

GUESS INC
Form 10-Q
September 10, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934**

For the quarterly period ended August 2, 2008

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
(State or other jurisdiction of
incorporation or organization)

95-3679695
(I.R.S. Employer
Identification No.)

1444 South Alameda Street
Los Angeles, California, 90021

(Address of principal executive offices)

(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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

As of September 5, 2008, the registrant had 94,105,173 shares of Common Stock, \$.01 par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

GUESS?, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

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(in thousands, except share data)

	Aug. 2, 2008 (unaudited)	Feb. 2, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 294,481	\$ 275,595
Accounts receivable, net	288,173	254,400
Inventories	258,888	232,159
Prepaid expenses and other current assets	51,199	31,411
Deferred tax assets	20,108	21,174
Total current assets	912,849	814,739
Property and equipment, net	252,464	229,917
Goodwill	30,708	29,431
Other intangible assets, net	23,880	23,708
Long-term deferred tax assets	57,413	57,726
Other assets	39,976	30,707
	\$ 1,317,290	\$ 1,186,228
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of borrowings and capital lease obligations	\$ 40,703	\$ 35,254
Accounts payable	240,615	210,258
Accrued expenses	154,569	142,779
Total current liabilities	435,887	388,291
Borrowings and capital lease obligations	18,173	18,724
Long-term deferred rent and lease incentives	46,024	40,036
Long-term deferred royalties	23,330	27,062
Other long-term liabilities	50,122	49,152
	573,536	523,265
Minority interests	8,465	5,989
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 135,756,144 and 135,051,396 shares, outstanding 94,126,185 and 94,337,674 shares, at August 2, 2008 and February 2, 2008, respectively	941	943
Paid-in capital	270,650	255,486
Retained earnings	629,324	542,856
Accumulated other comprehensive income	19,135	9,529
Treasury stock, 41,629,959 and 40,713,722 shares at August 2, 2008 and February 2, 2008, respectively	(184,761)	(151,840)
Total stockholders' equity	735,289	656,974
	\$ 1,317,290	\$ 1,186,228

See accompanying notes to condensed consolidated financial statements.

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GUESS?, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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(in thousands, except per share data)
(unaudited)

	Three Months Ended		Six Months Ended	
	Aug. 2, 2008	Aug. 4, 2007	Aug. 2, 2008	Aug. 4, 2007
Net revenue:				
Product sales	\$ 488,956	\$ 366,739	\$ 954,691	\$ 724,382
Net royalties	26,216	21,548	49,701	41,854
	515,172	388,287	1,004,392	766,236
Cost of product sales	283,017	214,935	550,998	425,471
Gross profit	232,155	173,352	453,394	340,765
Selling, general and administrative expenses				
	147,145	113,991	292,459	223,470
Earnings from operations	85,010	59,361	160,935	117,295
Other (income) expense:				
Interest expense	799	387	1,824	1,311
Interest income	(1,553)	(2,036)	(3,086)	(3,748)
Other (income) expense	724	(530)	1,632	361
	(30)	(2,179)	370	(2,076)
Earnings before income tax expense and minority interests				
	85,040	61,540	160,565	119,371
Income tax expense	30,616	24,036	57,805	46,399
Minority interests expense (income)	592	22	1,127	(37)
Net earnings	\$ 53,832	\$ 37,482	\$ 101,633	\$ 73,009
Earnings per share:				
Basic	\$ 0.58	\$ 0.41	\$ 1.09	\$ 0.79
Diluted	\$ 0.57	\$ 0.40	\$ 1.08	\$ 0.78
Dividends declared per share	\$ 0.08	\$ 0.06	\$ 0.16	\$ 0.12
Weighted average shares outstanding:				
Basic	93,008	92,180	92,979	92,033
Diluted	93,893	93,507	93,966	93,373

See accompanying notes to condensed consolidated financial statements.

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GUESS?, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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(in thousands)
(unaudited)

	Six Months Ended	
	Aug. 2, 2008	Aug. 4, 2007
Cash flows from operating activities:		
Net earnings	\$ 101,633	\$ 73,009
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	25,480	21,834
Amortization of intangible assets	3,898	2,724
Share-based compensation expense	10,927	8,429
Net loss on disposition of long-term assets and property and equipment	3,008	783
Other items, net	4,578	(238)
Minority interests	1,127	(37)
Changes in operating assets and liabilities:		
Accounts receivable	(33,773)	(44,246)
Inventories	(26,729)	(52,709)
Prepaid expenses and other assets	(27,791)	(13,539)
Accounts payable and accrued expenses	42,828	62,846
Long-term deferred rent and lease incentives	5,988	4,599
Deferred royalties	(3,732)	(3,132)
Other long-term liabilities	4,680	1,503
Net cash provided by operating activities	112,122	61,826
Cash flows from investing activities:		
Purchases of property and equipment	(50,310)	(44,096)
Purchases of long-term investments and deposits on property and equipment	(5,701)	(13,628)
Net cash used in investing activities	(56,011)	(57,724)
Cash flows from financing activities:		
Certain short-term borrowings, net	6,211	(16,179)
Repayment of borrowings and capital lease obligation	(2,296)	(742)
Dividends paid	(15,165)	(11,209)
Minority interest capital contributions	1,005	
Issuance of common stock net of nonvested award repurchases	(95)	5,530
Excess tax benefits from share-based compensation	4,628	8,966
Purchase of treasury stock	(33,051)	
Net cash used in financing activities	(38,763)	(13,634)
Effect of exchange rates on cash and cash equivalents	1,538	2,371
Net increase (decrease) in cash and cash equivalents	18,886	(7,161)
Cash and cash equivalents at beginning of period	275,595	