

GUESS INC  
Form 10-Q  
December 07, 2018  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

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

For the quarterly period ended November 3, 2018

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-11893

GUESS?, INC.

(Exact name of registrant as specified in its charter)

Delaware 95-3679695

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1444 South Alameda Street  
Los Angeles, California 90021  
(Address of principal executive offices) (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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Emerging growth company

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

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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 December 4, 2018, the registrant had 81,038,868 shares of Common Stock, \$.01 par value per share, outstanding.

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GUESS?, INC.

FORM 10-Q

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## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements.

## GUESS?, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	Nov 3, 2018	Feb 3, 2018
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 138,922	\$ 367,441
Accounts receivable, net	286,106	259,996
Inventories	548,517	428,304
Other current assets	109,178	52,964
Total current assets	1,082,723	1,108,705
Property and equipment, net	297,173	294,254
Goodwill	36,893	38,481
Other intangible assets, net	7,063	5,977
Deferred tax assets	64,437	68,386
Restricted cash	532	241
Other assets	135,325	139,590
	\$ 1,624,146	\$ 1,655,634
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of capital lease obligations and borrowings	\$ 3,538	\$ 2,845
Accounts payable	314,068	264,438
Accrued expenses	243,058	200,562
Total current liabilities	560,664	467,845
Long-term debt and capital lease obligations	36,254	39,196
Deferred rent and lease incentives	81,765	81,564
Other long-term liabilities	110,104	127,964
	788,787	716,569
Redeemable noncontrolling interests	4,804	5,590
Commitments and contingencies (Note 12)		
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 142,342,270 and 141,623,687 shares, outstanding 81,007,525 and 81,371,118 shares, as of November 3, 2018 and February 3, 2018, respectively	810	813
Paid-in capital	515,067	498,249
Retained earnings	1,072,988	1,132,173
Accumulated other comprehensive loss	(133,408 )	(93,062 )
Treasury stock, 61,334,745 and 60,252,569 shares as of November 3, 2018 and February 3, 2018, respectively	(638,559 )	(621,354 )
Guess?, Inc. stockholders' equity	816,898	916,819
Nonredeemable noncontrolling interests	13,657	16,656
Total stockholders' equity	830,555	933,475

\$1,624,146 \$1,655,634

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF LOSS

(in thousands, except per share data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	Nov 3, 2018	Oct 28, 2017	Nov 3, 2018	Oct 28, 2017
Product sales	\$583,121	\$528,209	\$1,710,788	\$1,518,323
Net royalties	22,286	20,744	61,779	53,267
Net revenue	605,407	548,953	1,772,567	1,571,590
Cost of product sales	385,264	357,844	1,139,055	1,037,812
Gross profit	220,143	191,109	633,512	533,778
Selling, general and administrative expenses	197,943	178,009	600,731	517,871
European Commission fine	42,428	—	42,428	—
Asset impairment charges	1,277	2,018	5,017	6,013
Net (gains) losses on lease terminations	—	11,494	(152)	11,494
Loss from operations	(21,505)	(412)	(14,512)	(1,600)
Other income (expense):				
Interest expense	(784)	(684)	(2,386)	(1,642)
Interest income	783	891	2,892	3,022
Other income (expense), net	(5,810)	2,216	(7,064)	1,935
	(5,811)	2,423	(6,558)	3,315
Earnings (loss) before income tax expense (benefit)	(27,316)	2,011	(21,070)	1,715
Income tax expense (benefit)	(14,500)	3,673	(13,001)	8,723
Net loss	(12,816)	(1,662)	(8,069)	(7,008)
Net earnings attributable to noncontrolling interests	626	1,198	1,064	1,926
Net loss attributable to Guess?, Inc.	\$(13,442)	\$(2,860)	\$(9,133)	\$(8,934)
Net loss per common share attributable to common stockholders (Note 3):				
Basic	\$(0.17)	\$(0.04)	\$(0.12)	\$(0.12)
Diluted	\$(0.17)	\$(0.04)	\$(0.12)	\$(0.12)
Weighted average common shares outstanding attributable to common stockholders (Note 3):				
Basic	80,189	82,390	80,067	82,599
Diluted	80,189	82,390	80,067	82,599
Dividends declared per common share	\$0.225	\$0.225	\$0.675	\$0.675

See accompanying notes to condensed consolidated financial statements.

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GUESS?, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF  
 COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	Three Months Ended		Nine Months Ended	
	Nov 3,	Oct 28,	Nov 3,	Oct 28,
	2018	2017	2018	2017
Net loss	\$(12,816)	\$(1,662)	\$(8,069)	\$(7,008)
Other comprehensive income (loss) ("OCI"):				
Foreign currency translation adjustment				
Gains (losses) arising during the period	(11,745)	(9,102)	(59,270)	47,770
Derivative financial instruments designated as cash flow hedges				
Gains (losses) arising during the period	1,833	3,387	14,000	(11,702)
Less income tax effect	(237)	(638)	(1,825)	1,482
Reclassification to net loss for (gains) losses realized	1,597	313	5,787	(997)
Less income tax effect	(178)	(78)	(720)	50
Defined benefit plans				
Foreign currency and other adjustments	42	106	345	2
Less income tax effect	(5)	(9)	(31)	—
Net actuarial loss amortization	150	116	453	344
Prior service credit amortization	(7)	(7)	(21)	(20)
Less income tax effect	(19)	(21)	(58)	(62)
Total comprehensive income (loss)	(21,385)	(7,595)	(49,409)	29,859
Less comprehensive income (loss) attributable to noncontrolling interests:				
Net earnings	626	1,198	1,064	1,926
Foreign currency translation adjustment	(1,181)	(918)	(994)	1,402
Amounts attributable to noncontrolling interests	(555)	280	70	3,328
Comprehensive income (loss) attributable to Guess?, Inc.	\$(20,830)	\$(7,875)	\$(49,479)	\$26,531

See accompanying notes to condensed consolidated financial statements.

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## GUESS?, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended	
	Nov 3, 2018	Oct 28, 2017
Cash flows from operating activities:		
Net loss	\$(8,069)	\$(7,008)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of property and equipment	47,391	45,614
Amortization of other long-term and intangible assets	3,008	1,155
Share-based compensation expense	12,534	12,410