

GUESS INC  
Form 10-Q  
September 07, 2010  
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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 July 31, 2010**

**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: 1-11893**

**GUESS?, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**95-3679695**

(I.R.S. Employer  
Identification No.)

**1444 South Alameda Street  
Los Angeles, California**

(Address of principal executive offices)

**90021**

(Zip Code)

**(213) 765-3100**

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the 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 in Rule 12b-2 of the Exchange Act). Yes  No

As of September 2, 2010, the registrant had 91,799,365 shares of Common Stock, \$.01 par value per share, outstanding.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements.****GUESS?, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	July 31, 2010 (unaudited)	Jan. 30, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 478,625	\$ 502,063
Accounts receivable, net	301,522	283,747
Inventories	307,056	253,162
Deferred tax assets	30,245	30,570
Other current assets	57,534	54,621
Total current assets	1,174,982	1,124,163
Property and equipment, net	272,938	255,308
Goodwill	28,817	29,877
Other intangible assets, net	13,343	15,974
Long-term deferred tax assets	52,388	55,504
Other assets	85,065	50,423
	\$ 1,627,533	\$ 1,531,249
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Current portion of capital lease obligations and borrowings	\$ 2,123	\$ 2,357
Accounts payable	229,451	195,075
Accrued expenses	149,999	145,321
Total current liabilities	381,573	342,753
Capital lease obligations	12,519	14,137
Deferred rent and lease incentives	68,617	60,642
Other long-term liabilities	75,305	73,561
	538,014	491,093
Redeemable noncontrolling interests	14,467	13,813
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, \$.01 par value. Authorized 10,000,000 shares; no shares issued and outstanding		
Common stock, \$.01 par value. Authorized 150,000,000 shares; issued 137,096,878 and 136,568,091 shares, outstanding 91,790,540 and 92,736,761 shares, at July 31, 2010 and January 30, 2010, respectively	918	927

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Paid-in capital	343,871	319,737
Retained earnings	1,006,230	919,531
Accumulated other comprehensive (loss) income	(16,628)	(2,952)
Treasury stock, 45,306,338 and 43,831,330 shares at July 31, 2010 and January 30, 2010, respectively	(266,258)	(217,032)
Guess?, Inc. stockholders' equity	1,068,133	1,020,211
Nonredeemable noncontrolling interests	6,919	6,132
Total stockholders' equity	1,075,052	1,026,343
	\$ 1,627,533	\$ 1,531,249

*See accompanying notes to condensed consolidated financial statements.*

Table of Contents**GUESS?, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**(in thousands, except per share data)  
(unaudited)

	Three Months Ended		Six Months Ended	
	July 31, 2010	Aug. 1, 2009	July 31, 2010	Aug. 1, 2009
Net revenue:				
Product sales	\$ 550,576	\$ 500,364	\$ 1,064,631	\$ 919,491
Net royalties	26,559	22,059	51,845	44,133
	577,135	522,423	1,116,476	963,624
Cost of product sales	324,899	290,646	628,989	554,344
Gross profit	252,236	231,777	487,487	409,280
Selling, general and administrative expenses	155,935	140,663	314,040	270,132
Pension curtailment expense			5,819	
Earnings from operations	96,301	91,114	167,628	139,148
Other income (expense):				
Interest expense	(283)	(339)	(513)	(945)
Interest income	647	447	983	1,184
Other income (expense), net	(256)	(1,339)	3,172	(73)
	108	(1,231)	3,642	166
Earnings before income tax expense	96,409	89,883	171,270	139,314
Income tax expense	29,030	29,662	52,237	45,974
Net earnings	67,379	60,221	119,033	93,340
Net earnings attributable to noncontrolling interests	621	661	1,940	1,238
Net earnings attributable to Guess?, Inc.	\$ 66,758	\$ 59,560	\$ 117,093	\$ 92,102
Earnings per common share attributable to common stockholders (Note 2):				
Basic	\$ 0.72	\$ 0.65	\$ 1.26	\$ 1.00
Diluted	\$ 0.72	\$ 0.64	\$ 1.25	\$ 0.99
Weighted average common shares outstanding attributable to common stockholders (Note 2):				
Basic	91,610	90,724	91,756	90,678
Diluted	92,153	91,381	92,471	91,253
Dividends declared per common share	\$ 0.16	\$ 0.10	\$ 0.32	\$ 0.20

