U.S. As a result, it may be difficult for investors to effect service within the U.S. upon us or our directors and officers, or to realize in the U.S. upon judgments of courts of the U.S. predicated upon civil liability of Birks Group and such directors or officers under U.S. federal securities laws. There is doubt as to the enforceability in Canada by a court in original actions, or in actions to enforce judgments of U.S. courts, of the civil liabilities predicated upon U.S. federal securities laws.

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We expect to maintain our status as a foreign private issuer under the rules and regulations of the SEC and, thus, are exempt from a number of rules under the Exchange Act of 1934 and are permitted to file less information with the SEC than a company incorporated in the U.S.

As a foreign private issuer, we are exempt from rules under the Exchange Act of 1934, as amended (the Exchange Act) that impose certain disclosure and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. In addition, our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of our Class A voting shares. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, nor are we required to comply with Regulation Fair Disclosure, which restricts the selective disclosure of material information. Accordingly, there may be less publicly available information concerning us than there is for other U.S. public companies.

If we were treated as a passive foreign investment company (PFIC) some holders of our Class A voting shares would be subject to additional taxation, which could cause the price of our Class A voting shares to decline.

We believe that our Class A voting shares should not be treated as stock of a PFIC for U.S. federal income tax purposes, and we expect to continue operations in such a manner that we will not be a PFIC. If, however, we are or become a PFIC, some holders of our Class A voting shares could be subject to additional U.S. federal income taxes on gains recognized with respect to our Class A voting shares and on certain distributions, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules.

Our assessment of our internal control over financial reporting may identify material weaknesses in the future and may result in an attestation with an adverse or qualified opinion from our independent auditors, which could reduce confidence in our financial statements and negatively affect the price of our securities.

We are subject to reporting obligations under U.S. securities laws. Beginning with our Annual Report on Form 20-F for fiscal 2008, Section 404 of the Sarbanes-Oxley Act requires us to prepare a management report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over our financial reporting is not effective. If at any time in the future, we are unable to assert that our internal control over financial reporting is effective, market perception of our financial condition and the trading price of our stock may be adversely affected and customer perception of our business may suffer, all of which could have a material adverse effect on our operations. Further, our auditors do not audit our internal controls over financial reporting due to our market capitalization, and therefore, there has been no independent attestation of our internal controls over financial reporting. Had such attestation been performed, it may have revealed material weaknesses in our internal controls.

If the costs and burden of being a public company outweigh its benefits, we may in the future decide to discontinue our status as a publicly traded company.

As a public company, we currently incur significant legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and the NYSE MKT LLC (NYSE MKT), have imposed various requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls as well as mandating certain corporate governance practices. Our management and other personnel devote a substantial amount of time and financial resources to these compliance initiatives. As such, if it is determined in the future that the costs and efforts of being a public company outweigh the benefits of being a public company, we may decide to discontinue our status as a publicly traded or registered

company.

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Item 4. Information on the Company

THE COMPANY

Corporate History and Overview

Birks Group is a leading North American prestige jewelry brand which designs, develops, makes and retails fine jewelry, timepieces, and gifts. As of May 31, 2016, Birks Group operated 46 prestige jewelry stores, 26 stores under the Birks brand, located in all major cities across Canada, 2 retail locations in Calgary and Vancouver under the Brinkhaus brand, 17 stores under the Mayors brand, located in Florida and Georgia, and 1 store under the Rolex brand name. As a prestige jeweler, most of our jewelry products are made of 18 karat gold, platinum or sterling silver, with or without precious gemstones, with significant emphasis on quality craftsmanship and distinctive design. For fiscal 2016, we had net sales of \$285.8 million.

Birks' predecessor company was founded in Montreal in 1879 and developed over the years into Canada's premier designer, manufacturer and retailer of fine jewelry, timepieces, sterling and plated silverware and gifts. In addition to being a nationwide retailer with a strong brand identity, we are also highly regarded in Canada as a designer and maker of jewelry. We were also highly regarded in Canada as a provider of recognition programs, service awards and business gifts until we sold our corporate sales division in August 2015. We believe that operating our stores under the Birks brand and the fact that we sell Birks-branded jewelry distinguishes us from many competitors because of our longstanding reputation and heritage of being trustworthy, offering only the highest standard of quality and craftsmanship and products, our ability to offer distinctively designed, exclusive products, and a large selection of distinctive high quality merchandise at many different price points, and by placing a strong emphasis on providing a superior shopping experience to our clients.

