

GUESS INC
Form 10-K
March 31, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended January 30, 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)

Delaware
(State or other jurisdiction
of incorporation or organization)

95-3679695
(I.R.S. Employer
Identification Number)

**1444 South Alameda Street
Los Angeles, California 90021
(213) 765-3100**

(Address, including zip code, and telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
common stock, par value \$0.01 per share	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None	

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether 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 (Do not check if a smaller reporting company)

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 the close of business on August 1, 2009, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the registrant was \$1,696,536,158 based upon the closing price of \$29.07 on the New York Stock Exchange composite tape on such date. For this computation, the registrant has excluded the market value of all shares of its common stock reported as beneficially owned by executive officers and directors of the registrant. Such exclusion shall not be deemed to constitute an admission that any such person is an "affiliate" of the registrant.

As of the close of business on March 22, 2010, the registrant had 92,897,088 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the registrant's 2010 Annual Meeting of Stockholders are incorporated by reference into Part III herein.

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IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

Throughout this Annual Report on Form 10-K, including documents incorporated by reference herein, we make "forward-looking" statements, which are not historical facts, but are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may also be in our other reports filed under the Securities Exchange Act of 1934, as amended, in our press releases and in other documents. In addition, from time to time, we, through our management, may make oral forward-looking statements. These statements relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects and proposed new products, services, developments or business strategies. These forward-looking statements are identified by their use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will," "continue," and other similar terms and phrases, including references to assumptions.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed. These forward-looking statements may include, among other things, statements relating to our expected results of operations, the accuracy of data relating to, and anticipated levels of, future inventory and gross margins, anticipated cash requirements and sources, cost containment efforts, estimated charges, plans regarding store openings and closings, plans regarding business growth and international expansion, e-commerce, business seasonality, results of litigation, industry trends, consumer demands and preferences, competition, currency fluctuations and general economic conditions. We do not intend, and undertake no obligation, to update our forward-looking statements to reflect future events or circumstances. Such statements involve risks and uncertainties, which may cause actual results to differ materially from those set forth in these statements. Important factors that could cause or contribute to such difference include those discussed under "ITEM 1A. Risk Factors" contained herein.

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PART I

ITEM 1. Business.

General

Unless the context indicates otherwise, the terms "we," "us," "our" or the "Company" in this Form 10-K refer to Guess?, Inc. ("GUESS?") and its subsidiaries on a consolidated basis.

We design, market, distribute and license one of the world's leading lifestyle collections of contemporary apparel and accessories for men, women and children that reflect the American lifestyle and European fashion sensibilities. Our apparel is marketed under numerous trademarks including GUESS, GUESS?, GUESS U.S.A., GUESS Jeans, GUESS? and Triangle Design, MARCIANO, Question Mark and Triangle Design, a stylized G and a stylized M, GUESS Kids, Baby GUESS, YES, G by GUESS, GUESS by MARCIANO and Gc. The lines include full collections of denim and cotton clothing, including jeans, pants, overalls, skirts, dresses, shorts, blouses, shirts, jackets and knitwear. We also selectively grant licenses to manufacture and distribute a broad range of products that complement our apparel lines, including eyewear, watches, handbags, footwear, kids' and infants' apparel, leather apparel, swimwear, fragrance, jewelry, intimate apparel and other fashion accessories.

Our products are sold through retail, wholesale, e-commerce and licensing distribution channels. Our core customer is a style-conscious consumer primarily between the ages of 18 and 32. These consumers are part of a highly desirable demographic group that we believe, historically, has had significant disposable income. We also appeal to customers outside this group through specialty product lines that include GUESS by MARCIANO, a more sophisticated fashion line targeted to women and men, and GUESS Kids, targeted to boys and girls ages 6 to 12.

We were founded in 1981 and currently operate as a Delaware corporation.

Business Strengths

We believe we have several business strengths that set us apart from our competition and enable us to continue to grow our business and enhance our profitability. These business strengths include:

Brand Equity. The GUESS? brand is an integral part of our business, a significant strategic asset and a primary source of sustainable competitive advantage. The GUESS? brand communicates a distinctive image that is fun, fashionable and sexy. We have developed and maintained this image worldwide through our consistent emphasis on innovative and distinctive product designs and through our award-winning advertising, under the creative leadership and vision of Paul Marciano, our Chief Executive Officer. Brand loyalty, name awareness, perceived quality, strong brand images, public relations, publicity, promotional events and trademarks all contribute to the reputation and integrity of the GUESS? brand.

Global Diversification. The global success of the GUESS? brand has reduced our reliance on any particular geographic region. This geographic diversification allows the Company to continue to grow, even during regional economic slowdowns. The percentage of our revenues generated from outside of the U.S. and Canada has grown from 21% for the year ended December 31, 2005 to 45% for the year ended January 30, 2010, with stores located in 84 countries outside the U.S. and Canada. In fiscal 2010 alone, we, along with our distributors and licensees, opened 143 stores in all concepts combined outside of the U.S. and Canada, comprised of 90 stores in Europe and the Middle East, 45 stores in Asia and 8 stores in the combined area of Central and South America, bringing the total number of such stores to 778 at year end. This compares with 432 directly operated stores in the U.S. and Canada as of January 30, 2010.

We believe there are significant opportunities to continue our international growth, particularly in Europe and Asia, where the GUESS? brand is well recognized but under-penetrated. In Europe, we have focused on growing outside of our core base in Italy, targeting France, Germany, the UK and Spain as key

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markets and achieving positive results. In Asia, our business has continued to grow, fueled by the strength of our brand in South Korea as well as the launch of our direct operations in China.

Multiple Distribution Channels. We use retail, wholesale, e-commerce and licensing distribution channels to sell our products. This allows us to maintain a critical balance as our operating results do not depend solely on the performance of any single channel. The use of multiple channels also allows us to adapt quickly to changes in the distribution environment in any particular region.

Retail Distribution. Our retail network, made up of both directly operated and licensee operated stores, creates an upscale and inviting shopping environment that helps to enhance our brand image.

Directly operated stores. At January 30, 2010, we directly operated a total of 432 stores in the U.S. and Canada and 125 stores outside of the U.S. and Canada, plus an additional 154 smaller-sized concessions in Europe and Asia. Distribution through our directly operated retail stores allows us to influence the merchandising and presentation of our products, build brand equity and test new product design concepts.

Licensee stores. At January 30, 2010, our international licensees and distributors operated 653 stores located outside the U.S. and Canada, plus 75 smaller-sized licensee operated jean and accessory concessions located in Asia. Using this licensed retail store approach allows us to expand our international operations with a lower level of capital investment while still closely monitoring store designs and merchandise programs in order to protect the reputation of the GUESS? brand.

Wholesale Distribution. We sell through both domestic and international wholesale distribution channels. U.S. wholesale customers consist primarily of better department stores, including Macy's and Dillard's, and select specialty retailers and upscale boutiques, which have the image and merchandising expertise that we require for the effective presentation of our products. In Europe, our products are sold in stores ranging from large, well known department stores like Galeries Lafayette, Printemps and El Corte Inglés to small upscale multi-brand boutiques. Because our European wholesale business is more fragmented, we generally rely on a large number of smaller regional distributors and agents to distribute our products. Through our foreign subsidiaries and our network of international distributors, our products are also available in major cities throughout Canada, Africa, Asia, Australia, the Middle East and Central and South America.

e-Commerce. At January 30, 2010, we operated retail websites in the U.S., Canada, Europe and South Korea, with the Europe and South Korea retail websites launching during fiscal 2010. Our websites act as virtual storefronts that both sell our products and promote our brands. Designed as customer shopping centers, these sites showcase our products in an easy-to-navigate format, allowing customers to see and purchase our collections of casual apparel and accessories. Not only have these virtual stores become an additional retail distribution channel, but they have also improved customer relations and are fun and entertaining alternative-shopping environments.

Licensing Operations. The desirability of the GUESS? brand name among consumers has allowed us to selectively expand our product offerings and global markets through trademark licensing arrangements, with minimal capital investment or on-going operating expenses. Our international licenses and distribution agreements allow for the sale of GUESS? branded products in better department stores and upscale specialty retail stores. We currently have 19 domestic and international licenses that include eyewear, watches, handbags, footwear, kids' and infants' apparel, intimate apparel, leather outerwear, fragrance, jewelry and other fashion accessories; and include licenses for the manufacture of GUESS? branded products in markets which include Africa, Asia, Australia, Europe, the Middle East, Central America, North America and South America.

Multiple Store Concepts. We and our network of licensee partners sell our products around the world primarily through six different store concepts, namely our flagship GUESS? full-price retail stores, our

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GUESS? factory outlet stores, our GUESS by MARCIANO stores, our G by GUESS stores, our GUESS? Accessories stores and our GUESS? Kids stores. We also have a small number of footwear, Gc watch and underwear concept stores. This allows us to target the various demographics in each region through dedicated store concepts that market each brand or concept specifically to the desired customer population. Having multiple store concepts also allows us to target our newer brands and concepts in different markets without negatively impacting our flagship GUESS? store concept. For instance, we can target mall locations for G by GUESS stores where we would not ordinarily operate any of our full-price GUESS? stores.

Business Segments

The Company's businesses are grouped into four reportable segments for management and internal financial reporting purposes: retail, European, wholesale and licensing. Management evaluates segment performance based primarily on revenue and earnings from operations. We believe this segment reporting reflects how our business segments are managed and evaluated. The retail segment includes our retail operations in North America. The European segment includes both our wholesale and retail operations in Europe and the Middle East. The wholesale segment includes our wholesale operations in North America and our Asian operations. The licensing segment includes our worldwide licensing operations.

The following table presents our net revenue and earnings from operations by segment for the last three fiscal years:

	Year Ended Jan. 30, 2010		Year Ended Jan. 31, 2009		Year Ended Feb. 2, 2008	
	(dollars in thousands)					
Net revenue:						
Retail operations	\$ 983,903	46.2%	\$ 977,980	46.7%	\$ 862,381	49.3%
European operations	747,242	35.1	718,964	34.3	538,358	30.7
Wholesale operations	299,969	14.1	296,181	14.2	258,445	14.8
Net revenue from product sales						
	2,031,114	95.4	1,993,125	95.2	1,659,184	94.8
Licensing operations	97,352	4.6	100,265	4.8	90,732	5.2
Total net revenue	\$ 2,128,466	100.0%	\$ 2,093,390	100.0%	\$ 1,749,916	100.0%
Earnings (loss) from operations:						
Retail operations	\$ 132,287	36.9%	\$ 93,156	28.3%	\$ 128,523	41.6%
European operations	173,235	48.3	168,630	51.3	120,818	39.1
Wholesale operations	50,991	14.2	45,501	13.8	49,894	16.1
Licensing operations	86,640	24.1	86,422	26.3	77,941	25.2
Corporate overhead	(84,337)	(23.5)	(64,922)	(19.7)	(68,037)	(22.0)
Total earnings from operations	\$ 358,816	100.0%	\$ 328,787	100.0%	\$ 309,139	100.0%

Additional segment information, together with certain geographical information, is included in Note 15 to the Consolidated Financial Statements contained herein.

Retail Segment

In our retail segment, we sell our products through a network of directly operated retail and factory outlet stores in North America and through our on-line stores. In fiscal 2010, our retail segment accounted for approximately 46% of our revenue and 37% of our earnings from operations. Our retail stores build brand awareness and contribute to market penetration and the growth of our brand. We attribute our historical growth in this segment to the strength of our brand, the quality of our product assortment, the introduction of new product categories, the development of a motivated team of sales professionals to

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service our customers and provide a favorable shopping experience, quality real estate in high-traffic shopping centers and a diversified mix of store concepts.

Below is a summary of store statistics, followed by details regarding each of our store concepts.

	Jan. 30, 2010	Jan. 31, 2009	Feb. 2, 2008
GUESS? Retail Stores:			
U.S.	142	145	140
Canada	49	47	47
	191	192	187
GUESS? Factory Outlet Stores:			
U.S.	89	87	81
Canada	18	17	16
	107	104	97
GUESS by MARCIANO Stores:			
U.S.	35	35	26
Canada	17	17	12
	52	52	38
G by GUESS Stores:			
U.S.	44	43	34
	44	43	34
GUESS? Accessories Stores:			
U.S.	31	27	13
Canada	7	7	4
	38	34	17
Total	432	425	373
Square footage at fiscal year end			
	1,992,000	1,953,600	1,759,000

In addition to the stores listed above, at January 30, 2010, we also directly operated 13 stores in Mexico through a majority-owned joint venture.