*See accompanying notes to condensed consolidated financial statements.*



Table of Contents**GUESS?, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**(in thousands)  
(unaudited)

	Three Months Ended		Six Months Ended	
	July 31, 2010	Aug. 1, 2009	July 31, 2010	Aug. 1, 2009
Net earnings	\$ 67,379	\$ 60,221	\$ 119,033	\$ 93,340
Foreign currency translation adjustment	(7,605)	23,725	(19,878)	34,698
Unrealized (loss) gain on hedges, net of tax effect	(371)	(5,637)	1,057	(8,937)
Unrealized (loss) gain on investments, net of tax effect	20	(120)	195	60
SERP prior service cost and actuarial valuation loss amortization, including curtailment expense, net of tax effect	257	292	4,675	576
Comprehensive income	59,680	78,481	105,082	119,737
Less comprehensive income attributable to noncontrolling interests	436	1,366	1,665	2,307
Comprehensive income attributable to Guess?, Inc.	\$ 59,244	\$ 77,115	\$ 103,417	\$ 117,430

*See accompanying notes to condensed consolidated financial statements.*



Table of Contents**GUESS?, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**(in thousands)  
(unaudited)

	<b>Six Months Ended</b>	
	<b>July 31, 2010</b>	<b>Aug. 1, 2009</b>
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 119,033	\$ 93,340
<b>Adjustments to reconcile net earnings to net cash provided by operating activities:</b>		
Depreciation and amortization of property and equipment	29,534	26,820
Amortization of intangible assets	1,954	3,715
Share-based compensation expense	15,025	13,036
Unrealized forward contract (gains) losses	(154)	9,553
Net loss on disposition of property and equipment	321	810
Pension curtailment expense	5,819	
Other items, net	(1,442)	(807)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(29,978)	(11,711)
Inventories	(57,366)	(7,390)
Prepaid expenses and other assets	(33,789)	(1,700)
Accounts payable and accrued expenses	44,004	(7,149)
Deferred rent and lease incentives	8,135	6,008
Other long-term liabilities	2,780	(680)
Net cash provided by operating activities	103,876	123,845
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(48,814)	(42,028)
Proceeds from dispositions of long-term assets	600	474
Acquisition of lease interest	(2,249)	
Acquisition of businesses, net of cash acquired		549
Net cash settlement of forward contracts	4,904	3,313
Purchases of long-term investments	(6,679)	(5,639)
Net cash used in investing activities	(52,238)	(43,331)
<b>Cash flows from financing activities:</b>		
Certain short-term borrowings, net	511	(24,914)
Proceeds from borrowings		40,000
Repayment of borrowings and capital lease obligations	(766)	(40,815)
Dividends paid	(29,810)	(18,453)
Noncontrolling interest capital contributions		650
Noncontrolling interest capital distributions		(1,202)
Issuance of common stock, net of nonvested award repurchases	4,105	825
Excess tax benefits from share-based compensation	5,728	57
Purchase of treasury stock	(49,361)	(5,309)
Net cash used in financing activities	(69,593)	(49,161)
Effect of exchange rates on cash and cash equivalents	(5,483)	4,236
Net increase (decrease) in cash and cash equivalents	(23,438)	35,589
Cash and cash equivalents at beginning of period	502,063	294,118
Cash and cash equivalents at end of period	\$ 478,625	\$ 329,707

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Supplemental cash flow data:

Interest paid	\$	356	\$	1,184
Income taxes paid	\$	41,233	\$	45,586

*See accompanying notes to condensed consolidated financial statements.*

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**GUESS?, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**July 31, 2010**

(unaudited)