From 1950 through 1990, Birks aggressively expanded its retail business and by the early 1990s it had approximately 220 stores in Canada and the U.S. After a period of rapid expansion in the 1980s, followed in the early 1990s by a period of declining margins and significant erosion in consumer spending coupled with significantly higher indebtedness resulting from a family buy-out, Birks experienced significant financial losses. These financial difficulties ultimately led to the purchase of Birks by Borgosesia Acquisitions Corporation in 1993, a predecessor company of Regaluxe Investment S.á.r.l., which is referred to in this Annual Report as Regaluxe. Effective March 28, 2006, Regaluxe was acquired through a merger with Iniziativa S.A. (Iniziativa). As of May 31, 2007 and June 4, 2007, respectively, following a reorganization, Iniziativa and Montrolux S.A. transferred all of the shares they respectively held in the Company to their parent company, Montrovest. Following the 1993 acquisition of Birks, Birks' operations were evaluated and a program of returning Birks to its historic core strength as the leading Canadian prestige jeweler was initiated.

In August 2002, Birks invested \$15.05 million to acquire approximately 72% of the voting control in Mayors, which was experiencing an unsuccessful expansion beyond its core markets and was incurring significant losses.

Between August 2002 and November 2005, it became apparent to both Mayors and Birks management that it was in the best interests of the shareholders to combine its operations. The Company believed that such combination would create a stronger capital base, improve operating efficiencies, reduce the impact of regional issues, simplify the corporate ownership of Mayors, eliminate management and board of directors' inefficiencies with managing intercompany issues, and possibly increase shareholder liquidity. Upon the consummation of the merger on November 14, 2005, each outstanding share of Mayors common stock not then owned by Birks was converted into 0.08695 Class A voting shares of Birks. As a result of the merger, Mayors common stock ceased trading on the American Stock Exchange (AMEX) and Birks Group began trading on the AMEX, which is now known as the NYSE MKT, under the

trading symbol BGI. Following the merger, Birks Group worked very diligently to fully integrate the Birks business with Mayors. As a result of the merger, we believe Birks Group has improved operational efficiencies and diversity and depth of its products and distribution capabilities.

In December 2015, Montrovest transferred a portion of its Class A and Class B voting shares to Mangrove and as a result Montrovest owns 49.3% of the voting shares of the Company and Mangrove owns 26.7%.

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In the last three fiscal years, we invested a total of approximately \$21.3 million in capital expenditures primarily associated with remodeling existing stores and the opening of new stores. We expect to invest an additional \$6.7 million of capital expenditures in fiscal 2017 primarily related to store remodels, store relocations associated with lease renewals and a new ERP implementation. Approximately 39% of the capital expenditure investments will be in the U.S. and 61% will be in Canada. We expect to finance these capital expenditures in the U.S. and Canada from operating cash flows, existing financing arrangements and when possible from other additional sources of financing.

The Company regularly reviews the locations of its retail network that leads to decisions that impact the opening, relocation or closing of these locations. During fiscal 2016, as a result of our review, we did not close any Mayors stores. We did, however, relocate one store in Fort Lauderdale, Florida to a smaller location. In Canada during fiscal 2016, we did close one Birks store in St. John, New Brunswick, and opened one Birks store in Edmonton, Alberta. Two Birks stores were relocated in Laval, Quebec and Etobicoke, Ontario. During fiscal 2015, as a result of our review, we closed three Mayors stores located in Brandon, Florida, Palm Beach Gardens, Florida and Sarasota Florida, and opened one store in Sarasota, Florida and we closed two Birks stores located in Halifax, Nova Scotia, and Calgary, Alberta. In addition, during fiscal 2015, we reopened two Birks stores closed in March 2014, located in Ottawa, Ontario and Mississauga, Ontario, both of which were relocated to smaller locations. During fiscal 2015, we also closed our Birks store in the Chinook Shopping Center in Calgary, Alberta and we entered into a new lease for a larger location in the same center.

Our sales are divided into two principal product categories: jewelry and timepieces. Jewelry also includes sales of other product offerings we sell such as giftware, as well as repair and custom design services.