GUESS? Retail Stores. Our full-price U.S. and Canada GUESS? retail stores carry a full assortment of men's and women's GUESS? merchandise, including most of our licensed product categories. At January 30, 2010, these stores occupied approximately 964,000 square feet and ranged in size from approximately 2,000 to 13,500 square feet, with most stores between 4,000 and 6,000 square feet. In fiscal 2010, we opened five new retail stores and we closed six stores.

GUESS? Factory Outlet Stores. Our U.S. and Canada factory outlet stores are primarily located in outlet malls generally operating outside the shopping radius of our wholesale customers and our full-price retail stores. These stores sell selected styles of men's and women's GUESS? apparel and licensed products at lower price points. At January 30, 2010, our U.S. and Canada factory outlet stores occupied approximately 584,000 square feet and ranged in size from approximately 2,000 to 11,000 square feet, with most stores between 5,000 and 7,000 square feet. In fiscal 2010, we opened four new factory stores and we closed one store.

GUESS by MARCIANO Stores. Our GUESS by MARCIANO stores in the U.S. and Canada offer a fashion-forward women's collection designed for the stylish, trend-setting woman. This newer concept, with higher price points than our traditional GUESS stores, extends the appeal of our brand

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to a slightly older, more sophisticated customer. During fiscal 2010, we changed the name of this store concept from "MARCIANO" to "GUESS by MARCIANO" to further leverage the name recognition of the GUESS? brand and our reputation for sexy, contemporary styling. At January 30, 2010, our GUESS by MARCIANO stores occupied approximately 146,000 square feet and ranged in size from approximately 2,000 to 6,500 square feet, with most stores between 2,000 and 3,000 square feet. In fiscal 2010, we opened one new GUESS by MARCIANO store and we closed one store.

G by GUESS Stores. Our G by GUESS store concept, launched in fiscal 2008, targets a market demographic that shops price points below our GUESS? retail stores and carries apparel for both men and women and a full line of accessories and footwear that is aspirational, timeless and fun. G by GUESS stores have a fresh feel, directed toward a full customer experience, with fashion-forward, but not cutting edge fashion. At January 30, 2010, our G by GUESS stores occupied approximately 226,000 square feet and ranged in size from approximately 4,000 to 10,000 square feet, with most stores between 4,000 and 5,000 square feet. In fiscal 2010, we opened four new G by GUESS stores and we closed three stores.

GUESS? Accessories Stores. Our GUESS? Accessories store concept sells GUESS? and GUESS by MARCIANO labeled accessory products. This concept enables us to build a more meaningful presence and variety within our retail segment. At January 30, 2010, our GUESS? Accessories concept stores occupied approximately 72,000 square feet and ranged in size from approximately 700 to 4,000 square feet, with most stores between 1,000 and 2,500 square feet. In fiscal 2010, we opened four new GUESS? Accessories stores.

e-Commerce. Our retail segment also includes our U.S. and Canada retail websites, including www.guess.com, www.gbyguess.com, www.guessbymarciano.com, www.guess.ca and www.guessbymarciano.ca. These websites operate as virtual storefronts that both sell our products and promote our brands. They also provide fashion information and a mechanism for customer feedback while promoting customer loyalty and enhancing our brand identity through interactive content. In fiscal 2010, the combined U.S. and Canada websites continued to grow, generating net sales in excess of our top retail GUESS? store.

European Segment

In our European segment, we sell our products in 58 countries throughout Europe and the Middle East through wholesale, retail and e-commerce channels. In fiscal 2010, our European segment accounted for approximately 35% of our revenues and 48% of our earnings from operations.

European Wholesale Distribution. Our European wholesale business generally relies on a large number of smaller regional distributors and agents to distribute our products primarily to smaller independent multi-brand boutiques. Our products are also sold directly to large, well known department stores like Galeries Lafayette, Printemps and El Corte Inglés. Overall, we have thousands of customers with no single customer representing more than 0.5% of our consolidated net revenue. The type of customer varies from region to region depending on both the prominence of the GUESS? brand in each region and the dominance of a particular type of retail channel in each region. In countries where the brand is well known, we operate through showrooms where agents and distributors can view our line and place orders. We currently have showrooms in Barcelona, Madrid, Dusseldorf, Munich, London, Paris, Florence and Lugano. In countries where the brand is less prominent, we may use one large distributor for the entire region. Revenues from sales to our licensee operated stores (see European Retail Network below) are recognized as a wholesale sale within our European wholesale operations. We sell both our apparel and certain accessories products under our GUESS? and GUESS by MARCIANO brand concepts through our wholesale channel, operating primarily through two seasons, Spring/Summer and Fall/Winter. Generally our Spring/Summer sales campaign is from June to September with the related shipments occurring primarily from December

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to March. The Fall/Winter sales campaign is from January to April with the related shipments occurring primarily from June to September. The remaining months of the year are relatively smaller shipping months in Europe. The Company's goal is to take advantage of early-season demand and potential reorders by offering a pre-collection assortment for apparel.

European Retail Network. Our European retail network is comprised of a mix of directly operated and licensee operated GUESS? and GUESS by MARCIANO retail and outlet stores, GUESS? Accessories stores, GUESS? Footwear stores and GUESS? Kids stores. At January 30, 2010, we had 84 directly operated stores and 304 licensee stores, excluding 29 smaller-sized jean and accessory concessions in Europe. During fiscal 2010, we opened 17 new directly operated stores, 73 licensee stores and 14 concessions. Our store locations vary country by country depending on the type of locations available. Most of our retail stores are operated as street locations with a lesser number of stores located in malls, which are less prevalent in Europe than in North America. Our typical GUESS? Accessories and GUESS by MARCIANO stores average approximately 1,000 square feet while our full-price GUESS? stores generally average 3,000 square feet. Our European stores generally require initial investments in the form of key money to secure prime store locations. These amounts are paid to landlords or existing lessees in certain circumstances.

Wholesale Segment

In our wholesale segment, we sell our products through wholesale channels in North America and Asia, as well as through a network of licensee operated stores and concessions and Company operated stores and concessions in Asia. In fiscal 2010, our wholesale segment accounted for approximately 14% of both our revenue and earnings from operations.

North America Wholesale Operations. Our North American wholesale customers consist primarily of better department stores, select specialty retailers and upscale boutiques. As of January 30, 2010, our products were sold to consumers through 947 major doors in the U.S. These locations include 342 shop-in-shops, an exclusive selling area within a department store that offers a wide array of our products and incorporates GUESS? signage and fixture designs. These shop-in-shops allow us to reinforce the GUESS? brand image with our customers. Many department stores have more than one shop-in-shop, with each one featuring women's or men's apparel.

Our North American wholesale merchandising strategy is to focus on trend-right products supported by key fashion basics. We have sales representatives in New York, Los Angeles, Toronto, Montreal and Vancouver who coordinate with customers to determine the inventory level and product mix that should be carried in each store. Additionally, we use merchandise coordinators who work with the stores to ensure that our products are displayed appropriately. During fiscal 2010, Macy's, Inc. was our largest domestic wholesale customer, accounting for approximately 3.4% of our consolidated net revenue. During the past year, we continued to see our North American wholesale operations become a smaller portion of our overall business as our international businesses expanded.

Asia Operations. Our Asian operations include sales of product through wholesale, retail and e-commerce channels throughout Asia. Our growth in Asia has been fueled by our business in South Korea, where we began operating directly in January 2007, and China, where we began operating directly in April 2007. Our Asia retail business includes both licensee and Company operated stores, including GUESS?, GUESS by MARCIANO, GUESS? Accessories, GUESS? Kids and GUESS? Underwear stores. For the year ended January 30, 2010, we and our partners opened 45 new stores in Asia, ending the year with 335 stores, 28 of which we operated directly and 307 of which were operated by licensees or distributors. This store count does not include 200 smaller-sized jean and accessory concessions. Our Asia wholesale customer base is comprised primarily of a small number of selected distributors with which we have contractual distribution arrangements.

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Licensing Segment

Our licensing segment includes the worldwide licensing operations of the Company. In fiscal 2010, our licensing segment royalties accounted for approximately 5% of our revenue and 24% of our earnings from operations.

The desirability of the GUESS? brand name among consumers has allowed us to selectively expand our product offerings and global markets through trademark licensing arrangements, with minimal capital investment or on-going operating expenses. We currently have 19 domestic and international licenses that include eyewear, watches, handbags, footwear, kids' and infants' apparel, intimate apparel, leather outerwear, fragrance, jewelry and other fashion accessories; and include licenses for the manufacture of GUESS? branded products in markets which include Africa, Asia, Australia, Europe, the Middle East, Central America, North America and South America.

Our trademark license agreements customarily provide for a three- to five-year initial term with a possible option to renew prior to expiration for an additional multi-year period. The typical license agreement requires that the licensee pay us the greater of a royalty based on a percentage of the licensee's net sales of licensed products or a guaranteed annual minimum royalty that typically increases over the term of the license agreement. In addition, several of our key license agreements provide for specified, fixed cash rights payments over and above our normal, ongoing royalty payments. Generally, licensees are required to spend a percentage of the net sales of licensed products for advertising and promotion of the licensed products and in many cases we place the ads on behalf of the licensee and are reimbursed. In addition, to protect and increase the value of our trademarks, our license agreements include strict quality control and manufacturing standards. Our licensing personnel in the U.S., Europe and Asia meet regularly with licensees to ensure consistency with our overall merchandising and design strategies, to monitor quality control and to protect the GUESS? trademarks and brand. As part of this process, our licensing department approves in advance all GUESS? licensed products, advertising, promotional materials and packaging materials.

We constantly examine opportunities to broaden our licensee portfolio by developing new license arrangements that can expand our brand penetration and complement the GUESS? image. We also strategically reposition our existing licensing portfolio by monitoring and evaluating the performance of our licensees worldwide. Through this process, we decided to begin direct operations of our previously licensed international jewelry business, effective January 1, 2010. Also effective January 1, 2010, we were able to successfully extend the term of our existing eyewear license on very favorable terms. Similarly, in prior years, we successfully renegotiated license agreements with our existing licensees for watches, handbags and eyewear on terms that were significantly improved over our prior arrangements. In addition, we signed a new footwear license to develop, manufacture and distribute athletic and fashion footwear under the GUESS? trademark in the U.S. and several countries worldwide. We believe these were important steps in expanding our presence both domestically and globally.

Acquisitions and Alliances

We evaluate strategic acquisitions and alliances and pursue those that we believe will support and contribute to our overall growth initiatives. In January 2008, the Company finalized the acquisition of our former European licensee of children's apparel, BARN S.r.l. ("BARN"). In December 2006, we acquired 75% of the outstanding shares of Focus Europe, S.r.l. ("Focus"), as well as the leases and assets of four retail stores in Italy. Focus, based in Italy, had served as the licensee, manufacturer, distributor and retailer of GUESS by MARCIANO contemporary apparel for men and women in Europe for the 10 years before the acquisition. In January 2005, we completed the acquisition of the remaining 90% of Maco Apparel, S.p.A. ("Maco"), the Italian licensee of GUESS jeanswear for men and women in Europe, that the Company did not already own from Fingen S.p.A. and Fingen Apparel N.V., as well as the assets and

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leases of ten retail stores in Europe. The stores were located in Rome, Milan, Paris, Amsterdam, London, and certain other European cities.

With the BARN, Focus and Maco acquisitions, we now directly manage our adult and children apparel businesses in Europe. We believe the combination of the manufacture and distribution of all our European apparel lines under the GUESS? umbrella allows us to take advantage of economies of scale and provides an opportunity to further expand our wholesale and retail operations in this region.

In addition to the above acquisitions, in 2006, we entered into a majority-owned joint venture with Adivina S.A. de. C.V. to oversee the revitalization and expansion of the GUESS? brand in Mexico. The joint venture currently distributes primarily through 3 major department store chains, Liverpool, El Palacio de Hierro and Chapur, with 197 shop-in-shop locations and 13 free-standing GUESS? stores.