**(1) Basis of Presentation**

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of Guess?, Inc. and its subsidiaries (the Company ) contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the condensed consolidated balance sheets as of July 31, 2010 and January 30, 2010, and the condensed consolidated statements of income and condensed consolidated statements of comprehensive income for the three and six months ended July 31, 2010 and August 1, 2009, and the condensed consolidated statements of cash flows for the six months ended July 31, 2010 and August 1, 2009. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ) for interim financial information and the instructions to Rule 10-01 of Regulation S-X of the Securities and Exchange Commission (the SEC ). Accordingly, they have been condensed and do not include all of the information and footnotes required by GAAP for complete financial statements. The results of operations for the three and six months ended July 31, 2010 are not necessarily indicative of the results of operations to be expected for the full fiscal year. These financial statements should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended January 30, 2010. The Company has made certain reclassifications to the prior year s consolidated financial statements to conform to classifications in the current year. These reclassifications, none of which are material, had no impact on previously reported statements of income.

The three and six months ended July 31, 2010 had the same number of days as the three and six months ended August 1, 2009. All references herein to fiscal 2011 and fiscal 2010 represent the results of the 52-week fiscal years ended January 29, 2011 and January 30, 2010, respectively.

*New Accounting Guidance*

In June 2009, the Financial Accounting Standards Board ( FASB ) issued authoritative guidance that requires an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both of the following characteristics, among others: (a) the power to direct the activities of a variable interest entity that most significantly impacts the entity s economic performance, and (b) the obligation to absorb losses or the right to receive benefits from the entity, that could potentially be significant to the variable interest entity. Under this guidance, ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity are required. The Company adopted the relevant provisions of the guidance on January 31, 2010 and will apply the requirements prospectively. The adoption of this guidance did not have a material impact on the Company s consolidated financial statements.

In January 2010, the FASB issued authoritative guidance that expands the required disclosures about fair value measurements. This guidance provides for new disclosures requiring the Company to (a) disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers and (b) present separately information about purchases, sales,

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issuances and settlements in the reconciliation of Level 3 fair value measurements. This guidance also provides clarification of existing disclosures requiring the Company to (i) determine each class of assets and liabilities based on the nature and risks of the investments rather than by major security type and (ii) for each class of assets and liabilities, disclose the valuation techniques and inputs used to measure fair value for both Level 2 and Level 3 fair value measurements. The Company adopted the guidance effective January 31, 2010, except for the presentation of purchases, sales, issuances and settlements in the reconciliation of Level 3 fair value measurements, which will be effective for fiscal years beginning after December 15, 2010. The adoption of the first phase of this guidance did not have a material impact on the Company's consolidated financial statements.

### (2) **Earnings Per Share**

Basic earnings per share represents net earnings attributable to common stockholders divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share represent net earnings attributable to common stockholders divided by the weighted-average number of common shares outstanding, inclusive of the dilutive impact of common equivalent shares outstanding during the period. However, nonvested restricted stock awards (referred to as participating securities) are excluded from the dilutive impact of common equivalent shares outstanding in accordance with FASB issued authoritative guidance under the two-class method since the nonvested restricted stockholders are entitled to participate in dividends declared on common stock as if the shares were fully vested and hence are deemed to be participating securities. Under the two-class method, earnings attributable to nonvested restricted stockholders are excluded from net earnings attributable to common stockholders for purposes of calculating

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basic and diluted earnings per common share.

The computation of basic and diluted net earnings per common share attributable to common stockholders is as follows (in thousands):

	Three Months Ended		Six Months Ended	
	July 31, 2010	Aug. 1, 2009	July 31, 2010	Aug. 1, 2009
Net earnings attributable to Guess?, Inc.	\$ 66,758	\$ 59,560	\$ 117,093	\$ 92,102
Net earnings attributable to nonvested restricted stockholders	668	840	1,228	1,402
Net earnings attributable to common stockholders	\$ 66,090	\$ 58,720	\$ 115,865	\$ 90,700
Weighted average shares used in basic computations	91,610	90,724	91,756	90,678
Effect of dilutive securities:				
Stock options and restricted stock units	543	657	715	575
Weighted average shares used in diluted computations	92,153	91,381	92,471	91,253
Net earnings per common share attributable to common stockholders:				
Basic	\$ 0.72	\$ 0.65	\$ 1.26	\$ 1.00
Diluted	\$ 0.72	\$ 0.64	\$ 1.25	\$ 0.99