The following table compares our sales of each product category for the last three fiscal years (dollars in thousands):

	March 26, 2016		Fiscal Year-Ended March 28, 2015		March 29, 2014	
	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage
Jewelry and other	\$ 127,220	44.5%	\$ 141,781	47.0%	\$ 148,511	52.8%
Timepieces	158,606	55.5%	159,856	53.0%	132,654	47.2%
Total	\$ 285,826	100%	\$ 301,637	100.0%	\$ 281,165	100.0%

The following table sets forth our operations in geographic markets in which we operate (dollars in thousands):

	Fiscal Year Ended		
	March 26, 2016	March 28, 2015	March 29, 2014
Net sales			
Canada	\$ 128,651	\$ 143,384	\$ 146,277
U.S.	157,175	158,253	134,888
Total revenues	\$ 285,826	\$ 301,637	\$ 281,165
Long-lived assets			

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Canada	\$ 19,464	\$ 17,898	\$ 19,484
U.S.	12,115	13,366	13,281
Total long-lived assets	\$ 31,579	\$ 31,264	\$ 32,765

Birks Group is a Canadian corporation. Our corporate headquarters are located at 1240 Phillips Square, Montreal, Québec, Canada H3B 3H4. Our telephone number is (514) 397-2501. Our website is www.birksgroup.com.

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Products

We offer distinctively designed, exclusive products and a large selection of distinctive high quality merchandise at many different price points. This merchandise includes designer jewelry, diamond, gemstone, and precious metal jewelry, timepieces and giftware. Part of our strategy is to increase our exclusive offering of internally designed and/or produced goods sold to our customers, consisting primarily of bridal, diamond and other fine jewelry, as well as gold and sterling silver jewelry and timepieces, all of which leverage the Birks and Mayors brands' loyalty in their respective markets and in order to differentiate our products with unique and exclusive designs.

Our Canadian stores, operating under the Birks and Brinkhaus brands, carry a large selection of prestigious brand name timepieces, including our own proprietary watch line as well as timepieces made by Alpina, Baume & Mercier, Breitling, Bvlgari, Cartier, Frédérique Constant, Gucci, Montblanc, Panerai, Rolex, Tag Heuer, Tudor and Van Cleef & Arpels. We also carry an exclusive collection of high quality jewelry and timepieces that we design. We emphasize our own jewelry offerings but also include designer jewelry made by Bvlgari, Damiani, DiModolo, Gucci, Kwiat, Marco Bicego, Messika, Roberto Coin, and Van Cleef & Arpels, most of which are exclusive to our stores in Canada. Our two Brinkhaus retail locations also offer Cartier, IWC, Panerai, Patek Philippe and Rolex timepieces. We also offer a variety of high quality giftware, including writing instruments made by Montblanc.

Our U.S. stores, operating under the Mayors brand, carry a large selection of prestigious brand name timepieces, including Baume & Mercier, Breitling, Bvlgari, Cartier, Corum, Dior, Frédérique Constant, Jaeger Le Coultre, IWC, Montblanc, Patek Philippe, Panerai, Rolex, Tag Heuer, Tudor, Vacheron Constantin and Zenith. Designer jewelry offerings in our stores operating under the Mayors brand include jewelry made by Aaron Basha, Damiani, DiModolo, Gucci, Kwiat, Messika, Mikimoto, Pasquale Bruni, Roberto Coin, and writing instruments made by Montblanc. In addition, stores operating under the Mayors brand carry Birks-branded jewelry products on an exclusive basis in their markets. Our Rolex store offers exclusively Rolex brand timepieces.

We have one primary channel of distribution: the retail division, which accounts for approximately 99% of net sales, as well as three other channels of distribution, including e-commerce, gold exchange and wholesale, which combined account for approximately 1% of net sales.

Product Design, Development, Sourcing and Manufacturing

We established a product development process that supports our strategy to further develop and enhance our product offering in support of the Birks brand development. The centerpiece of this process is our Product Review Committee, which ultimately approves all new product designs and introductions. During fiscal 2016, fiscal 2015 and fiscal 2014, approximately 42%, 48%, and 58%, respectively, of our jewelry products acquired for sale were internally designed, sourced or manufactured. Products that are not designed and internally manufactured are sourced from suppliers worldwide, enabling us to sell an assortment of fine quality merchandise often not available from other jewelers in our markets. Our staff of buyers procures distinctive high quality merchandise directly from manufacturers, diamond cutters, and other suppliers worldwide. Our gemstone acquisition team, product sourcing team and category managers specialize in sourcing merchandise in categories such as diamonds, precious gemstones, pearls, timepieces, gold jewelry, and giftware. Retail and merchandising personnel frequently visit our stores and those of competitors to compare value, selection, and service, as well as to observe client reaction to merchandise selection and determine future needs and trends.

We have manufacturing operations in Montreal (until such operations were outsourced in May 2016 as explained below) and Florida that enable us to offer unique, exclusive and high-quality products through an efficient supply chain. The manufacturing operations in Montreal and Florida occupy space within our corporate buildings, which we

lease subject to lease agreements (see Properties below for more information). The products produced at these two facilities are primarily diamond jewelry with a focus on bridal jewelry.