In fiscal 2010, we also entered into majority-owned joint ventures in France and the Canary Islands with licensee partners to open new free standing retail stores in these regions. We currently operate 6 stores in France and 4 stores in the Canary Islands through these joint ventures.

Design

GUESS?, G by GUESS and GUESS by MARCIANO apparel products are each designed by their own separate in-house design teams located in Los Angeles, California and Florence and Bologna, Italy. The U.S. and Italy teams work closely to share ideas and develop products that can sell in both markets and in other international markets. Our design teams seek to identify global fashion trends and interpret them for the style-conscious consumer while retaining the distinctive GUESS? image. They travel throughout the world in order to monitor fashion trends and discover new fabrics. These fabrics, together with the trends observed by our designers, serve as the primary source of inspiration for our lines and collections. We also maintain a fashion library consisting of antique and contemporary garments as another source of creative concepts. In addition, our design teams work closely with members of our sales, merchandising and retail operations teams to further refine our products to meet the particular needs of our markets.

Advertising and Marketing

Our advertising, public relations and marketing strategy is designed to promote a consistent high impact image which endures regardless of changing consumer trends. While our advertising promotes products, the primary emphasis is on brand image.

Since our inception, Paul Marciano has had principal responsibility for the GUESS? brand image and creative vision. Under the direction of Mr. Marciano, our Los Angeles-based advertising department is responsible for overseeing all worldwide advertising. Throughout our history, we have maintained a high degree of consistency in our advertisements by using similar themes and images, including our signature black and white print advertisements and iconic logos. We use a variety of media with an emphasis on print and outdoor advertising, with our print advertising focused on national and international contemporary fashion/beauty, lifestyle and celebrity magazines.

We also require our licensees and distributors to invest a percentage of their net sales of licensed products and net purchases of GUESS? products in Company-approved advertising, promotion and marketing. By retaining control over our advertising programs, we are able to maintain the integrity of our brands while realizing substantial cost savings compared to outside agencies.

We further strengthen communications with customers through our websites, loyalty programs and other social media outlets, which enable us to provide timely information in an entertaining fashion to consumers about our history, products, special events, promotions and store locations, and allow us to receive and respond directly to customer feedback. We currently have loyalty programs in North America with over 2.8 million members covering three of our brands. These programs reward our members who

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earn points for purchases that can be redeemed on future purchases. We also use these programs to promote new products to our customers which in turn increases traffic in the stores. We believe that the loyalty programs generate substantial repeat business that might otherwise go to competing brands. We continue to enhance our loyalty program offerings and strategically market to this large and growing customer base.

Global Sourcing and Supply Chain

We source products through numerous suppliers, many of whom have established long-term relationships with us. We seek to achieve the most efficient means for timely delivery of our products, combining global and local sourcing. Almost all of our products are acquired as package purchases where we select the design and fabric and the vendor delivers the finished product. Although we maintain long-term relationships with many of our vendors, we do not have long-term written agreements with them.

In fiscal 2010, we continued to execute on our strategy to deploy a global sourcing and product development plan to support our worldwide retail and wholesale channels. Our actions have helped to support our global revenue growth. Key activities in global sourcing included a reduction in our vendor base, while maintaining a global balance, expansion of our denim supply chain into China and the roll-out of a web-based quality assurance platform for improved transparency in the field. We believe that our balanced global supply chain, with deep vendor partnerships, provides us with a powerful competitive advantage where we have the flexibility to respond to increased demand throughout the world. Our sourcing strategy provides us with the flexibility of sourcing either from Asia with lower costs, or from the Western Hemisphere with shorter lead times.

Additionally, the implementation of our master calendar has been a key development for our global operations, enabling us to continue integrating our North American and European supply chains. Our vision of offering a global core product assortment continues to be a primary focus. Although Los Angeles will remain our sourcing hub, we have also maintained skilled sourcing teams in Florence and Crevalcore, Italy, while expanding our Asia operation in Hong Kong.

We are committed to sourcing our products in a responsible manner, respecting both the countries in which we have a business presence and the business partners that manufacture our products. As a part of this commitment, we have implemented a global social compliance program that applies to our business partners and manufacturers. Although local customs and laws vary from one region of the world to another, we believe that the issues of business ethics, human rights, health, safety and environmental stewardship transcend geographical boundaries.

To support our social compliance program and to help ensure compliance, we communicate our expectations to our partners throughout our global supply chain and conduct compliance audits. If deficiencies are discovered, personnel in each region are empowered to work with the respective business partner to correct those deficiencies. The goal of this process is to not only correct any deficiencies, but to also educate individuals, build strategic relationships and improve business practices over the long-term.

Quality Control

Our quality control program is designed to ensure that products meet our high quality standards. We test the quality of our raw materials prior to the production and inspect prototypes of each product before production runs commence. We also perform random in-line quality control checks during and after production before the garments leave the contractor. Final random inspections occur when the garments are received in our distribution centers. We believe that our policy of inspecting our products at our distribution centers and at the vendors' facilities is important to maintain the quality, consistency and reputation of our products.

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Logistics

We utilize distribution centers at strategically located sites. The Company's primary U.S. distribution center is based in Louisville, Kentucky. At our 506,000 square-foot facility in Kentucky, we use fully integrated and automated distribution systems. The bar code scanning of merchandise, picking tickets and distribution cartons, together with radio frequency communications, provide timely, controlled, accurate and instantaneous updates to the distribution information systems. As of January 30, 2010, this facility was approximately 65% utilized. Distribution of our products in Canada is handled primarily from a Company operated distribution center in Montreal, Quebec. Our European business primarily utilizes two independent third party distributors with three locations in Italy, as well as one Company operated distribution center in Italy. In November 2009, one of our independent distributors opened a new distribution center in Piacenza, Italy, which we now utilize as our primary distribution center in Europe. Additionally, we utilize six contract warehouses in Hong Kong, South Korea and China that service the Pacific Rim.

Competition

The apparel industry is highly competitive and fragmented and is subject to rapidly changing consumer demands and preferences. We believe that our success depends in large part upon our ability to anticipate, gauge and respond to changing consumer demands and fashion trends in a timely manner and upon the continued appeal to consumers of the GUESS? brand. We compete with numerous apparel manufacturers and distributors, both domestically and internationally, as well as several well-known designers. Our retail and factory outlet stores face competition from other retailers. Our licensed apparel and accessories also compete with a substantial number of well-known brands. Many of our competitors may have greater financial resources than we do. Although the level and nature of competition differ among our product categories and geographic regions, we believe that we compete on the basis of our brand image, quality of design, workmanship and product assortment. We also believe that our geographic diversification, multiple distribution channels and multiple store concepts help to set us apart from our competition.

Information Systems

We believe that high levels of automation and technology are essential to maintain our competitive position and support our strategic objectives and we continue to invest in computer hardware, system applications and networks. Our computer information systems consist of a full range of financial, distribution, merchandising, in-store, supply chain and other systems. During fiscal 2010, we continued to enhance our financial and operational systems globally to align with our global IT standards, accommodate future growth and provide operating efficiencies. Key initiatives included the establishment of a retail data warehouse in Asia to provide ready access to actionable information for our buyers and stores, installation of an enterprise resource planning (ERP), warehouse management and financial system in China, as well as a major upgrade to our product lifecycle management (PLM) system to increase the efficiency of the supply chain.

Trademarks

We own numerous trademarks, including GUESS, GUESS?, GUESS U.S.A., GUESS Jeans, GUESS? and Triangle Design, MARCIANO, Question Mark and Triangle Design, a stylized G and a stylized M, GUESS Kids, Baby GUESS, YES, G by GUESS, GUESS by MARCIANO and Gc. As of January 30, 2010, we had approximately 2,500 U.S. and internationally registered trademarks or trademark applications pending with the trademark offices in approximately 170 countries around the world, including the U.S. From time to time, we adopt new trademarks in connection with the marketing of new product lines. We consider our trademarks to have significant value in the marketing of our products and act aggressively to register and protect our trademarks worldwide.

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Like many well-known brands, our trademarks are subject to infringement. We have staff devoted to the monitoring and aggressive protection of our trademarks worldwide.

Wholesale Backlog

The backlog of wholesale orders at any given time is affected by various factors, including seasonality, cancellations, the scheduling of market weeks, the timing of the receipt of orders and the timing of the shipment of orders. Accordingly, a comparison of backlogs of wholesale orders from period to period is not necessarily meaningful and may not be indicative of eventual actual shipments.

U.S. Backlog. Our U.S. wholesale business maintains a model stock program in basic denim products which generally allows replenishment of a customer's inventory within 72 hours. We generally receive orders for fashion apparel 90 to 120 days prior to the time the products are delivered to our customers' stores. Our U.S. wholesale backlog as of March 25, 2010, consisting primarily of orders for fashion apparel, was \$52.3 million, compared to \$44.4 million at March 28, 2009, an increase of 17.7%. Since the backlogs at a point in time are impacted by the timing of orders and shipping trends which may differ from the prior year, the comparison from period to period may not be indicative of the eventual actual shipments.

Europe Backlog. Our European wholesale business operates with two primary selling seasons: the Spring/Summer season, which ships mostly from December to March, and the Fall/Winter season, which ships mostly from June to September. Generally, the other months are relatively small shipping months. However, customers retain the ability to request early shipment of backlog orders or delay shipment of orders depending on their needs. Accordingly, a certain amount of orders in the backlog may be shipped outside of the traditional shipping months. The Company's goal is to take advantage of early-season demand and potential reorders by offering a pre-collection assortment for apparel. As of March 23, 2010, the European wholesale backlog was €250.7 million, compared to €215.4 million at March 24, 2009, an increase of 16.4%. The backlog as of March 23, 2010 is comprised of sales orders for the Spring/Summer and Fall/Winter 2010 seasons and includes the impact of the earlier receipt of pre-collection orders this year and our international jewelry business, which we began operating directly on January 1, 2010.

Employees

We strongly believe that our employees ("associates") are our most valuable resources. As of February 2010, we had approximately 12,700 associates, both full and part-time, consisting of approximately 8,300 in the U.S. and 4,400 in foreign countries. We consider our relationship with our associates to be good.

Environmental Matters

We and our licensing partners and suppliers are subject to federal, state, local and foreign laws, regulations and ordinances that govern activities or operations that may have adverse environmental effects (such as emissions to air, discharges to water, and the generation, handling, storage and disposal of solid and hazardous wastes). We are also subject to laws, regulations and ordinances that impose liability for the costs of clean up or other remediation of contaminated property, including damages from spills, disposals or other releases of hazardous substances or wastes, in certain circumstances without regard to fault. Certain of our operations and those of our licensing partners and suppliers, routinely involve the handling of chemicals and wastes, some of which are or may become regulated as hazardous substances. We have not incurred, and do not expect to incur, any significant expenditures or liabilities for environmental matters. As a result, we believe that our environmental obligations will not have a material adverse effect on our consolidated financial condition or results of operations.

Website Access to Our Periodic SEC Reports

We make available free of charge at www.guessinc.com our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished to

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the Securities and Exchange Commission ("SEC") pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. In addition, the charters of our Board of Directors' Audit, Compensation and Nominating and Governance Committees, as well as the Board of Directors' Governance Guidelines and our Code of Conduct are posted on our website. We may from time to time provide important disclosures to our investors, including amendments or waivers to our Code of Conduct, by posting them in the "Investor's Info" section of the www.guessinc.com website, as allowed by SEC rules. Printed copies of these documents may be obtained by writing or telephoning us at Guess?, Inc., 1444 South Alameda Street, Los Angeles, California 90021, Attention: Investor Relations, (213) 765-5578.

ITEM 1A. Risk Factors.

You should carefully consider the following factors and other information in this Annual Report on Form 10-K. Additional risks which we do not presently consider material, or of which we are not currently aware, may also have an adverse impact on us. Please also see "Important Factors Regarding Forward-Looking Statements" on page (ii).

Demand for our merchandise may decrease and the appeal of our brand image may diminish if we fail to identify and rapidly respond to consumers' fashion tastes.