For the three months ended July 31, 2010 and August 1, 2009, equity awards granted for 959,691 and 2,068,038, respectively, of the Company's common shares and for the six months ended July 31, 2010 and August 1, 2009, equity awards granted for 745,585 and 1,815,770, respectively, of the Company's common shares were outstanding but were excluded from the computation of diluted weighted average common shares and common share equivalents outstanding because their effect would have been anti-dilutive.

In addition to the participating securities discussed above, the Company also excluded 563,400 nonvested stock options granted to certain employees from the computation of diluted weighted average common shares and common share equivalents outstanding for the three and six months ended August 1, 2009, because they were subject to a performance-based annual vesting condition.

In March 2008, the Company's Board of Directors terminated the previously authorized 2001 share repurchase program and authorized a new program to repurchase, from time to time and as market and business conditions warrant, up to \$200.0 million of the Company's common stock (the 2008 Share Repurchase Program). Repurchases may be made on the open market or in privately negotiated transactions, pursuant to Rule 10b5-1 trading plans or other available means. There is no minimum or maximum number of shares to be repurchased under the program and the program may be discontinued at any time, without prior notice. During the six months ended July 31, 2010, the Company repurchased 1,500,000 shares under the 2008 Share Repurchase Program at an aggregate cost of \$49.3 million. All such share repurchases were made during the three months ended July 31, 2010. During the six months ended August 1, 2009, the Company repurchased 407,600 shares under the 2008 Share Repurchase Program at an aggregate cost of \$5.3 million. All such share repurchases were made during the three months ended May 2, 2009. At July 31, 2010, the Company had remaining authority under the 2008 Share Repurchase Program to purchase an additional \$84.9 million of its common stock.



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A reconciliation of the total carrying amount of total stockholders' equity, Guess?, Inc. stockholders' equity and stockholders' equity attributable to nonredeemable and redeemable noncontrolling interests for the fiscal year ended January 30, 2010 and six months ended July 31, 2010 is as follows (in thousands):

	Guess?, Inc. Stockholders Equity	Stockholders' Equity Nonredeemable Noncontrolling Interests	Total	Redeemable Noncontrolling Interests
Balances at January 31, 2009	\$ 773,001	\$ 2,453	\$ 775,454	\$ 10,050
Issuance of common stock under stock compensation plans, net of tax effect	9,408		9,408	
Issuance of stock under ESPP	1,249		1,249	
Share-based compensation	27,339		27,339	
Dividends	(41,598)		(41,598)	
Share repurchases	(5,309)		(5,309)	
Acquisition of subsidiary with redeemable put feature				2,815
Noncontrolling interest capital contribution		1,001	1,001	
Noncontrolling interest capital distribution	(109)	(1,202)	(1,311)	
Comprehensive income (loss) (a):				
Net earnings	242,761	3,569	246,330	
Foreign currency translation adjustment	22,684	311	22,995	948
Unrealized loss on hedges, net of income tax of \$2,690	(6,918)		(6,918)	
Unrealized gain on investments, net of income tax of \$58	94		94	
SERP prior service cost and actuarial valuation loss amortization, net of income tax of \$1,435	(2,391)		(2,391)	
Balances at January 30, 2010	\$ 1,020,211	\$ 6,132	\$ 1,026,343	\$ 13,813
Issuance of common stock under stock compensation plans, net of tax effect	8,457		8,457	
Issuance of stock under ESPP	778		778	
Share-based compensation	15,025		15,025	
Dividends	(29,810)		(29,810)	
Share repurchases	(49,361)		(49,361)	
Redeemable noncontrolling interests redemption value adjustment	(584)	(878)	(1,462)	1,462
Comprehensive income (loss) (a):				
Net earnings	117,093	1,940	119,033	
Foreign currency translation adjustment	(19,603)	(275)	(19,878)	(808)
Unrealized gain on hedges, net of income tax of \$325	1,057		1,057	
Unrealized gain on investments, net of income tax of \$137	195		195	
SERP prior service cost and actuarial valuation loss amortization, including curtailment expense, net of income tax of \$3,151	4,675		4,675	
Balances at July 31, 2010	\$ 1,068,133	\$ 6,919	\$ 1,075,052	\$ 14,467