The Montreal facility has historically had the largest volume of our manufacturing operations and was involved in all aspects of manufacturing fine jewelry with the exception of the cutting of rough diamonds and other precious stones. The Company's strategy since fiscal 2015 has been to outsource its jewelry manufacturing to third party providers. On May 31, 2016, the Company sold most of its assets of its manufacturing facility in Montreal to The Sporn Company of Canada Inc., who will continue jewelry manufacturing operations at the Montreal facility and provide manufacturing services to the Company through a manufacturing services agreement entered into between the parties. The cash consideration and gain on the sale of the assets is immaterial to our operations. Our product development division functions, expertise and equipment as well as our loose stone division remained with the Company.

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Availability of Products

Although purchases of several critical raw materials, notably platinum, gold, silver, diamonds, pearls and gemstones, are made from a relatively limited number of sources, we believe that there are numerous alternative sources for all raw materials used in the manufacture of our finished jewelry, and that the failure of any principal supplier would not have a material adverse effect on our operations. Any material changes in foreign or domestic laws and policies affecting international trade may have a material adverse effect on the availability of the diamonds, other gemstones, precious metals and non-jewelry products we purchase. Significant changes in the availability or prices of diamonds, gemstones and precious metals we require for our products could adversely affect our earnings. We do not maintain long-term inventories or otherwise hedge a material portion of the price of raw materials. A significant increase in the price of these materials could adversely affect our net sales, gross margin and earnings. However, in the event of price increases, we will generally attempt to pass along any price increases to our customers.

In fiscal 2016, we purchased jewelry, timepieces and giftware for sale in our stores from several suppliers. Many of these suppliers have long-standing relationships with us. We compete with other jewelry retailers for access to vendors that will provide us with the quality and quantity of merchandise necessary to operate our business. Our relationships with primary suppliers are generally not pursuant to long-term agreements. Although we believe that alternative sources of supply are available, the abrupt loss of any of our key vendors, especially our largest luxury timepiece supplier, or a decline in the quality or quantity of merchandise supplied by our vendors could cause significant disruption in our business. In fiscal 2016, merchandise supplied by our largest luxury timepiece supplier and sold through our stores operating under the Mayors, Rolex, Birks and Brinkhaus brands accounted for approximately 39% of our total net sales. If our largest luxury timepiece supplier terminated its distribution agreements with us, such termination would have a material adverse effect on our business, financial condition and operating results. We believe that current relationships with our key vendors are good.

Seasonality

Our sales are highly seasonal, with the third fiscal quarter (which includes the holiday shopping season) historically contributing significantly higher net sales than any other quarter during the year. Net sales in the first, second, third and fourth quarters in fiscal 2016 were 25%, 22%, 32% and 21% and in fiscal 2015 were 25%, 22%, 32% and 21%.

Retail Operations, Merchandising and Marketing

General

We believe we are differentiated from most of our competitors because we offer distinctively designed, exclusive products and a selection of distinctive high quality merchandise at a wide range of price points. We keep the majority of our inventory on display in our stores rather than at our distribution facility. Although each store stocks a representative selection of jewelry, timepieces, giftware and other accessories, certain inventory is tailored to meet local tastes and historical merchandise sales patterns of specific stores.

We believe that our stores' elegant surroundings and distinctive merchandise displays play an important role in providing an atmosphere that encourages sales. We pay careful attention to detail in the design and layout of each store, particularly lighting, colors, choice of materials, and placement of display cases. We also use window displays as a means of attracting walk-in traffic and reinforcing our distinctive image. Our Visual Display department designs and creates window and store merchandise case displays for all of our stores. Window displays are frequently changed to provide variety and to reflect seasonal events such as Christmas, Chinese New Year, Valentine's Day, Mother's Day and Father's Day.

Personnel and Training

We place substantial emphasis on the professionalism of our sales force to maintain our position as a leading prestige jeweler. We strive to hire only highly motivated, professional and customer-oriented individuals. All new sales professionals attend an intensive training program where they are trained in technical areas of the jewelry business, specific sales and service techniques and our commitment to client service. Management believes that attentive personal service and knowledgeable sales professionals are key components to our success.

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As part of our commitment to continuous, on-the-job training, we have established Birks University and Mayors University, a formalized system of in-house training with a primary focus on client service, selling skills and product knowledge that involves extensive classroom training, the use of detailed operational manuals, in-store mentorship programs and a leading edge product knowledge program which includes on-line testing. In addition, we conduct in-house training seminars on a periodic basis and administer training modules with audits to (i) enhance the quality and professionalism of all sales professionals, (ii) measure the level of knowledge of each sales professional, (iii) update sales professionals on changes to credit programs available to customers and changes to applicable laws, including anti-money laundering legislation, and (iv) identify needs for additional training. We also provide all management team members with more extensive training that emphasizes leadership skills, general management skills, on-the-job coaching and training instruction techniques.