The apparel industry is subject to rapidly evolving fashion trends and shifting consumer demands. Accordingly, our brand image and our profitability are heavily dependent upon both the priority our target customers place on fashion and on our ability to anticipate, identify and capitalize upon emerging fashion trends. Current fashion tastes place significant emphasis on a fashionable look. In the past, this emphasis has increased and decreased through fashion cycles. If we fail to anticipate, identify or react appropriately, or in a timely manner, to fashion trends, we could experience reduced consumer acceptance of our products, a diminished brand image and higher markdowns. These factors could result in lower selling prices and sales volumes for our products and could have a material adverse effect on our results of operations and financial condition.

The apparel industry is highly competitive, and we may face difficulties competing successfully in the future.

We operate in a highly competitive and fragmented industry with low barriers to entry. We compete with many apparel manufacturers and distributors, both domestically and internationally, as well as many well-known designers, some of whom have substantially greater resources than we do and some of whose products are priced lower than ours. Our retail and factory outlet stores compete with many other retailers, including department stores, some of whom are our major wholesale customers. Our licensed apparel and accessories compete with many well-known brands. Within each of our geographic markets, we also face significant competition from global and regional branded apparel companies, as well as retailers that market apparel under their own labels. These and other competitors pose significant challenges to our market share in our existing major domestic and foreign markets and to our ability to successfully develop new markets. In addition, our larger competitors may be better equipped than us to adapt to changing conditions that affect the competitive market. Also, the industry's low barriers to entry allow the introduction of new products or new competitors at a fast pace. Any of these factors could result in reductions in sales or prices of our products and could have a material adverse effect on our results of operations and financial condition.

Negative changes in the economy, such as the severe deterioration in the global economic environment that began in 2008, and resulting declines in consumer confidence and spending, have had and could continue to have an adverse effect on the apparel industry and on our operating results.

The apparel industry is cyclical in nature and is particularly affected by adverse trends in the general economy. Purchases of apparel and related merchandise are generally discretionary and therefore tend to

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decline during recessionary periods and also may decline at other times. The global economic environment deteriorated significantly in 2008 and 2009 with declining values in real estate, reduced credit lending by banks, solvency concerns of major financial institutions, increases in unemployment levels and significant declines and volatility in the global financial markets all negatively impacting the level of consumer spending for discretionary items. These conditions affected our business as it is dependent on consumer demand for our products. In North America, we experienced a significant slowdown in customer traffic and a highly promotional environment. These same conditions also spread to many international markets. While we have seen some signs of stabilization in both North America and internationally, there are no assurances that the global economy will continue to recover. If the global economy continues to be weak or deteriorates further, there will likely be a negative effect on our revenues, operating margins and earnings across all of our segments.

In addition to the factors contributing to the current economic environment, there are a number of other factors that could contribute to reduced levels of consumer spending, such as increases in interest rates, taxation rates or energy prices. Similarly, actual or potential terrorist acts and other conflicts can also create significant instability and uncertainty in the world, causing consumers to defer purchases or preventing our suppliers and service providers from providing required services or materials to us. These or other factors could materially and adversely affect our operating results.

The continuing difficulties in the credit markets could have a negative impact on our customers, suppliers and business partners, which, in turn could materially and adversely affect our results of operations and liquidity.

The credit crisis that began in 2008 has had a significant negative impact on businesses around the world. Although we believe that our cash provided by operations and available borrowing capacity under our credit facility and bank facilities in Europe will provide us with sufficient liquidity for the foreseeable future, the impact of this crisis on our customers, business partners, suppliers, insurance providers and financial institutions with which we do business cannot be predicted and may be quite severe. The inability of our manufacturers to ship our products could impair our ability to meet delivery date requirements. A disruption in the ability of our significant customers, distributors or licensees to access liquidity could cause serious disruptions or an overall deterioration of their businesses which could lead to a significant reduction in their future orders of our products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our results of operations and liquidity.

Similarly a failure on the part of our insurance providers to meet their obligations for claims made by us could have a material adverse effect on our results of operations and liquidity. Continued market difficulties or additional deterioration could jeopardize our ability to rely on those financial institutions that are parties to our various bank facilities and foreign exchange contracts. We could be exposed to a loss if the counterparty fails to meet its obligations upon our exercise of foreign exchange contracts. In addition, continued distress in the financial markets could impair the ability of one or more of the banks participating in our credit agreements from honoring its commitments. This could have an adverse effect on our business if we were not able to replace those commitments or to locate other sources of liquidity on acceptable terms.

Domestic and foreign currency fluctuations could adversely impact our financial condition and results of operations.

Our international sales and some of our licensing revenue are generally derived from sales in foreign currencies, including the Canadian dollar, the euro and the Korean won. These revenues, when translated into U.S. dollars for consolidated reporting purposes, could be materially affected by the strengthening of the U.S. dollar, negatively impacting our results of operations and our ability to generate revenue growth. Furthermore, we also source products in U.S. dollars outside of the U.S. As a result, the cost of these products may be affected by changes in the value of the applicable currencies. Changes in currency

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exchange rates may also affect the U.S. dollar value of the foreign currency denominated prices at which our international businesses sell products.

Although we hedge certain exposures to changes in foreign currency exchange rates, we cannot assure that foreign currency fluctuations will not have a material adverse effect on our financial condition or results of operations. Furthermore, since some of our hedging activities are designed to reduce volatility of fluctuating exchange rates, they not only reduce the negative impact of a stronger U.S. dollar, but they also reduce the positive impact of a weaker U.S. dollar. Our future financial results could be significantly affected by the value of the U.S. dollar in relation to the foreign currencies in which we conduct business. In addition, while the hedges are designed to reduce volatility over the forward contract period, these contracts can create volatility during the period. The degree to which our financial results are affected for any given time period will depend in part upon our hedging activities.

We could find that we are carrying excess inventories if we fail to anticipate consumer demand, if our international vendors do not supply quality products on a timely basis, if our merchandising strategies fail or if we do not open new and remodel existing stores on schedule.

Because we must place orders with our vendors for most of our products a season or more in advance, we could end up carrying excess inventories if we fail to correctly anticipate fashion trends or consumer demand. Even if we correctly anticipate consumer fashion trends and demand, our vendors could fail to supply the quality products and materials we require at the time we need them. Moreover, we could fail to effectively market or merchandise these products once we receive them. In addition, we could fail to open new or remodeled stores on schedule, and inventory purchases made in anticipation of such store openings could remain unsold. Any of the above factors could cause us to experience excess inventories, which may result in inventory write-downs and higher markdowns, which in turn could have a material adverse effect on our results of operations and financial condition.

Our success depends on the quality of our relationships with our suppliers and manufacturers.

We do not own or operate any production facilities, and we depend on independent factories to supply our fabrics and to manufacture our products to our specifications. We do not have long-term contracts with any suppliers or manufacturers, and our business is dependent on our partnerships with our vendors. If manufacturing costs were to rise significantly, our product margins and results of operations could be negatively affected. In addition, very few of our vendors manufacture our products exclusively. As a result, we compete with other companies for the production capacity of independent contractors. If our vendors fail to ship our fabrics or products on time or to meet our quality standards or are unable to fill our orders, we might not be able to deliver products to our retail stores and wholesale customers on time or at all.

Moreover, our suppliers have at times been unable to deliver finished products in a timely fashion. This has led, from time to time, to an increase in our inventory, creating potential markdowns and a resulting decrease in our profitability. As there are a finite number of skilled manufacturers that meet our requirements, it could take significant time to identify and qualify suitable alternatives, which could result in our missing retailing seasons or our wholesale customers canceling orders, refusing to accept deliveries or requiring that we lower selling prices. Since we prefer not to return merchandise to our manufacturers, we could also have a considerable amount of unsold merchandise. Any of these problems could harm our financial condition and results of operations.

Our North American wholesale business is highly concentrated. If any of our large customers decrease their purchases of our products or experience financial difficulties, our results of operations and financial condition could be adversely affected.

In fiscal 2010, 3.4% of our consolidated net revenue came from Macy's, Inc. No other single customer or group of related customers in any of our segments accounted for more than 1.0% of our consolidated net revenue in fiscal 2010. Continued consolidation in the retail industry could further decrease the

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number of, or concentrate the ownership of, stores that carry our and our licensees' products. Also, as we expand the number of our retail stores, we run the risk that our wholesale customers will perceive that we are increasingly competing directly with them, which may lead them to reduce or terminate purchases of our products. In addition, in recent years there has been a significant increase in the number of designer brands seeking placement in department stores, which makes any one brand potentially less attractive to department stores. If any one of our major wholesale customers decides to decrease purchases from us, to stop carrying GUESS? products or to carry our products only on terms less favorable to us, our sales and profitability could significantly decrease. Similarly, some retailers have recently experienced significant financial difficulties, which in some cases have resulted in bankruptcy, liquidation and store closures. Financial difficulties of one of our major customers could result in reduced business and higher credit risk with respect to that customer. Any of these circumstances could ultimately have a material adverse effect on our results of operations and financial condition.

Since we do not control our licensees' actions and we depend on our licensees for a substantial portion of our earnings from operations, their conduct could harm our business.

We license to others the rights to produce and market certain products that are sold with our trademarks. While we retain significant control over our licensees' products and advertising, we rely on our licensees for, among other things, operational and financial control over their businesses. If the quality, focus, image or distribution of our licensed products diminish, consumer acceptance of and demand for the GUESS? brand and products could decline. This could materially and adversely affect our business and results of operations. In fiscal 2010, approximately 81% of our net royalties were derived from our top five licensed product lines. A decrease in customer demand for any of these product lines could have a material adverse effect on our results of operations and financial condition. Although we believe that in most circumstances we could replace existing licensees if necessary, our inability to do so for any period of time could adversely affect our revenues and results of operations.

We depend on our intellectual property, and our methods of protecting it may not be adequate.

Our success and competitive position depend significantly upon our trademarks and other proprietary rights. We take steps to establish and protect our trademarks worldwide. Despite any precautions we may take to protect our intellectual property, policing unauthorized use of our intellectual property is difficult, expensive and time consuming, and we may be unable to adequately protect our intellectual property or to determine the extent of any unauthorized use, particularly in those foreign countries where the laws do not protect proprietary rights as fully as in the United States. We also place significant value on our trade dress and the overall appearance and image of our products. However, we cannot assure you that we can prevent imitation of our products by others or prevent others from seeking to block sales of GUESS? products for violating their trademarks and proprietary rights. We also cannot assure you that others will not assert rights in, or ownership of, trademarks and other proprietary rights of GUESS?, that our proprietary rights would be upheld if challenged or that we would, in that event, not be prevented from using our trademarks, any of which could have a material adverse effect on our financial condition and results of operations. Further, we could incur substantial costs in legal actions relating to our use of intellectual property or the use of our intellectual property by others. Even if we are successful in such actions, the costs we incur could have a material adverse effect on us.

We are subject to periodic litigation and other regulatory proceedings, which could result in unexpected expense of time and resources.

We are a defendant from time to time in lawsuits and regulatory actions relating to our business. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome could have an adverse impact on our business, financial condition and results of operations. In addition, any significant litigation, regardless of

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its merits, could divert management's attention from our operations and result in substantial legal fees. See also "ITEM 3. Legal Proceedings" for further discussion of our legal matters.

If we fail to successfully execute our growth initiatives, including through acquisitions, our business and results of operations could be harmed.

As part of our business growth initiatives, we regularly open new stores, in both existing and new store concepts, in North America. We have also continued our international expansion by opening new stores outside the U.S., both in the form of stores owned by our international licensees and distributors and through our owned stores and concessions. Despite the economic downturn, we plan to continue opening new stores in the U.S. and internationally. In addition to the store growth, we also regularly evaluate strategic acquisitions and alliances and pursue those that we believe will support and contribute to our overall growth initiatives. For instance, we completed the acquisition of our former European jeanswear licensee in 2005, the acquisition of 75% of the outstanding shares of our European licensee of GUESS by MARCIANO apparel in December 2006 and the acquisition of our former European licensee of children's apparel in January 2008.

This expansion effort places increased demands on our managerial, operational and administrative resources that could prevent or delay the successful opening of new stores, adversely impact the performance of our existing stores and adversely impact our overall results of operations. In addition, acquired businesses and additional store openings may not provide us with increased business opportunities, or result in the growth that we anticipate, particularly during economic downturns. Furthermore, integrating acquired operations is a complex, time-consuming and expensive process. Failing to acquire and successfully integrate complementary businesses, or failing to achieve the business synergies or other anticipated benefits of acquisitions, could materially adversely affect our business and results of operations.