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(a) Total comprehensive income consists of net earnings, Supplemental Executive Retirement Plan ( SERP ) related prior service cost and actuarial valuation loss amortization, unrealized gains or losses on investments available for sale, foreign currency translation adjustments and the effective portion of the change in the fair value of cash flow hedges.

### *Redeemable Noncontrolling Interests*

In connection with the acquisition of two majority-owned subsidiaries, the Company is party to put arrangements with respect to the common securities that represent the remaining noncontrolling interests of the acquired companies. Each put arrangement is



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exercisable by the counter-party outside the control of the Company by requiring the Company to redeem the counterparty's entire equity stake in the subsidiary at a put price based on a multiple of earnings formula. Each put arrangement is recorded on the balance sheet at its redemption value and classified as a redeemable noncontrolling interest outside of permanent equity. As of July 31, 2010, the redeemable noncontrolling interests of \$14.5 million was composed of redemption values related to the Focus Europe S.r.l. ( Focus ) and Guess Sud SAS ( Guess Sud ) put arrangements of \$11.2 million and \$3.3 million, respectively. As of January 30, 2010, the redeemable noncontrolling interests of \$13.8 million was composed of redemption values related to the Focus and Guess Sud put arrangements of \$10.9 million and \$2.9 million, respectively.

The put arrangement for Focus, representing 25% of the total outstanding equity interest of that subsidiary, may be exercised at the discretion of the minority owner by providing written notice to the Company no later than June 27, 2012. The redemption value of the Focus put arrangement is based on a multiple of Focus's net earnings.

The put arrangement for Guess Sud, representing 40% of the total outstanding equity interest of that subsidiary, may be exercised at the discretion of the minority owners by providing written notice to the Company anytime after January 30, 2012 or sooner in certain limited circumstances. The redemption value of the Guess Sud put arrangement is based on a multiple of Guess Sud's earnings before interest, taxes, depreciation and amortization.

**(4) Accounts Receivable**

Accounts receivable consists of trade receivables primarily relating to the Company's wholesale businesses in Europe, North America and Asia. The Company provided for allowances relating to these receivables of \$30.4 million and \$29.9 million at July 31, 2010 and January 30, 2010, respectively. In addition, accounts receivable includes royalty receivables relating to licensing operations of \$19.3 million and \$23.0 million at July 31, 2010 and January 30, 2010, respectively, for which the Company recorded an allowance for doubtful accounts of \$0.6 and \$0.7 million at July 31, 2010 and January 30, 2010, respectively. The accounts receivable allowance includes allowances for doubtful accounts, wholesale sales returns and wholesale markdowns. Retail sales returns allowances are included in accrued expenses.

**(5) Inventories**

Inventories consist of the following (in thousands):

	July 31, 2010	Jan. 30, 2010
Raw materials	\$ 13,517	\$ 9,405
Work in progress	2,737	2,689
Finished goods	290,802	241,068
	\$ 307,056	\$ 253,162

As of July 31, 2010 and January 30, 2010, inventories had been written down to the lower of cost or market by \$17.6 million and \$16.8 million, respectively.

**(6) Income Taxes**

Income tax expense for the interim periods was computed using the effective tax rate estimated to be applicable for the full fiscal year. The Company's effective income tax rate decreased to 30.5% for the six months ended July 31, 2010 from 33.0% in the six months ended August 1, 2009 primarily due to a higher estimated proportion of annual earnings in lower tax jurisdictions and certain state tax refund claims submitted during the current year quarter.