Advertising and Promotion

One of our key marketing goals is to build on our reputation in our core markets as a leading prestige jewelry brand offering high quality merchandise in an elegant, sophisticated environment. For example, we frequently run advertisements that associate the Birks and Mayors brands with internationally recognized brand names such as Cartier, Patek Philippe, Rolex, and Van Cleef & Arpels, among others. Advertising and promotions for all stores are developed by our personnel in conjunction with outside creative professionals.

Our advertising reinforces our role as a world class prestige brand that aims to deliver a total shopping experience that is as memorable as our merchandise. Our marketing efforts consist of advertising campaigns on digital platforms (including the two brands' web sites), billboards, print, direct mail, magazine, special events, media and public relations, distinctive store design, elegant displays, partnerships with key suppliers and associations with prestige institutions. The key goals of our marketing initiatives are to enhance customer awareness and appreciation of our two retail brands, Birks and Mayors, as well as the Birks product brand, and to increase customer traffic, client acquisition and retention and net sales.

Credit Operations

We have two private label credit cards, one for each of our Birks and Mayors retail brands which are administered by third-party banks that own the credit card receivable balances. In addition, stores operating under the Mayors brand also have a Mayors proprietary credit card which we administer.

Our credit programs are intended to complement our overall merchandising and sales strategy by encouraging larger and more frequent sales to a loyal customer base. Sales under the Birks and Mayors private label credit cards accounted for approximately 26% of our net sales during fiscal 2016. Sales under the Birks and Mayors private label credit cards are generally made without credit recourse to us. However, we are permitted to ask the bank to approve credit purchases under these private label credit cards, for which the bank holds credit recourse against the Company if the customer does not pay. These recourse credit lines are limited to 25% and 20% of the nonrecourse credit lines issued by the banks for the private label Birks credit card and Mayors credit card, respectively. Receivables generated on sales under the Mayors proprietary credit card are recorded on our balance sheet since we maintain the full credit risk.

Distribution

Our retail locations receive the majority of their merchandise directly from our distribution warehouses located in Tamarac, Florida and Montreal, Québec. Merchandise is shipped from the distribution warehouse utilizing various air and ground carriers. We also transfer merchandise between retail locations to balance inventory levels and to fulfill

client requests, and a very small portion of merchandise is delivered directly to the retail locations from suppliers.

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Competition

Our research indicates that the North American retail jewelry industry is approximately an \$80 billion industry and is highly competitive and fragmented, with a few very large national and international competitors and many medium and small regional and local competitors. The market is also fragmented by price and quality. Although our Birks and Mayors retail brands are prestige jewelry brands, we compete with companies within and outside of this segment, including other luxury categories. Our competitors include national and international jewelry chains as well as independent regional and local jewelry retailers. We also compete with other types of retailers such as department stores and specialty stores and, to a lesser extent, catalog showrooms, discounters, direct mail suppliers, televised home shopping networks, and e-commerce pure players. Many of these competitors have greater financial resources than we do. We believe that competition in our markets is based primarily on the total brand experience including trust, quality craftsmanship, product design and exclusivity, product selection, marketing and branding elements (including web), service excellence, including after sales service, and, to a certain extent, price. With the current consolidation of the retail industry, we believe that competition with other general and specialty retailers and discounters will continue to increase. Our success will depend on various factors, including general economic and business conditions affecting consumer spending, the performance of national and international retail operations, the acceptance by consumers of our merchandising and marketing programs, store locations and our ability to properly staff and manage our stores.

Regulation

Our operations are affected by numerous federal, provincial and state laws that impose disclosure and other requirements upon the origination, servicing and enforcement of credit accounts and limitations on the maximum amount of finance charges that may be charged by a credit provider. In addition to our proprietary and private label credit cards, credit to our clients is primarily available through third-party credit cards such as American Express®, Discover®, MasterCard®, Union Pay® and Visa®, without recourse to us in the case of a client's failure to pay. Any change in the regulation of credit that would materially limit the availability of credit to our traditional customer base could adversely affect our results of operations and financial condition.

We generally utilize the services of independent customs agents to comply with U.S. and Canadian customs laws in connection with our purchases of gold, diamond and other jewelry merchandise from foreign sources.

