

GUESS INC
Form 10-Q
December 07, 2010
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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 October 30, 2010

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)

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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 December 2, 2010, the registrant had 92,010,800 shares of Common Stock, \$.01 par value per share, outstanding.

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GUESS?, INC.

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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)

	Oct. 30, 2010 (unaudited)	Jan. 30, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 469,020	\$ 502,063
Accounts receivable, net	372,217	283,747
Inventories	346,014	253,162
Deferred tax assets	31,091	30,570
Other current assets	54,382	54,621
Total current assets	1,272,724	1,124,163
Property and equipment, net	299,954	255,308
Goodwill	30,030	29,877
Other intangible assets, net	10,742	15,974
Long-term deferred tax assets	53,211	55,504
Other assets	99,034	50,423
	\$ 1,765,695	\$ 1,531,249
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of capital lease obligations and borrowings	\$ 2,264	\$ 2,357
Accounts payable	228,091	195,075
Accrued expenses	193,298	145,321
Total current liabilities	423,653	342,753
Capital lease obligations	12,949	14,137
Deferred rent and lease incentives	74,430	60,642
Other long-term liabilities	74,962	73,561
	585,994	491,093
Redeemable noncontrolling interests	16,119	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 137,175,910 and 136,568,091 shares, outstanding 91,880,218 and 92,736,761 shares, at October 30, 2010 and January 30, 2010, respectively	919	927

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Paid-in capital	352,916	319,737
Retained earnings	1,060,032	919,531
Accumulated other comprehensive (loss) income	7,566	(2,952)
Treasury stock, 45,295,692 and 43,831,330 shares at October 30, 2010 and January 30, 2010, respectively	(266,195)	(217,032)
Guess?, Inc. stockholders' equity	1,155,238	1,020,211
Nonredeemable noncontrolling interests	8,344	6,132
Total stockholders' equity	1,163,582	1,026,343
	\$ 1,765,695	\$ 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		Nine Months Ended	
	Oct. 30, 2010	Oct. 31, 2009	Oct. 30, 2010	Oct. 31, 2009
Net revenue:				
Product sales	\$ 580,922	\$ 494,998	\$ 1,645,553	\$ 1,414,489
Net royalties	32,981	27,814	84,826	71,947
	613,903	522,812	1,730,379	1,486,436
Cost of product sales	347,506	285,921	976,495	840,265
Gross profit	266,397	236,891	753,884	646,171
Selling, general and administrative expenses	173,682	137,917	487,722	408,049
Pension curtailment expense			5,819	
Earnings from operations	92,715	98,974	260,343	238,122
Other income (expense):				
Interest expense	(262)	(778)	(775)	(1,723)
Interest income	602	277	1,585	1,461
Other income (expense), net	5,854	(1,340)	9,026	(1,413)
	6,194	(1,841)	9,836	(1,675)
Earnings before income tax expense	98,909	97,133	270,179	236,447
Income tax expense	28,818	32,054	81,055	78,028
Net earnings	70,091	65,079	189,124	158,419
Net earnings attributable to noncontrolling interests	1,002	1,009	2,942	2,247
Net earnings attributable to Guess?, Inc.	\$ 69,089	\$ 64,070	\$ 186,182	\$ 156,172
Earnings per common share attributable to common stockholders (Note 2):				
Basic	\$ 0.75	\$ 0.69	\$ 2.01	\$ 1.70
Diluted	\$ 0.75	\$ 0.69	\$ 2.00	\$ 1.68
Weighted average common shares outstanding attributable to common stockholders (Note 2):				
Basic	90,911	90,941	91,474	90,765
Diluted	91,543	91,778	92,174	91,416
Dividends declared per common share	\$ 0.16	\$ 0.125	\$ 0.48	\$ 0.325

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		Nine Months Ended	
	Oct. 30, 2010	Oct. 31, 2009	Oct. 30, 2010	Oct. 31, 2009
Net earnings	\$ 70,091	\$ 65,079	\$ 189,124	\$ 158,419
Foreign currency translation adjustment	30,785	10,154	10,907	44,852
Unrealized (loss) gain on hedges, net of tax effect	(6,499)	(1,282)	(5,442)	(10,219)
Unrealized (loss) gain on investments, net of tax effect	36	38	231	98
SERP prior service cost and actuarial valuation loss amortization, including curtailment expense, net of tax effect	343	292	5,018	868
Comprehensive income	94,756	74,281	199,838	194,018
Less comprehensive income attributable to noncontrolling interests	(1,473)	(515)	(3,138)	(2,822)
Comprehensive income attributable to Guess?, Inc.	\$ 93,283	\$ 73,766	\$ 196,700	\$ 191,196

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	
Oct. 30,	Oct. 31,
2010	2009