**(7) Segment Information**

In the first quarter of fiscal 2011, the Company revised its segment reporting whereby the North American wholesale and Asia segments are now separate segments for reporting purposes. The Company's businesses are now grouped into five reportable segments for management and internal financial reporting purposes: North American retail, North American wholesale, Europe, Asia and licensing. Management evaluates segment performance based primarily on revenues and earnings from operations. The Company believes this segment reporting better reflects how its five business segments are managed and each segment's performance is evaluated. The North American retail segment includes the Company's retail operations in North America. The North American wholesale segment includes the Company's wholesale operations in North America. The Europe segment includes both wholesale and retail operations in Europe and the Middle East. The Asia segment includes the Company's wholesale and retail operations in Asia. The licensing segment includes the worldwide licensing operations of the Company. Corporate overhead, interest income, interest

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expense and other income and expense are evaluated on a consolidated basis and not allocated to the Company's business segments.

Net revenue and earnings from operations are summarized as follows for the three and six months ended July 31, 2010 and August 1, 2009 (in thousands):

	Three Months Ended		Six Months Ended	
	July 31, 2010	Aug. 1, 2009	July 31, 2010	Aug. 1, 2009
<b>Net revenue:</b>				
North American retail	\$ 241,802	\$ 227,460	\$ 477,575	\$ 435,020
North American wholesale	44,270	33,213	86,998	66,786
Europe	222,331	210,159	409,299	355,857
Asia	42,173	29,532	90,759	61,828
Licensing	26,559	22,059	51,845	44,133
	\$ 577,135	\$ 522,423	\$ 1,116,476	\$ 963,624
<b>Earnings (loss) from operations:</b>				
North American retail	\$ 26,310	\$ 30,208	\$ 50,682	\$ 48,215
North American wholesale	10,711	8,328	20,922	13,254
Europe	50,349	52,293	84,831	75,432
Asia	5,701	1,564	12,838	4,060
Licensing	23,690	18,672	45,550	37,687
Corporate overhead	(20,460)	(19,951)	(47,195)	(39,500)
	\$ 96,301	\$ 91,114	\$ 167,628	\$ 139,148

Due to the seasonal nature of the Company's business segments, the above net revenue and operating results are not necessarily indicative of the results that may be expected for the full fiscal year.

All amounts for the years ended January 30, 2010 and January 31, 2009 have been revised as follows to conform to the new segment reporting described above (in thousands):

	First Quarter Ended	Second Quarter Ended	Third Quarter Ended	Fourth Quarter Ended	Year Ended	Year Ended
	May 2, 2009	Aug. 1, 2009	Oct. 31, 2009	Jan. 30, 2010	Jan. 30, 2010	Jan. 31, 2009
<b>Net revenue:</b>						
North American retail	\$ 207,560	\$ 227,460	\$ 239,518	\$ 309,365	\$ 983,903	\$ 977,980
North American wholesale	33,573	33,213	46,124	39,772	152,682	176,303
Europe	145,698	210,159	168,829	222,556	747,242	718,964
Asia	32,296	29,532	40,527	44,932	147,287	119,878
Licensing	22,074	22,059	27,814	25,405	97,352	100,265
	\$ 441,201	\$ 522,423	\$ 522,812	\$ 642,030	\$ 2,128,466	\$ 2,093,390
<b>Earnings (loss) from operations:</b>						
North American retail	\$ 18,007	\$ 30,208	\$ 33,110	\$ 50,962	\$ 132,287	\$ 93,156

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North American wholesale	4,926	8,328	12,245	9,667	35,166	39,786
Europe	23,139	52,293	40,801	57,002	173,235	168,630
Asia	2,496	1,564	5,472	6,293	15,825	5,715
Licensing	19,015	18,672	24,176	24,777	86,640	86,422
Corporate overhead	(19,549)	(19,951)	(16,830)	(28,007)	(84,337)	(64,922)
	\$ 48,034	\$ 91,114	\$ 98,974	\$ 120,694	\$ 358,816	\$ 328,787