Diamonds extracted from certain regions in Africa, including Zimbabwe, that are believed to be used to fund terrorist activities, are considered conflict diamonds. We support the Kimberley Process, an international initiative intended to ensure diamonds are not illegally traded to fund conflict. As part of this initiative, we require our diamond suppliers to acknowledge compliance with the Kimberley Process and invoices received for diamonds purchased by us must include a certification from the vendor that the diamonds and diamond-containing jewelry are conflict free. Through this process and other efforts, we believe that the suppliers from whom we purchase diamonds exclude conflict diamonds from their inventories.

In August 2012, the SEC issued rules that require companies that manufacture products using certain conflict minerals, including gold, to determine whether those minerals originated in the Democratic Republic of Congo or adjoining countries (DRC). If the minerals originate in the DRC, or if companies are not able to establish where they originated, extensive disclosure regarding the sources of those minerals, and in some instances an independent audit of the supply chain, is required. We filed our second disclosure report on May 31, 2015 for the calendar year ended December 31, 2014 and our third on May 25, 2016 for the calendar year ended December 31, 2015. We determined that we had no reason to believe that any conflict minerals necessary to the functionality or production of our products may have originated in the DRC.

Trademarks and Copyrights

The designations Birks and Mayors, and the Birks and Mayors logos, are our principal trademarks and are essential to our ability to maintain our competitive position in the prestige jewelry segment. We maintain a program to protect our trademarks and will institute legal action where necessary to prevent others from either registering or using marks that are considered to create a likelihood of confusion with our trademarks. We are also the owner of the original jewelry designs created by our in-house designers and have entered into agreements with several outside designers pursuant to which these designers have assigned to us the rights to use copyrights of designs and products created for us.

Table of Contents**Organizational Structure**

The following chart sets forth our ownership interest in each of our significant subsidiaries as of March 26, 2016:

Name	Jurisdiction of Incorporation	Ownership and Voting Interest
Mayors Jewelers, Inc.	Delaware	100%
Mayors Jewelers of Florida, Inc.	Florida	100%

Properties

In December 2000, we entered into a capital lease agreement for our Montreal head office and store pursuant to which we lease the building, including the Montreal flagship store, for a term of 20 years ending December 11, 2020. The net annual rental base rate was CAD\$2.0 million (approximately \$1.5 million U.S. dollars) for the period that ended on December 11, 2015, and increases on a compounded basis by 10% on each third annual anniversary date thereafter (except for the last two years when no increase will take place). The current net annual rental rate is CAD\$2.2 million (approximately \$1.7 million U.S. dollars). The lease is an absolute triple net lease to the landlord, and we are responsible for any and all additional expenses, including, without limitation, taxes and structural expenses. Subject to specific terms and conditions, we have four options to renew and extend the term of the lease for four further terms of five years each, except for the last option which is five years less eleven days, terminating on November 30, 2040. Subject to specific terms and conditions, we also have one remaining option to purchase the premises, which may be exercised no later than six months prior to the end of the twentieth year of the term of the lease, respectively.

Our U.S. retail operations are managed through a local office located in Tamarac, Florida. On September 13, 2004, we entered into an operating lease agreement for this location for a term of 15 years terminating on November 30, 2020. The current net annual base rental rate is \$754,431 for the period ending November 30, 2016. Total annual rent, which includes real estate taxes and landlord operating costs, is \$1,128,687. We have two options to renew for five years each. On March 9, 2015, we entered into an agreement to sublease 23,175 square feet or approximately 48% of the Tamarac office space to a third party. The current annual sublease rental rate is \$425,493 for the period ending April 8, 2017. The sublease term ends on November 30, 2020.

We lease all of our other store locations. We believe that all of our facilities are well maintained and in good condition and are adequate for our current needs. We are actively reviewing all leases that expire in the next 12 months to determine whether to renew the leases.

Following is a listing of all our properties as of March 26, 2016:

	Size (Square Feet)	Expiration of Lease	Location
Operating Stores			
<i>Canada:</i>			
Bayshore Centre	2,544	March 2017	Ottawa, ON
Bloor	15,620	September 2019	Toronto, ON

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Brinkhaus	1,946	March 2017	Calgary, AB
Brinkhaus	750	May 2017	Vancouver, BC
Carrefour Laval (1)	2,617	April 2025	Laval, QC
Chinook Shopping Centre	3,661	September 2024	Calgary, AB
Cornwall Centre (2)	2,349	April 2016	Regina, SK
Dix-30 Mall	1,691	July 2023	Brossard, QC
Fairview Pointe-Claire	4,210	March 2018	Pointe-Claire, QC
First Canadian Place	2,243	March 2017	Toronto, ON
Edmonton Manulife Centre	4,196	May 2017	Edmonton, AB
Mapleview Centre	1,384	June 2023	Burlington, ON
Montreal Flagship Store	19,785	December 2020	Montreal, QC
Oakridge Shopping Centre	2,244	December 2016	Vancouver, BC
Park Royal	1,797	April 2024	West Vancouver, BC

