

GUESS INC
Form 10-Q
December 09, 2013
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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 2, 2013

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 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 5, 2013 the registrant had 84,882,089 shares of Common Stock, \$.01 par value per share, outstanding.

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GUESS?, INC.

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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 2, 2013 (unaudited)	Feb 2, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$350,132	\$329,021
Short-term investments	10,181	6,906
Accounts receivable, net	258,909	316,863
Inventories	426,886	369,712
Other current assets	103,617	84,723
Total current assets	1,149,725	1,107,225
Property and equipment, net	336,858	355,729
Goodwill	39,023	39,287
Other intangible assets, net	13,813	16,032
Long-term deferred tax assets	41,436	43,063
Other assets	115,976	152,170
	\$1,696,831	\$1,713,506
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of capital lease obligations and borrowings	\$3,924	\$1,901
Accounts payable	188,994	191,143
Accrued expenses	169,503	191,922
Total current liabilities	362,421	384,966
Capital lease obligations	7,613	8,314
Deferred rent and lease incentives	91,312	94,218
Other long-term liabilities	109,567	121,996
	570,913	609,494
Redeemable noncontrolling interests	3,358	3,144
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 139,147,643 and 138,812,082 shares, outstanding 84,855,714 and 85,367,984 shares, at November 2, 2013 and February 2, 2013, respectively		853
Paid-in capital	436,019	423,387
Retained earnings	1,196,373	1,162,982
Accumulated other comprehensive loss	(7,304)	(2,461)
Treasury stock, 54,291,929 and 53,444,098 shares at November 2, 2013 and February 2, 2013, respectively	(519,539)	(497,769)
Guess?, Inc. stockholders' equity	1,106,398	1,086,992
Nonredeemable noncontrolling interests	16,162	13,876

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Total stockholders' equity	1,122,560	1,100,868
	\$1,696,831	\$1,713,506

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	Nov 2, 2013	Oct 27, 2012	Nov 2, 2013	Oct 27, 2012
Product sales	\$581,081	\$597,374	\$1,711,639	\$1,756,123
Net royalties	32,416	31,454	89,784	87,364
Net revenue	613,497	628,828	1,801,423	1,843,487
Cost of product sales	385,270	381,219	1,127,238	1,109,242
Gross profit	228,227	247,609	674,185	734,245
Selling, general and administrative expenses	178,379	189,492	543,766	579,686
Restructuring charges	1,889	—	10,355	—
Earnings from operations	47,959	58,117	120,064	154,559
Other income (expense):				
Interest expense	(428) (424) (1,342) (1,205
Interest income	803	—	1,612	1,509
Other income (expense), net	3,624	(245) 8,942	5,765
	3,999	(669) 9,212	6,069
Earnings before income tax expense	51,958	57,448	129,276	160,628
Income tax expense	17,147	19,989	42,662	53,007
Net earnings	34,811	37,459	86,614	107,621
Net earnings attributable to noncontrolling interests	791	812	2,812	1,429
Net earnings attributable to Guess?, Inc.	\$34,020	\$36,647	\$83,802	\$106,192
Net earnings per common share attributable to common stockholders (Note 2):				
Basic	\$0.40	\$0.43	\$0.99	\$1.21
Diluted	\$0.40	\$0.43	\$0.98	\$1.21
Weighted average common shares outstanding attributable to common stockholders (Note 2):				
Basic	84,149	84,408	84,270	86,857
Diluted	84,417	84,702	84,512	87,156
Dividends declared per common share	\$0.20	\$0.20	\$0.60	\$0.60

See accompanying notes to condensed consolidated financial statements.

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GUESS?, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended		Nine Months Ended	
	Nov 2,	Oct 27,	Nov 2,	Oct 27,
	2013	2012	2013	2012
Net earnings	\$34,811	\$37,459	\$86,614	\$107,621
Other comprehensive income (loss):				
Foreign currency translation adjustment				
Gains (losses) arising during the period	15,357	37,254	(14,150)	(11,993)
Less income tax effect	(3,948)	(7,499)	3,535	2,955
Reclassification to net income for losses realized	217	—	217	—
Less income tax effect	(37)	—	(37)	—
Derivative financial instruments designated as cash flow hedges				
Gains (losses) arising during the period	(711)	(2,050)	4,186	5,390
Less income tax effect	54	158	(691)	(515)
Reclassification to net income for gains realized	(1,348)	(3,985)	(2,314)	(7,438)
Less income tax effect	262	514	416	934
Marketable securities				
Gains arising during the period	41	219	8	316
Less income tax effect	(16)	(83)	(5)	(120)
Supplemental Executive Retirement Plan (“SERP”)				
Plan amendment	—	—	4,529	—
Less income tax effect	—	—	(1,733)	—
Actuarial loss amortization	277	835	831	2,505
Prior service cost amortization	(58)	155	253	465
Less income tax effect	(84)	(378)	(414)	(1,134)
Total comprehensive income	44,817	62,599	81,245	98,986
Less comprehensive income attributable to noncontrolling interests:				
Net earnings	791	812	2,812	1,429
Foreign currency translation adjustment	(317)	323	(526)	(196)
Amounts attributable to noncontrolling interests	474	1,135	2,286	1,233
Comprehensive income attributable to Guess?, Inc.	\$44,343	\$61,464	\$78,959	\$