Table of Contents**(8) Borrowings and Capital Lease Obligations**

Borrowings and capital lease obligations are summarized as follows (in thousands):

	<b>July 31, 2010</b>	<b>Jan. 30, 2010</b>
European capital lease, maturing quarterly through 2016	\$ 14,042	\$ 15,756
Other	600	738
	14,642	16,494
Less current installments	2,123	2,357
Long-term capital lease obligations	\$ 12,519	\$ 14,137

The Company entered into a capital lease in December 2005 for a new building in Florence, Italy. At July 31, 2010, the capital lease obligation was \$14.0 million. The Company has entered into a separate interest rate swap agreement designated as a non-hedging instrument that resulted in a swap fixed rate of 3.55%. This interest rate swap agreement matures in 2016 and converts the nature of the capital lease obligation from Euribor floating rate debt to fixed rate debt. The fair value of the interest rate swap liability as of July 31, 2010 was approximately \$1.0 million.

On September 19, 2006, the Company and certain of its subsidiaries entered into a credit facility led by Bank of America, N.A., as administrative agent for the lenders (the Credit Facility). The Credit Facility provides for an \$85 million revolving multicurrency line of credit and is available for direct borrowings and the issuance of letters of credit, subject to certain letters of credit sublimits. The Credit Facility is scheduled to mature on September 30, 2011. At July 31, 2010, the Company had \$11.5 million in outstanding standby letters of credit, no outstanding documentary letters of credit and no outstanding borrowings under the Credit Facility.

The Company, through its European subsidiaries, maintains short-term borrowing agreements, primarily for working capital purposes, with various banks in Europe. Under these agreements, which are generally secured by specific accounts receivable balances, the Company can borrow up to \$207.6 million, limited primarily by accounts receivable balances at the time of borrowing. Based on the applicable accounts receivable balances at July 31, 2010, the Company could have borrowed up to approximately \$186.2 million under these agreements. However, the Company's ability to borrow through foreign subsidiaries is generally limited to \$185.0 million under the terms of the Credit Facility. At July 31, 2010, the Company had no outstanding borrowings and \$13.2 million in outstanding documentary letters of credit under these credit agreements. The agreements are primarily denominated in euros and provide for annual interest rates ranging from 0.8% to 3.5%. The maturities of the short-term borrowings are generally linked to the credit terms of the underlying accounts receivable that secure the borrowings. With the exception of one facility for up to \$19.6 million that has a minimum net equity requirement, there are no other financial ratio covenants.

From time to time the Company will obtain other short term financing in foreign countries for working capital to finance its local operations.

**(9) Share-Based Compensation**

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The following table summarizes the share-based compensation expense recognized under all of the Company's stock plans during the three and six months ended July 31, 2010 and August 1, 2009 (in thousands):

	Three Months Ended		Six Months Ended	
	July 31, 2010	Aug. 1, 2009	July 31, 2010	Aug. 1, 2009
Stock options	\$ 1,951	\$ 2,076	\$ 3,810	\$ 3,623
Nonvested stock awards/units	4,867	4,101	10,982	9,163
Employee Stock Purchase Plan	139	95	233	250
Total share-based compensation expense	\$ 6,957	\$ 6,272	\$ 15,025	\$ 13,036

Unrecognized compensation cost related to nonvested stock options and nonvested stock awards/units totaled approximately \$14.6 million and \$33.5 million, respectively, as of July 31, 2010. This unrecognized expense assumes the performance-based equity awards vest in the future. This cost is expected to be recognized over a weighted-average period of 1.4 years. The weighted average fair values of stock options granted during the six months ended July 31, 2010 and August 1, 2009 were \$14.55 and \$8.89, respectively.

On April 29, 2010, the Company made an annual grant of 237,400 stock options and 230,300 nonvested stock awards/units to its employees. On April 14, 2009, the Company made an annual grant of 1,105,400 stock options and 106,400 nonvested stock