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	Size (Square Feet)	Expiration of Lease	Location
Operating Stores			
<i>Canada (continued):</i>			
Place Ste-Foy	2,366	June 2017	Ste-Foy, QC
Rideau Centre	2,745	May 2024	Ottawa, ON
Saskatoon	3,486	October 2020	Saskatoon, SK
Sherway Gardens (3)	2,726	September 2025	Etobicoke, ON
Southgate Shopping Centre	2,915	March 2017	Edmonton, AB
Square One	1,825	May 2024	Mississauga, ON
Toronto Dominion Square	5,568	January 2022	Calgary, AB
Toronto Eaton Centre	1,042	January 2018	Toronto, ON
Vancouver	20,221	January 2026	Vancouver, BC
Victoria	1,561	December 2016	Victoria, BC
West Edmonton Mall	2,244	October 2024	Edmonton, AB
Willowdale Fairview Mall	2,353	February 2018	North York, ON
Winnipeg	3,187	February 2023	Winnipeg, MB
Yorkdale (4)	2,930	October 2026	Toronto, ON
<i>United States:</i>			
Aventura Mall	3,447	January 2017	N. Miami Beach, FL
Town Center at Boca Raton	5,878	January 2027	Boca Raton, FL
Dadeland Mall	5,700	January 2027	Miami, FL
Florida Mall	5,070	March 2020	Orlando, FL
The Galleria at Fort Lauderdale (5)	2,467	April 2025	Fort Lauderdale, FL
The Gardens Mall	5,099	January 2020	Palm Beach Gardens, FL
International Plaza	5,583	January 2022	Tampa, FL
Lenox Square Mall	2,991	January 2029	Atlanta, GA
Lincoln Road	4,250	May 2019	Miami Beach, FL
Mall at Millenia	2,088	February 2023	Orlando, FL
Miami International Mall	3,246	January 2026	Miami, FL
North Point Mall	1,145	March 2022	Alpharetta, GA
Rolex Store in Mall at Millenia	1,171	January 2020	Orlando, FL
Phipps Plaza	2,182	January 2021	Atlanta, GA
Village of Merrick Park	4,894	January 2023	Coral Gables, FL
Weston Commons	4,000	July 2017	Weston, FL
St-John's Town Center	3,458	October 2017	Jacksonville, FL
University Town Center	1,734	January 2025	Sarasota, FL
Other Properties			
Tamarac Corporate office (6)	47,851	November 2020	Tamarac, FL
Montreal Corporate office	58,444	December 2020	Montreal, QC

- (1) The Carrefour Laval store in Laval, Quebec was relocated within the same mall in July 2015. The new location is 2,617 square feet in size with a lease expiration of April 2025.

- (2) The Cornwall Centre store in Regina, Saskatchewan was closed in April 2016.
- (3) The Sherway Gardens store in Etobicoke, Ontario was relocated within the same mall in September 2015. The new location is 2,726 square feet in size with a lease expiration in September 2025.
- (4) The Yorkdale store in Toronto, Ontario will relocate within the same mall in October 2016. The new location will be 2,810 square feet in size with a lease expiration in October 2026.
- (5) The Galleria store in Fort Lauderdale, Florida was relocated within the same mall in August 2015. The new location is 2,467 square feet in size with a lease expiration of April 2025.
- (6) We have signed an agreement to sublease 23,175 square feet of our Tamarac Corporate Office to a third-party. The sublease commenced in April 2015 with a sublease expiration in November 2020.

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Total annual base rent for the above locations for fiscal 2016 was approximately \$14.6 million. In February 2016, we closed the license agreement shop at Hudson's Bay Company in Toronto, Ontario which was 229 square feet.

Item 4A. Unresolved Staff Comments

Not applicable

Item 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this Annual Report. The following discussion includes certain forward-looking statements. For a discussion of important factors, including the continuing development of our business, actions of regulatory authorities and competitors and other factors which could cause actual results to differ materially from the results referred to in the forward-looking statements, see Item 3., Key Information under the heading Risk Factors and the discussion under the heading Forward-Looking Information at the beginning of this Annual Report.