We may be unsuccessful in implementing our planned U.S. and international retail expansion, which could harm our business and negatively affect our results of operations.

To open and operate new stores successfully, we must:

identify desirable locations, the availability of which is out of our control;

negotiate acceptable lease terms, including desired tenant improvement allowances;

efficiently build and equip the new stores;

source sufficient levels of inventory to meet the needs of the new stores;

hire, train and retain competent store personnel;

successfully integrate the new stores into our existing operations; and

satisfy the fashion preferences of customers in the new geographic areas.

Any of these challenges could delay our store openings, prevent us from completing our store opening plans or hinder the operations of stores we do open. We cannot be sure that we can successfully complete our planned expansion or that our new stores will be profitable. Such things as unfavorable economic and business conditions and changing consumer preferences could also interfere with our plans to expand.

Failure to successfully develop and manage our new store concepts could adversely affect our results of operations.

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In addition to our core GUESS? retail and factory stores, we continue to develop and refine the GUESS by MARCIANO, GUESS? Accessories and G by GUESS store concepts. The introduction and growth of several new store concepts as part of our overall growth strategy could strain our financial and management resources. Additionally, successfully developing new brands is subject to a number of risks,

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including customer acceptance, product differentiation, competition and obtaining desirable locations. These risks may be compounded during the current or any future economic downturn. There can be no assurance that these concepts will achieve or maintain sales and profitability levels that justify the required investments. If we are unable to successfully develop and manage these multiple store concepts, or if consumers are not receptive to the products or store concepts, our results of operations and financial results could be adversely affected.

Our business is global in scope and can be impacted by factors beyond our control.

During fiscal 2010, we sourced the majority of our finished products with partners and suppliers outside the U.S. and we continued to design and purchase fabrics globally. As we focus strategically on progressively more direct sourcing, we are expanding our Hong Kong office infrastructure to allow us to develop, engineer and source directly from Asian factories.

In addition, we have been increasing our international sales of product outside of the United States. In fiscal 2010, over half of our consolidated net revenue was generated by sales from outside of the United States. We anticipate that these international revenues will continue to grow as a percentage of our total business. Further, as a global company, our effective tax rate is highly dependent upon the geographic composition of worldwide earnings and tax regulations governing each region.

As a result of our increasing international operations, we face the possibility of greater losses from a number of risks inherent in doing business in international markets and from a number of factors which are beyond our control. Such factors that could harm our results of operations and financial condition include, among other things:

political instability or acts of terrorism, which disrupt trade with the countries where we operate or in which our contractors, suppliers or customers are located;

recessions in foreign economies;

reduced global demand resulting in the closing of manufacturing facilities;

challenges in managing our foreign operations;

local business practices that do not conform to legal or ethical guidelines;

adoption of additional or revised quotas, restrictions or regulations relating to imports or exports;

additional or increased customs duties, tariffs, taxes and other charges on imports or exports;

delays in receipts due to our distribution centers as a result of increasing security requirements at U.S. or other ports;

significant fluctuations in the value of the dollar against foreign currencies;

increased difficulty in protecting our intellectual property rights in foreign jurisdictions;

social, labor, legal or economic instability in the foreign markets in which we do business, which could influence our ability to sell our products in these international markets;

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restrictions on the transfer of funds between the United States and foreign jurisdictions; and

our ability and the ability of our international licensees and distributors to locate and continue to open desirable new retail locations.

In addition to these factors, our imports have been limited by textile agreements between the United States and some foreign jurisdictions, most notably China. The United States and the countries in which our products are produced or sold may also, from time to time, impose new quotas, duties, tariffs or other restrictions, or adversely adjust prevailing quota, duty or tariff levels. If we are unable to obtain our raw materials and finished apparel from the countries where we wish to purchase them, either because of

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capacity constraints or visa availability under the required quota category or for any other reason, or if the cost of doing so should increase, it could have a material adverse effect on our results of operations and financial condition.

Changes in tax laws and unanticipated tax liabilities could adversely affect our effective income tax rate and profitability.

We are subject to income taxes in the United States and numerous foreign jurisdictions. Our effective income tax rate in the future could be adversely affected by a number of factors, including: changes in the mix of earnings in countries with differing statutory tax rates, changes in tax laws, the outcome of income tax audits in various jurisdictions around the world, and any repatriation of non-U.S. earnings for which we have not previously provided for U.S. taxes. We regularly assess all of these matters to determine the adequacy of our tax provision, which is subject to significant discretion. Recently the Obama administration proposed legislation that would change how U.S. multinational corporations are taxed on their foreign income. If such legislation is enacted, or if our tax provision is inadequate, our tax rate and, in turn, our profitability could be materially impacted.

A significant disruption at our Louisville, Kentucky distribution center or our other international distribution facilities could have a material adverse impact on our sales and operating results.

We primarily rely on a single distribution center located in Louisville, Kentucky to receive, store and distribute merchandise to all of our stores and wholesale customers in the U.S. Distribution of our products in Canada is handled primarily from a Company operated distribution center in Montreal, Quebec. Our European business primarily utilizes two independent third party distributors with three locations in Italy, as well as one Company operated distribution center in Italy. In November 2009, one of our independent distributors opened a new distribution center in Piacenza, Italy, which we now utilize as our primary distribution center in Europe. Additionally, we utilize six contract warehouses in Hong Kong, South Korea and China that service the Pacific Rim. Any significant interruption in the operation of our Kentucky distribution center or any of our other foreign facilities due to natural disasters, accidents, system failures or other unforeseen causes could have a material adverse effect on our ability to replace inventory and fill orders, negatively impacting our sales and operating results.

Our reliance on third parties to deliver merchandise to our stores and wholesale customers could lead to disruptions to our business.

The efficient operation of our North American retail and wholesale businesses depends on the timely receipt of merchandise from our Louisville, Kentucky distribution center. We deliver merchandise to our stores and wholesale customers using independent third parties, primarily one contract carrier. The independent third parties have employees which may be represented by labor unions. Disruptions in the delivery of merchandise or work stoppages by employees or contractors of any of these third parties could delay the timely receipt of merchandise. There can be no assurance that such stoppages or disruptions will not occur in the future. Any failure by a third party to respond adequately to our distribution needs could disrupt our operations and negatively impact our financial condition or results of operations.

Our two most senior executive officers own a significant percentage of our common stock. Their interests may differ from the interests of our other stockholders.

Maurice Marciano and Paul Marciano, our Chairman of the Board and Chief Executive Officer, respectively, collectively beneficially own approximately 33% of our outstanding shares of common stock. The sale or prospect of the sale of a substantial number of these shares could have an adverse impact on the market price of our common stock. Moreover, these individuals may have different interests than our other stockholders and, accordingly, they may direct the operations of our business in a manner contrary to

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the interests of our other stockholders. As long as these individuals own a significant percentage of our common stock, they may effectively be able to:

elect our directors;

amend or prevent amendment of our Restated Certificate of Incorporation or Bylaws;

effect or prevent a merger, sale of assets or other corporate transaction; and

control the outcome of any other matter submitted to our stockholders for vote.

Their stock ownership, together with the anti-takeover effects of certain provisions of applicable Delaware law and our Restated Certificate of Incorporation and Bylaws, may discourage acquisition bids or allow the Marcianos to delay or prevent a change in control that may be favored by our other stockholders, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our common stock price.

Our failure to retain our existing senior management team or to retain or attract other key personnel could adversely affect our business.

Our business requires disciplined execution at all levels of our organization in order to ensure the timely delivery of desirable merchandise in appropriate quantities to our stores and our wholesalers' stores. This execution requires experienced and talented management in design, production, merchandising and advertising. Our success depends upon the personal efforts and abilities of our senior management, particularly Maurice Marciano and Paul Marciano, and other key personnel. Although we believe we have a strong management team with relevant industry expertise, the extended loss of the services of one or both of the Marcianos or other key personnel could materially harm our business. Although we are the beneficiary of a \$10 million "key man" insurance policy on the life of Paul Marciano, we do not have any other "key man" insurance with respect to either of the Marcianos or other key employees, and any of them may leave us at any time, which could severely disrupt our business and future operating results.

Fluctuations in our quarterly results of operations, comparable store sales, sales per square foot, wholesale operations, royalty net revenue or other factors could have a material adverse effect on our results of operations and our stock price.

Our quarterly results of operations for each of our business segments have fluctuated in the past and can be expected to fluctuate in the future. Further, if our retail store expansion plans, both domestically and internationally, fail to meet our expected results, our overhead and other related expansion costs would increase without an offsetting increase in sales and net revenue. This could have a material adverse effect on our results of operations and financial condition.

Our net revenue and operating results have historically been lower in the first half of our fiscal year due to general seasonal trends in the apparel and retail industries. Our comparable store sales and quarterly results of operations are also affected by a variety of other factors, including:

shifts in consumer tastes and fashion trends;

the timing of new store openings and the relative proportion of new stores to mature stores;

calendar shifts of holiday or seasonal periods;

the timing of seasonal wholesale shipments;

the effectiveness of our inventory management;

changes in our merchandise mix;

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changes in our mix of revenues by segment;

the timing of promotional events;

actions by competitors;

weather conditions;

changes in the business environment;

changes in currency exchange rates;

population trends;

changes in patterns of commerce such as the expansion of electronic commerce; and

the level of pre-operating expenses associated with new stores.

An unfavorable change in any of the above factors could have a material adverse effect on our results of operations and our stock price.

Violation of labor and other laws and practices by our licensees or suppliers could harm our business.

We require our licensing partners and suppliers to operate in compliance with applicable laws and regulations. While our internal and vendor operating guidelines and monitoring programs promote ethical business practices, we do not control our licensees or suppliers or their labor or other business practices. The violation of labor or other laws by any of our licensees or suppliers, or divergence of a licensee's or supplier's business practices from those generally accepted as ethical in the United States, could interrupt or otherwise disrupt the shipment of our products, harm the value of our trademarks, damage our reputation or expose us to potential liability for their wrongdoings.

We rely on third parties and our own personnel for upgrading and maintaining our management information systems. If these parties do not perform these functions appropriately, our business could be disrupted and adversely impacted.

The efficient operation of our business is very dependent on our information systems. In particular, we rely heavily on the merchandise management and ERP (enterprise resource planning) systems used to track sales and inventory and manage our supply chain. We depend on our vendors to maintain and periodically upgrade these systems to support our business as we expand. The software programs supporting the processing of our inventory management information are licensed to us by independent software developers. The inability of these developers to continue to maintain or upgrade our software programs could result in incorrect information being supplied to management, inefficient ordering and replenishment of products and disruption of our operations. The failure of these and other systems to operate effectively, problems with transitioning to upgraded or replacement systems, difficulty in integrating new systems or systems of acquired businesses or a breach in security of our systems could adversely impact the business. In addition significant expenditures could be required to remediate any such failure, problem or breach.

ITEM 1B. Unresolved Staff Comments.

None.

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ITEM 2. Properties.

Certain information concerning our principal facilities, all of which are leased at January 30, 2010, is set forth below:

Location	Use	Approximate Area in Square Feet
Los Angeles, California	Principal executive and administrative offices, design facilities, sales offices, distribution and warehouse facilities, production control, and sourcing used by our Wholesale and Retail segments, and our Corporate groups	355,000
Louisville, Kentucky	Distribution and warehousing facility used by our Wholesale and Retail segments	506,000
New York, New York	Administrative offices, public relations, and showrooms used by our Wholesale segment	13,400
Montreal/Toronto/Vancouver, Canada	Administrative offices, showrooms and warehouse facilities used by our Wholesale and Retail segments	111,000
Florence/Crevalcore, Italy	Administrative offices, showrooms and warehouse used by our European segment	179,200
Lugano, Switzerland	Administrative, sales and marketing offices used by our European segment	78,900
Barcelona/Madrid, Spain	Administrative, sales and marketing offices, and showrooms used by our European segment	15,400
Dusseldorf/Munich, Germany	Showrooms used by our European segment	9,400
London, U.K.	Showrooms used by our European segment	7,800
Paris, France	Administrative office and showrooms used by our European segment	9,800
Kowloon, Hong Kong	Administrative offices, showrooms, sourcing and licensing coordination facilities used by our Wholesale segment	34,600
Seoul, South Korea	Administrative offices and showrooms used by our Wholesale segment	23,500
Shanghai/Beijing, China	Administrative offices, showrooms and warehouse facility used by our Wholesale segment	22,400
Taipei, Taiwan	Administrative office used by our Wholesale segment	2,700

Our corporate, wholesale and retail headquarters and certain warehouse facilities are located in Los Angeles, California, consisting of four buildings totaling approximately 355,000 square feet. All of these properties are leased by us from limited partnerships in which the sole partners are trusts controlled by and for the benefit of Maurice Marciano and Paul Marciano (the "Principal Stockholders"), Armand Marciano, their brother and former executive of the Company, and their families pursuant to a lease that expires in July 2018. The total lease payments to these limited partnerships are approximately \$0.3 million per month with aggregate minimum lease commitments to these partnerships at January 30, 2010, totaling approximately \$23.8 million.

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In addition, the Company, through a wholly-owned Canadian subsidiary, leases warehouse and administrative facilities in Montreal, Quebec from a partnership affiliated with the Principal Stockholders. The lease expires in December 2015. The monthly lease payment is \$44,400 Canadian (US\$41,500) with aggregate minimum lease commitments through the term of the lease totaling approximately \$3.3 million Canadian (US\$3.1 million) at January 30, 2010.

See Note 11 to the Consolidated Financial Statements for further information regarding related party transactions.

Through early 2000, distribution of our products in the U.S. was centralized in our Los Angeles, California facility. In 2000, we leased an automated distribution center in Louisville, Kentucky, to replace the distribution center in Los Angeles as our primary distribution center. Distribution of our products in Canada is handled primarily from a Company operated distribution center in Montreal, Quebec. Our European business primarily utilizes two independent third party distributors with three locations in Italy, as well as one Company operated distribution center in Italy. In November 2009, one of our independent distributors opened a new distribution center in Piacenza, Italy, which we now utilize as our primary distribution center in Europe. Additionally, we utilize six contract warehouses in Hong Kong, South Korea and China that service the Pacific Rim.

We lease our showrooms, advertising, licensing, sales and merchandising offices, remote distribution and warehousing facilities and retail and factory outlet store locations under non-cancelable operating lease agreements expiring on various dates through September 2027. These facilities are located principally in North America with aggregate minimum lease commitments, at January 30, 2010, totaling approximately \$966.2 million excluding related party commitments. In addition, in 2005 we started leasing a building in Florence, Italy for our Italian operations under a capital lease agreement. The capital lease obligation, including build-outs, amounted to \$15.8 million as of January 30, 2010.

The terms of our store and concession leases, excluding renewal options, as of January 30, 2010, expire as follows:

Years Lease Terms Expire	Number of Stores and Concessions			
	U.S. and Canada	Asia	Europe	Mexico
Fiscal 2011-2013	111	155	45	7
Fiscal 2014-2016	128	2	28	6
Fiscal 2017-2019	162		27	
Fiscal 2020-2022	29		9	
Thereafter	2		4	
	432	157	113	13

We believe our existing facilities are well maintained, in good operating condition and are adequate to support our present level of operations. See Note 12 to the Consolidated Financial Statements for further information regarding current lease obligations.

ITEM 3. Legal Proceedings.

In 2006, the Officers of the Florence Customs Authorities ("Customs Authorities") began an import customs audit with respect to the Company's Italian subsidiary, Maco Apparel S.p.A. ("Maco"), which the Company acquired in 2005. Prior to the acquisition, Maco was the Italian licensee of GUESS? jeanswear for men and women in Europe. The Customs Authorities contended that the Italian subsidiary should have included the royalty expense payable to Guess?, Inc., the parent company, as part of the cost of the product subject to customs duties. The Company disagreed with this position and disputed the assessment in a series of hearings on the matter with the Florence Provincial Tax Commission ("Tax Commission")

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beginning in October 2007. At the request of a judge from the Tax Commission, the Company and the Customs Authorities entered into settlement discussions in 2009. These discussions ultimately led to the execution of a full out-of-court settlement agreement in October 2009, which has since been formally approved by the Tax Commission. The settlement was consistent in amount with the Company's previous accrual recorded in the fourth quarter of fiscal year 2009 and did not include any admission of liability or wrongdoing on the part of the Company. The resolution of this matter did not have a material impact on the Company's financial results or financial position.

On May 6, 2009, Gucci America, Inc. filed a complaint in the U.S. District Court for the Southern District of New York against Guess?, Inc. and Guess Italia, S.r.l. asserting, among other things, trademark and trade dress law violations and unfair competition. The complaint seeks injunctive relief, unspecified compensatory damages, including treble damages, and certain other relief. A similar complaint has also been filed in the Court of Milan, Italy. The Company plans to defend the allegations vigorously. The Company believes that it is too early to predict the outcome of this action or whether the outcome will have a material impact on the Company's financial condition or results of operations.

The Company is also involved in various other claims and other matters incidental to the Company's business, the resolution of which is not expected to have a material adverse effect on the Company's consolidated results of operations or financial position. No material amounts were accrued as of January 30, 2010 or January 31, 2009 related to any of the Company's legal proceedings.

ITEM 4. Reserved.

Table of Contents**PART II****ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Since August 8, 1996, the Company's common stock has been listed on the New York Stock Exchange under the symbol 'GES.' The following table sets forth, for the periods indicated, the high and low sales prices per common share of the Company's common stock, and the dividends paid with respect thereto:

	Market Price		Dividends Paid
	High	Low	
Fiscal year ended January 31, 2009			
First Quarter Ended May 3, 2008	\$ 44.66	\$ 33.33	\$ 0.080
Second Quarter Ended August 2, 2008	45.01	31.01	0.080
Third Quarter Ended November 1, 2008	42.49	18.66	0.100
Fourth Quarter Ended January 31, 2009	22.81	10.62	0.100
Fiscal year ended January 30, 2010			
First Quarter Ended May 2, 2009	\$ 26.04	\$ 13.16	\$ 0.100
Second Quarter Ended August 1, 2009	29.22	21.97	0.100
Third Quarter Ended October 31, 2009	40.49	27.19	0.125
Fourth Quarter Ended January 30, 2010	45.28	36.05	0.125

On March 22, 2010, the closing sales price per share of the Company's common stock, as reported on the New York Stock Exchange Composite Tape, was \$47.85. On March 22, 2010, there were 359 holders of record of the Company's common stock.

Prior to the initiation of a quarterly dividend on February 12, 2007, the Company had not declared any dividends on our common stock since our initial public offering in 1996. The payment of cash dividends in the future will be at the discretion of our Board of Directors and will be based upon a number of business, legal and other considerations, including our cash flow from operations, capital expenditures, debt service requirements, cash paid for income taxes, earnings, share repurchases, economic conditions and liquidity. The agreement governing our Credit Facility limits our ability to pay dividends unless immediately after giving effect thereto the aggregate amount of unrestricted cash and cash equivalents held by Guess?, Inc. and its Canadian subsidiary is at least \$50 million. At January 30, 2010, Guess?, Inc. and its Canadian subsidiary had approximately \$367 million in unrestricted cash and cash equivalents.

Table of Contents**Performance Graph**

The Stock Price Performance Graph below compares the cumulative stockholder return of the Company with that of the S&P 500 Index (a broad equity market index) and the S&P 1500 Apparel Retail Index (a published industry index) over the five fiscal year period beginning December 31, 2004. The graph also includes information with respect to February 3, 2007, the last day of the fiscal month transition period which resulted from the change in our fiscal year end from December 31 to the Saturday nearest January 31 of each year. The return on investment is calculated based on an investment of \$100 on December 31, 2004, with dividends, if any, reinvested. Past performance is not necessarily indicative of future performance.

**COMPARISON OF FIVE YEAR TOTAL RETURN
AMONG GUESS?, INC.,
S&P 500 INDEX AND S&P 1500 APPAREL RETAIL INDEX**

	12/31/04	12/31/05	12/31/06	02/03/07	02/02/08	01/31/09	01/30/10
Guess?, Inc.	100.00	283.67	505.42	578.09	599.83	261.58	655.57
S&P 1500 Apparel Retail Index	100.00	101.58	110.74	114.83	93.46	48.11	93.01
S&P 500 Index	100.00	104.91	121.48	124.22	121.94	73.94	98.44

Stock Split

On February 12, 2007, our Board of Directors approved a two-for-one stock split of the Company's common stock to be effected in the form of a 100% stock dividend. Each stockholder of record at the close of business on February 26, 2007 was issued one additional share of common stock for every share of common stock owned as of that time. The additional shares were distributed on or about March 12, 2007, and the Company's common stock began trading on the New York Stock Exchange on a post-split basis on March 13, 2007. All share and per share amounts in this Annual Report on Form 10-K have been adjusted to reflect the 2007 stock split.

Table of Contents**Share Repurchase Program**

The Company's share repurchases during each fiscal month of the fourth quarter of fiscal 2010 were as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
November 1, 2009 to November 28, 2009				
Repurchase program(1)				\$ 134,241,107
Employee transactions(2)	364	\$ 38.19		
November 29, 2009 to January 2, 2010				
Repurchase program(1)				\$ 134,241,107
Employee transactions(2)	55,414	\$ 42.32		
January 3, 2010 to January 30, 2010				
Repurchase program(1)				\$ 134,241,107
Employee transactions(2)	329	\$ 40.93		
Total				
Repurchase program(1)				
Employee transactions(2)	56,107	\$ 42.29		

- (1) On March 19, 2008, the Company announced that its Board of Directors had authorized a new 2008 Share Repurchase Program to repurchase, from time-to-time and as market and business conditions warrant, up to \$200 million of the Company's common stock. 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.
- (2) Consists of shares surrendered to, or withheld by, the Company in satisfaction of employee tax withholding obligations that occur upon vesting of restricted stock awards granted under the Company's 2004 Equity Incentive Plan, as amended.

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ITEM 6. Selected Financial Data.

The selected financial data set forth below has been derived from the audited Consolidated Financial Statements of the Company and the related notes thereto (except for the unaudited selected statement of income financial data presented for the fiscal year ended February 3, 2007). All share and per share amounts included in the following consolidated financial data have been adjusted to reflect the two-for-one stock split which became effective on March 13, 2007. The following selected financial data should be read in conjunction with the Company's Consolidated Financial Statements and the related notes contained herein and with "ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for information regarding accounting changes, acquisitions and other items affecting comparability.

	Year Ended(1)					
	Jan. 30, 2010	Jan. 31, 2009	Feb. 2, 2008	Feb. 3, 2007(2)	Dec. 31, 2006	Dec. 31, 2005
	(in thousands, except per share data)					
	(unaudited)					
Statement of income data:						
Net revenue	\$ 2,128,466	\$ 2,093,390	\$ 1,749,916	\$ 1,252,664	\$ 1,185,184	\$ 936,092
Earnings from operations	358,816	328,787	309,139	205,519	193,023	101,810
Income taxes	115,599	103,784	124,099	77,615	72,715	38,882
Net earnings attributable to Guess?, Inc.	242,761	213,562	186,472	131,172	123,168	58,813
Earnings per common share attributable to common stockholders:						
Basic(3)	\$ 2.63	\$ 2.27	\$ 1.99	\$ 1.44	\$ 1.35	\$ 0.66
Diluted(3)	\$ 2.61	\$ 2.25	\$ 1.96	\$ 1.42	\$ 1.33	\$ 0.65
Dividends declared per common share	\$ 0.45	\$ 0.36	\$ 0.28			
Weighted average shares outstanding basic(3)	90,893	92,561	92,307	90,786	90,618	88,589
Weighted average shares outstanding diluted(3)	91,592	93,258	93,518	92,031	91,885	89,933
	Jan. 30, 2010	Jan. 31, 2009	Feb. 2, 2008	Feb. 3, 2007	Dec. 31, 2006	Dec. 31, 2005
Balance sheet data:						
Working capital	\$ 781,410	\$ 558,305	\$ 432,583	\$ 283,938	\$ 274,996	\$ 190,792
Total assets	1,530,175	1,246,566	1,186,228	843,322	836,925	633,374
Borrowings and capital lease, excluding current installments	14,137	14,586	18,724	17,336	18,018	53,199
Stockholders' equity	1,026,343	775,454	652,913	433,281	435,812	288,293

(1) Beginning with fiscal 2008, the Company changed its fiscal year to a 52-53 week year ending on the Saturday closest to January 31; previously, the Company's fiscal year ended on December 31.