Throughout this Annual Report we refer to our fiscal years ended March 26, 2016, March 28, 2015 and March 29, 2014, as fiscal 2016, fiscal 2015 and fiscal 2014, respectively. Our fiscal year ends on the last Saturday in March of each year. The financial reporting periods referred to as fiscal 2016, fiscal 2015 and fiscal 2014 consisted of 52 weeks.

Overview

Birks Group is a leading designer, maker and purveyor of prestige jewelry, timepieces and giftware in the U.S. and Canada. As of March 26, 2016, our retail operation's total square footage was approximately 188,000. The average square footage of our three Birks flagship stores in Canada was approximately 18,500, while the average square footage for all other Birks retail stores in Canada was approximately 2,700. The average square footage of our two Brinkhaus locations was 1,300, while the average square footage of our Mayors retail stores was approximately 3,600.

We operate our business in two geographic areas, Canada and the Southeastern U.S. We have two reportable segments, Retail and Other. Retail is comprised of all our retail operations in the U.S. and Canada on a combined basis. In Canada, we operate stores under the Birks brand and two stores under the Brinkhaus brand. In the Southeastern U.S., we operate stores under the Mayors brand and one store under the Rolex brand. Other consists of e-commerce, gold exchange, wholesale and up until August 2015 included our corporate sales division that was sold.

Our net sales are comprised of revenues, net of discounts, in each case, excluding sales tax. Sales are recognized at the point of sale when merchandise is taken or shipped. Sales of consignment merchandise are recognized on a full retail basis at such time that the merchandise is sold. Revenues for gift certificates and store credits are recognized upon redemption. Customers use cash, cheques, debit cards, third-party credit cards, private label and proprietary credit cards and house accounts to make purchases. The level of our sales is impacted by the number of transactions we generate and the size of our average retail sale.

Our operating costs and expenses are primarily comprised of cost of sales and selling, general and administrative expenses. Cost of sales includes cost of merchandise, direct inbound freight and duties, direct labor related to repair services, the costs of our design and creative departments, manufacturing costs, inventory shrink, damage and obsolescence, jewelry, watch and giftware boxes, as well as depreciation and amortization of production facilities and production tools, dies and molds and, in addition, product development costs. Selling, general and administrative expenses (SG&A) include, but are not limited to, all non-production payroll and benefits (including non-cash

compensation expense), store and head office occupancy costs, overhead, credit card fees, information systems, professional services, consulting fees, repairs and maintenance, travel and entertainment, insurance, legal, human resources and training expenses. Occupancy, overhead and depreciation are generally less variable relative to net sales than other components of SG&A, such as credit card fees and certain elements of payroll, such as commissions. Another significant item in SG&A is marketing expenses, which include marketing, public relations and advertising costs (net of amounts received from vendors for cooperative advertising) incurred to increase customer awareness of both our retail brands and the Birks product brand. Marketing has historically

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represented a significant portion of our SG&A. As a percentage of net sales, marketing expenses represented 3.1%, 3.1% and 3.9% of sales for fiscal 2016, 2015 and 2014, respectively. Additionally, SG&A includes indirect costs such as freight, including inter-store transfers, receiving costs, distribution costs, and warehousing costs. The amount of these indirect costs in SG&A was approximately \$2.4 million, \$2.9 million and \$3.4 million for fiscal 2016, 2015 and 2014, respectively. Depreciation and amortization includes depreciation and amortization of our stores and head office, including buildings, leasehold improvements, furniture and fixtures, computer hardware and software and amortization of intangibles.

Over the short-term, we may focus our efforts on those strategies and key drivers of our performance that are necessary in the current business climate, which include our ability to:

grow sales, gross margin rate and gross profits;

manage expenses and assets efficiently in order to optimize profitability and cash flow; and

maintain flexible and cost effective sources of borrowings to finance our operations and strategies.

Over the long-term, we believe that the key drivers of our performance will be our ability to:

execute our merchandising strategy to increase net sales and maintain and expand gross margin by lowering discounts, developing and marketing higher margin exclusive and unique products, and further developing our internal capability to design, develop, outsource and source products;

execute our marketing strategy to enhance customer awareness and appreciation of the Birks and Mayors retail brands, as well as the Birks product brand, taking into account today's path to purchase, and to maintain and eventually increase customer traffic, client acquisition and retention and net sales through regional and national advertising campaigns utilizing digital channels (including the two brands' web sites) billboards, print, direct mail, magazine, in-store events, community relations, media relations, partnerships with key suppliers, such as Mayors relationship with Rolex and Birks' relationship with Van Cleef & Arpels, and associations with prestige institutions;