(2) For comparative purposes, the Company has presented unaudited selected statement of income results for the 12 month period ended February 3, 2007.

(3) In June 2008, the FASB issued authoritative guidance which requires unvested share-payment awards that contain rights to receive non-forfeitable dividends or dividend equivalents to be included in the two-class method of computing earnings per share. The guidance also requires retrospective application to all periods presented. The Company adopted the guidance on February 1, 2009 and has applied it retrospectively to all periods presented herein.

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ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

Unless the context indicates otherwise, when we refer to "we," "us" or the "Company" in this Form 10-K, we are referring to Guess?, Inc. and its subsidiaries on a consolidated basis.

Business Segments

The Company's businesses are grouped into four reportable segments for management and internal financial reporting purposes: retail, wholesale, European and licensing. Information relating to these segments is summarized in Note 15 to the Consolidated Financial Statements. Management evaluates segment performance based primarily on revenue and earnings from operations. The Company believes this segment reporting reflects how its business segments are managed and each segment's performance is evaluated. The retail segment includes the Company's retail operations in North America. The wholesale segment includes the wholesale operations in North America and our Asian operations. The European segment includes both wholesale and retail operations in Europe and the Middle East. The licensing segment includes the worldwide licensing operations of the Company. The segment operating results exclude corporate overhead costs, which consist of shared costs of the organization. These costs are presented separately and generally include, among other things, the following unallocated corporate costs: information technology, human resources, accounting and finance, global advertising and marketing, executive compensation, facilities and legal.

We acquired Focus Europe S.r.l. ("Focus"), our former licensee for GUESS by MARCIANO products in Europe, the Middle East and Asia, in December 2006, and its Spanish subsidiary ("Focus Spain") in October 2007. We also acquired BARN S.r.l. ("Barn"), our former kids licensee in Europe, in January 2008. Each of these entities is reported in our European segment. G by GUESS is a relatively new retail brand concept that was launched in early fiscal 2008 and is included in our retail segment. Our South Korea and China businesses, which we have operated directly since January 2007 and April 2007, respectively, are also relatively new businesses for us and are reported in our wholesale segment. Our international jewelry license agreement, which expired in December 2009, was not renewed as the Company decided to directly operate this business going forward. Beginning in January 2010, the operating results of our international jewelry business are included in our European segment. Prior to that date, we recorded the related royalty income in our licensing segment.

Products

We derive our net revenue from the sale of GUESS?, GUESS by MARCIANO and G by GUESS men's and women's apparel, and our licensees' products through our worldwide network of retail stores, wholesale customers and distributors, as well as our on-line sites. We also derive royalty revenues from worldwide licensing activities.

Recent Global Economic Developments

The state of the global economy negatively impacted our results in fiscal 2010. When economic conditions deteriorated in the latter part of 2008, we reacted quickly by adjusting our short-term goals to focus on protecting our liquidity, strong balance sheet position, and the integrity of our brands. As a result, we limited our store expansion in North America and managed both inventories and costs carefully. While we believe conditions have become more stable and predictable, unfavorable macroeconomic conditions may continue to have a negative effect on our business.

The deterioration in the global economic environment has also resulted in significant volatility in the global currency markets. Since the majority of our international operations are conducted in currencies other than the U.S. dollar (primarily the euro, the Canadian dollar and the Korean won), currency

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fluctuations can have a significant impact on the translation of our international revenues and earnings into U.S. dollar amounts. During the first half of fiscal 2010, the U.S. dollar strengthened against these three currencies versus the comparable prior year period, unfavorably impacting the translation of our international revenues and earnings during that period. However, in the second half of fiscal 2010, the U.S. dollar weakened against these currencies versus the comparable prior year period, positively impacting the translation of our international revenues and earnings during that period.

In addition, some of our transactions that occur in Europe, Canada and South Korea are denominated in U.S. dollars, Swiss francs and British pounds exposing them to exchange rate fluctuations when converted to their local currencies. These transactions include U.S. dollar denominated purchases of merchandise, U.S. dollar and British pound intercompany liabilities and certain operating expenses denominated in Swiss francs. Fluctuations in exchange rates can impact the profitability of our foreign operations and reported earnings and are largely dependent on the transaction timing and magnitude during the period that the currency fluctuates. The Company enters into derivative financial instruments to manage exchange risk on certain foreign currency transactions. However, the Company does not hedge all transactions denominated in foreign currency.

Long-Term Growth Strategy

Despite the recent economic conditions, our key long-term strategies remain unchanged. Global expansion continues to be the cornerstone of our growth strategy. Our combined revenues outside of the U.S. and Canada currently represent approximately 45% of the total Company's revenues, compared to 21% in 2005. We expect this trend to continue as we expand both in Europe and Asia. Expanding our retail business across the globe is another important part of our growth strategy. We see opportunities to increase the number of GUESS? branded retail stores in Europe, as we expand outside of Italy, and also in North America, where we see opportunities particularly with our newer store concepts. We will continue to regularly evaluate and implement initiatives that we believe will build brand equity, grow our business and enhance profitability.

Our North American retail growth strategy is to increase retail sales and profitability by expanding our network of retail stores and improving the productivity and performance of existing stores. We will continue to emphasize our new G by GUESS store concept and our accessories business. This includes greater focus on our accessories line in our existing stores and the expansion of our GUESS? Accessories store concept. We plan to open 52 retail stores across all concepts in the U.S. and Canada during fiscal 2011.

In Europe, we will continue to focus on growing our business in the countries where our brand is well known but under penetrated. The Company is also planning to expand the number of directly operated GUESS? retail stores in Europe. We and our partners plan to continue our international expansion in Europe by opening 85 retail stores in fiscal 2011.

The Company's capital expenditures for the full fiscal year 2011 are planned at approximately \$180 million (before deducting estimated lease incentives of approximately \$10 million), which includes key money investments for new European stores. The planned capital expenditures are primarily for retail store expansion in the U.S. and Canada, store remodeling programs, expansion of our European retail business and infrastructure, investments in information systems, expansion of our Asian business, and other infrastructure improvements.

Other

The Company operates on a 52/53-week fiscal year calendar, which ends on the Saturday nearest to January 31 of each year. Fiscal years 2010, 2009 and 2008 all included 52 weeks.

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The Company reports National Retail Federation ("NRF") calendar comparable store sales on a quarterly basis for our full-price retail and factory outlet stores in the U.S. and Canada. A store is considered comparable after it has been open for 13 full months. If a store remodel results in a square footage change of more than 15%, or involves a relocation or a change in store concept, the store is removed from the comparable store base until it has been opened at its new size, in its new location or under its new concept for 13 full months.

Executive Summary

The Company

Net earnings attributable to Guess?, Inc. was \$242.8 million, or diluted earnings of \$2.61 per common share, for the year ended January 30, 2010, compared to net earnings attributable to Guess?, Inc. of \$213.6 million, or diluted earnings of \$2.25 per common share, for the year ended January 31, 2009. The fiscal 2010 and 2009 results included the unfavorable impact of long-lived asset impairment charges of \$4.7 million before taxes (or \$0.03 per diluted share) and \$24.4 million before taxes (or \$0.16 per diluted share), respectively. The asset impairment charges reflected the write-down of the asset base for a number of our retail stores primarily as a result of adverse retail conditions arising from the deterioration in the global economic environment.

During the first quarter ended May 2, 2009, the Company adopted authoritative guidance issued by the Financial Accounting Standards Board (the "FASB") which requires unvested share-payment awards that contain rights to receive non-forfeitable dividends or dividend equivalents to be included in the two-class method of computing earnings per share. The adoption negatively impacted diluted earnings per common share by approximately \$0.03 per share for each of the years ended January 30, 2010, January 31, 2009 and February 2, 2008. Refer to Note 16 of the Consolidated Financial Statements for further information.

Total net revenue increased 1.7% to \$2,128.5 million for the year ended January 30, 2010, from \$2,093.4 million in the prior year. Despite the difficult economic environment, our European, retail and wholesale segments all increased revenues in the current year, while royalty revenues were lower in our licensing business. Currency translation fluctuations relating to all our foreign operations unfavorably impacted net revenue in fiscal 2010 by \$47.0 million, driven mostly by the impact of fluctuations in the euro when translating revenues from our European segment.

Gross margin (gross profit as a percentage of total net revenues) increased slightly to 44.2% for the year ended January 30, 2010, compared to 44.1% in the prior year. Overall, the higher product margins in our retail and wholesale segments were offset by occupancy deleverage in our European and retail segments as a result of a larger mix of European retail stores and negative comparable store sales.

Selling, general and administrative ("SG&A") expenses decreased 1.9% to \$582.7 million for the year ended January 30, 2010, compared to \$593.8 million in the prior year. The decrease was driven by lower asset impairment charges on our retail stores and lower marketing expenses as compared to the prior year. The Company also benefited from the favorable impact of the stronger dollar versus the prior year when translating SG&A expenses for our foreign operations into U.S. dollars. The decrease was partially offset by higher store selling expenses in Europe to support our retail expansion in Europe, as well as higher performance-based and other compensation related expenses. SG&A expense as a percentage of revenues ("SG&A rate") improved by 100 basis points to 27.4% for the year ended January 30, 2010, compared to the prior year. The net impact of the asset impairment charges in the current and prior fiscal year accounted for all of this improvement.

Earnings from operations increased 9.1% to \$358.8 million for the year ended January 30, 2010, compared to \$328.8 million in the prior year. Operating margin increased 120 basis points to 16.9% for the year ended January 30, 2010, compared to 15.7% in the prior year due primarily to the lower SG&A rate.

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Currency translation fluctuations relating to all our foreign operations unfavorably impacted earnings from operations by \$7.8 million.

Other income, net, (including interest income and expense) totaled \$3.1 million for the year ended January 30, 2010, compared to other expense, net, of \$10.0 million in the prior year. The net gain for the year ended January 30, 2010 included mark-to-market gains related to our insurance policy investments, partially offset by mark-to-market losses related to the revaluation of foreign currency forward contracts and other foreign currency transactions. Other expense, net, for the year ended January 31, 2009 primarily resulted from the decline in value of insurance policy investments and other non-operating assets.

Our effective income tax rate decreased 70 basis points to 31.9% for the year ended January 30, 2010, compared to 32.6% in the prior year, primarily due to a higher proportion of earnings in lower tax jurisdictions.

The Company had \$502.1 million in cash and cash equivalents as of January 30, 2010, up \$208.0 million, compared to \$294.1 million as of January 31, 2009. Total debt, including capital lease obligations, as of January 30, 2010 was \$16.5 million, down \$22.1 million from \$38.6 million as of January 31, 2009. Accounts receivable increased by \$27.3 million, or 10.4%, to \$289.6 million at January 30, 2010, compared to \$262.3 million at January 31, 2009. The accounts receivable balance at January 30, 2010 included a positive translation impact of approximately \$18.9 million due to currency fluctuations compared to the prior year end. Inventory increased by \$6.5 million, or 2.7%, to \$246.2 million as of January 30, 2010, compared to \$239.7 million as of January 31, 2009.

Retail

Our retail segment, comprising North American full-priced retail stores, factory outlet stores and e-commerce, generated net sales of \$983.9 million during the year ended January 30, 2010, an increase of \$5.9 million, or 0.6%, from \$978.0 million in the prior year. The slight increase was driven by a larger store base, which represented a net 5.6% increase in average square footage compared to the year ended January 31, 2009, partially offset by a decline in comparable store sales of 4.5%, which included an unfavorable translation impact of currency fluctuations for our Canadian retail stores compared to the prior year. Retail earnings from operations increased by \$39.1 million, or 42.0%, to \$132.3 million for the year ended January 30, 2010, compared to \$93.2 million in the prior year. In addition, the operating margin increased by 390 basis points to 13.4% for the year ended January 30, 2010, compared to 9.5% for the year ended January 31, 2009. The increase in both earnings from operations and operating margin was driven by lower asset impairment charges, improved product margins, and lower SG&A expenses, partially offset by higher occupancy costs. The lower asset impairment charges in the retail segment of \$3.7 million during the year ended January 30, 2010, compared to \$23.3 million during the year ended January 31, 2009, favorably impacted operating margin by 200 basis points.

In the year, we opened 18 new stores in the U.S. and Canada and closed 11 stores. At January 30, 2010, we operated 432 stores in the U.S. and Canada, comprised of 191 full-priced GUESS? retail stores, 107 GUESS? factory outlet stores, 52 GUESS by MARCIANO stores, 44 G by GUESS stores and 38 GUESS? Accessories stores. This compares to 425 stores as of January 31, 2009.

Wholesale

Wholesale segment revenue increased by \$3.8 million, or 1.3%, to \$300.0 million for the year ended January 30, 2010, from \$296.2 million in the prior year. This increase was driven by higher sales in our Asian business, partially offset by lower sales in our North American wholesale business. Wholesale earnings from operations increased by \$5.5 million, or 12.1%, to \$51.0 million for the year ended January 30, 2010, compared to \$45.5 million in the prior year. Operating margin increased by 160 basis points to 17.0% for the year ended January 30, 2010, compared to 15.4% for the year ended January 31,

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2009. The operating margin expansion was primarily driven by product margin improvements and SG&A expense leverage in Asia compared to the prior year.

Europe

In Europe, revenues increased by \$28.2 million, or 3.9%, to \$747.2 million for the year ended January 30, 2010, compared to \$719.0 million in the prior year. The increase was primarily driven by higher sales in the retail business and sales from our new international jewelry business, partially offset by the unfavorable translation impact to revenues due to changes in foreign currency exchange rates. At January 30, 2010, we directly operated 84 stores in Europe compared to 61 stores at January 31, 2009. Earnings from operations from our European segment increased by \$4.6 million, or 2.7%, to \$173.2 million for the year ended January 30, 2010, compared to \$168.6 million in the prior year. Operating margin decreased 30 basis points to 23.2% for the year ended January 30, 2010, compared to 23.5% for the prior year. The decline resulted from higher occupancy costs, given our retail expansion in the region, mostly offset by a lower SG&A rate.

Licensing

Our licensing royalty revenues decreased by \$2.9 million, or 2.9%, to \$97.4 million, compared to \$100.3 million in the prior year. Earnings from operations for the year ended January 30, 2010, were essentially flat at \$86.6 million, compared to \$86.4 million in the prior year.

Corporate Overhead

Corporate overhead expenses increased by \$19.4 million, or 29.9%, to \$84.3 million for the year ended January 30, 2010, from \$64.9 million in the same prior year period. The increase was driven by higher performance-based and other compensation related expenses, and higher professional fees, partially offset by lower brand marketing expenses.

Global Store Count

In the year, together with our partners, we opened 161 new stores worldwide, including 90 stores in Europe and the Middle East, 45 stores in Asia, 18 stores in the U.S. and Canada and 8 stores in Central and South America. Together with our partners we closed 63 stores worldwide, including 22 stores in Europe and the Middle East, 29 stores in Asia, 11 stores in the U.S. and Canada and 1 store in Central and South America.

We ended fiscal 2010 with 1,210 stores worldwide, comprised as follows:

Region	Total Stores	Directly	
		Operated Stores	Licensee Stores
United States and Canada	432	432	
Europe and the Middle East	388	84	304
Asia	335	28	307
Other	55	13	42
Total	1,210	557	653

These stores exclude 229 concessions operated by us and our partners located primarily in South Korea and Greater China because of their smaller store size in relation to our standard international store size. Of the 778 stores located outside of the U.S. and Canada, 557 were GUESS? stores, 176 were GUESS? Accessories stores and 45 were GUESS by MARCIANO stores.

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Critical Accounting Policies and Estimates

The Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the U.S., which require management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on its historical experience and other relevant factors, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Management evaluates its estimates and judgments on an ongoing basis including those related to the valuation of inventories, accounts receivable allowances, sales return allowances, loyalty accrual, the useful life of assets for depreciation, restructuring expense and accruals, evaluation of impairment, recoverability of deferred taxes, workers compensation accruals, litigation accruals, pension obligations and stock-based compensation.

The Company believes that the following significant accounting policies involve a higher degree of judgment and complexity. In addition to the accounting policies mentioned below, see Note 1 to the Consolidated Financial Statements for other significant accounting policies.

Accounts receivable reserves

In the normal course of business, the Company grants credit directly to certain wholesale customers after a credit analysis is performed based on financial and other criteria. Accounts receivable are recorded net of an allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses that result from the inability of its wholesale customers to make their required payments. The Company bases its allowances on analysis of the aging of accounts receivable at the date of the financial statements, assessments of historical collection trends, an evaluation of the impact of current economic conditions and whether the Company has obtained credit insurance or other guarantees.

Costs associated with customer markdowns are recorded as a reduction to revenues, and are included in the allowance for accounts receivable. Historically, these markdown allowances resulted from seasonal negotiations with the Company's wholesale customers, as well as historical trends and the evaluation of the impact of economic conditions. During fiscal 2008, the Company renegotiated its arrangements with its major customers in the U.S. to fix the percentage of sales that will be expensed as markdown allowances. The negotiation of a fixed rate allows the Company to process credit memos against the outstanding balance immediately which has resulted in a reduction of our outstanding markdown allowance accrual.

Sales returns reserves

The Company accrues for estimated sales returns in the period in which the related revenue is recognized. To recognize the financial impact of sales returns, the Company estimates the amount of goods that will be returned based on historical experience and reduces sales and cost of sales accordingly based on historical return experience. The Company's policy allows retail customers a 30 day period to return merchandise following the date of sale. Substantially all of these returns are considered to be resalable at a price that exceeds the cost of the merchandise.

Inventory reserves

Inventories are valued at the lower of cost (weighted average method) or market. The Company continually evaluates its inventories by assessing slow moving product as well as prior seasons' inventory. Market value of aged inventory is estimated based on historical sales trends for each product line category, the impact of market trends, an evaluation of economic conditions and the value of current orders relating to the future sales of this type of inventory. The Company closely monitors its off-price sales to ensure the actual results closely match initial estimates. Estimates are regularly updated based upon this continuing review.

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Valuation of goodwill, intangible and other long-lived assets

The Company assesses the impairment of its long-lived assets (i.e., goodwill, intangible assets and property and equipment), which requires the Company to make assumptions and judgments regarding the carrying value of these assets on an annual basis, or more frequently if events or changes in circumstances indicate that the assets might be impaired. An asset is considered to be impaired if the Company determines that the carrying value may not be recoverable based upon its assessment of the asset's ability to continue to generate income from operations and positive cash flow in future periods or if significant changes in the Company's strategic business objectives and utilization of the assets occurred. If the assets (other than goodwill) are assessed to be recoverable, they are depreciated or amortized over the periods benefited. If the assets are considered to be impaired, an impairment charge is recognized representing the amount by which the carrying value of the assets exceeds the fair value of those assets. Fair value is determined based upon the discounted cash flows derived from the underlying asset. We use various assumptions in determining current fair market value of these assets, including future expected cash flows and discount rates. Future expected cash flows for store assets are based on management's estimates of future cash flows over the remaining lease period or expected life, if shorter. If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be exposed to future impairment losses that could be material to our results of operations. See Notes 1 and 5 to the Consolidated Financial Statements for further discussion.

Pension benefit plan actuarial assumptions

The Company's pension obligations and related costs are calculated using actuarial concepts, within the authoritative guidance framework. The discount rate is an important element of expense and/or liability measurement. We evaluate this critical assumption annually which enables us to state expected future payments for benefits as a present value on the measurement date. Refer to Note 10 to the Consolidated Financial Statements for Supplemental Executive Retirement Plan related information.

Litigation reserves

Estimated amounts for claims that are probable and can be reasonably estimated are recorded as liabilities in our consolidated balance sheet. The likelihood of a material change in these estimated reserves would be dependent on new claims as they may arise and the expected favorable or unfavorable outcome of each claim. As additional information becomes available, the Company assesses the potential liability related to new claims and existing claims and revises estimates as appropriate. As new claims arise, such revisions in estimates of the potential liability could materially impact the results of operations and financial position.

Share-based compensation

Effective January 1, 2006, the Company adopted the fair value recognition provisions of authoritative guidance using the modified prospective transition method. Under this method, compensation cost recognized after January 1, 2006 includes: (a) compensation expense for all share-based payments granted prior to, but not yet vested as of December 31, 2005, based on the grant date fair value and (b) compensation expense for all share-based payments granted on or after January 1, 2006, based on the grant date fair value estimated in accordance with authoritative guidance. The fair value of each stock option is estimated on the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions used for new grants. The risk-free interest rate is based on the U.S. Treasury yield curve in effect for the expected term of the option at the time of grant. The expected volatility is determined based on an average of both historical volatility and implied volatility. Implied volatility is derived from exchange traded options on the Company's common stock. The expected life used prior to November 2007 was based on the "simplified" method described in authoritative guidance. For options granted beginning November 2007, the expected term is determined based on historical trends. The

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dividend yield for 2006 and prior years was assumed to be zero since the Company had not historically declared and did not have a plan to declare dividends on an ongoing basis until the Board of Directors authorized and approved the initiation of quarterly dividends in February 2007. The expected dividend yield starting from 2007 is based on the Company's history and expectations of dividend payouts. The expected forfeiture rate is determined based on historical data. Compensation expense for new stock options and nonvested stock awards is recognized on a straight-line basis over the vesting period.

In addition, the Company grants certain nonvested stock awards and stock options that require the recipient to achieve certain minimum performance targets in order for these awards to vest. If the minimum performance targets have not been achieved or are not expected to be achieved, no expense is recorded during the period.

Income taxes

The Company adopted authoritative guidance in January 2007, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. Guidance was also provided on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The adoption of this guidance did not have a material impact on the Company's financial position and results of operations. The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense.

Deferred tax assets and liabilities are determined based on differences between financial reporting bases and tax bases of assets and liabilities and are measured using the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be realized or settled. Deferred tax assets are reduced by valuation allowances if we believe it is more likely than not that some portion or the entire asset will not be realized. As all earnings from the Company's foreign operations are permanently reinvested and not distributed, the Company's income tax provision does not include additional U.S. taxes on foreign operations.

Hedge accounting

The Company operates in foreign countries, which exposes it to market risk associated with foreign currency exchange rate fluctuations. The Company has entered into certain forward contracts to hedge the risk of foreign currency rate fluctuations. The Company has elected to apply the hedge accounting rules in accordance with authoritative guidance for certain of these hedges. The Company's objective is to hedge the variability in forecasted cash flows due to the foreign currency risk associated with certain anticipated inventory purchases, intercompany royalties and other expenses on a first dollar basis for specific months. Changes in the fair value of forward contracts designated as cash flow hedges are recorded as a component of accumulated other comprehensive income within stockholders' equity, and are recognized in cost of product sales, SG&A or other income and expenses in the period which approximates the time the hedged merchandise inventory is sold or the hedged operating expense and hedged intercompany royalty is incurred.

The Company also has foreign currency contracts that are not designated as hedges for accounting purposes. Changes in fair value of foreign currency contracts not qualifying as cash flow hedges are reported in net earnings as part of other income and expenses.

Table of Contents*Gift card breakage*

Gift card breakage is income recognized due to the non-redemption of a portion of gift cards sold by the Company for which a liability was recorded in prior periods. Beginning with the quarter ended August 4, 2007, these estimated breakage amounts are accounted for under the redemption recognition method and are classified as additional net revenues as the gift cards are redeemed. The Company determined a gift card breakage rate based upon historical redemption patterns, which represented the cumulative estimated amount of gift card breakage from the inception of the electronic gift card program in late 2002. Any future revisions to the estimated breakage rate may result in changes in the amount of breakage income recognized in future periods. See Note 1 to the Consolidated Financial Statements for further information regarding the recognition of gift card breakage.

RESULTS OF OPERATIONS

The following table sets forth actual operating results for the fiscal years ended January 30, 2010, January 31, 2009 and February 2, 2008 as a percentage of net revenue:

	Year Ended		
	Jan. 30,	Jan. 31,	Feb. 2,
	2010	2009	2008
