

GUESS INC  
Form 10-K  
March 31, 2009

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

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**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 31, 2009**

**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**

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**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:

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
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 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. (Check one):

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 2, 2008, 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 \$1,904,952,672 based upon the closing price of \$32.00 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 23, 2009, the registrant had 91,980,272 shares of common stock outstanding.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the registrant's 2009 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" or the "Company" in this Form 10-K, are referring 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, Question Mark and Triangle Design, a stylized G, GUESS Kids, Baby GUESS, YES, G by GUESS, GUESS by MARCIANO and MARCIANO. 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 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 (recently rebranded from MARCIANO to GUESS by MARCIANO), a more sophisticated fashion line targeted to women, and GUESS Kids, targeted to boys and girls ages six to twelve.

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

**Business Segments**

The business segments of the Company are retail, wholesale, European and licensing. The Company believes this segment reporting reflects how its four 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 business segments' 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 expenditures, executive compensation, facilities and legal. Financial information about each segment, together with certain geographical information, for the fiscal years ended January 31, 2009, February 2, 2008, December 31, 2006 and one month ended February 3, 2007 are included under Note 15 to the Consolidated Financial Statements contained herein.

In the fiscal year ended January 31, 2009, 46.7% of our net revenue was generated from retail operations, 14.2% from wholesale operations, 34.3% from European operations and 4.8% from licensing operations. Our total net revenue in fiscal 2009 was \$2.09 billion and net earnings were \$213.6 million.

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**Business Strengths**

We believe we have several business strengths which help us to successfully execute our strategies. These business strengths include:

**Brand Equity.** We believe that our brand name is one of the most familiar in fashion and is one of our most valuable assets. We believe the enduring strength of the GUESS? brand name and image is due mainly to our consistent emphasis on innovative and distinctive product designs that stand for exceptional styling and quality. Our industry is highly competitive and subject to rapidly changing consumer preferences and tastes. The success of our brand depends on our ability to anticipate the fashion preferences of our customers. We have a team of designers who seek to identify global fashion trends and interpret them for the style-conscious consumer while retaining the distinctive GUESS? image.

Through our award-winning advertising, under the creative leadership and vision of Paul Marciano, our Chief Executive Officer, we have achieved worldwide recognition of the GUESS? brand name. We have developed the "GUESS? signature image" and "GUESS? lifestyle concept" through the use of our strong and distinctive images, merchandising display themes, logos and trademarks which are registered in approximately 170 countries. We control all of our worldwide advertising, marketing activities and promotional materials from our headquarters in Los Angeles. GUESS by MARCIANO, GUESS? and Triangle Design and GUESS?, Inc. images have been showcased globally in dozens of major publications as well as in outdoor and broadcast media. We communicate the GUESS? image through the use of our signature black and white print advertisements, as well as color print advertisements, designed by our in-house advertising department. We have maintained a high degree of consistency in our advertisements by using similar themes and images. We 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.

**Global Diversity.** The global success of the brand has reduced the reliance on any particular region. This allows the Company to continue to grow during regional economic slowdowns. For the year ended January 31, 2009, over half of our revenues were generated outside of the U.S. Refer to Note 15 to the Consolidated Financial Statements contained herein for a geographical breakdown of worldwide revenues.

**Multiple Distribution Channels.** The Company utilizes retail, wholesale, e-commerce and licensing distribution channels to sell its products. The Company has retail and wholesale networks established in each major region in which we operate. This flexibility allows the Company to adapt more quickly to changes in the distribution environment in any particular region.

**Retail Distribution.** At January 31, 2009, we directly operated a total of 425 stores in the U.S. and Canada and 96 stores outside of the U.S. and Canada. The 425 stores in the U.S. and Canada are comprised of 192 full-price GUESS? retail stores, 104 GUESS? factory outlet stores, 52 GUESS by MARCIANO stores, 43 G by GUESS stores and 34 GUESS? Accessories stores. The 96 international stores consist of 61 stores in Europe, 24 stores in Asia and 11 stores in Mexico. This does not include a further 109 directly operated concessions in Europe and Asia that are not included in our store count due to their smaller size. Our retail network creates an upscale and inviting shopping environment and enhances our image. Distribution through our retail stores allows us to influence the merchandising and presentation of our products, build brand equity and test new product design concepts. Our GUESS? and G By GUESS retail stores carry a full assortment of men's and women's merchandise, including most of the GUESS? and G by GUESS licensed products. Our GUESS? factory outlet stores are primarily located in outlet malls generally operating outside the shopping radius of our wholesale customers and our own full-price GUESS? retail stores. Our GUESS by MARCIANO stores carry a full assortment of women's merchandise. In addition, we continue to grow our online retail business.

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Our websites, www.guess.com, www.gbyguess.com, www.guessbymarciano.com, www.marciano.com, www.guess.ca, www.guessbymarciano.ca and www.shopmarciano.ca are virtual storefronts that both distribute our products and promote our brands.

**Licensee Stores.** Outside of North America and South Korea, the Company primarily utilizes a licensed-retail store approach to distribute its products as opposed to a directly-operated approach. This allows the Company to expand its operations with a lower level of capital investment. Our international licensees and distributors operated 594 stores located in approximately 73 countries outside the U.S. and Canada at January 31, 2009. This store count does not include 68 licensee operated jean and accessory concessions located in Asia because of their smaller store size in relation to our standard international store size. We work closely with international licensees and distributors to ensure that their store designs and merchandise programs protect the reputation of the GUESS? trademarks.

**Wholesale Distribution.** We have both domestic and international wholesale distribution channels. U.S. wholesale customers consist primarily of better department stores and select specialty retailers and upscale boutiques, which have the image and merchandising expertise that we require for the effective presentation of our products. Leading U.S. wholesale customers include Macy's, Inc. and Dillard's, Inc. At January 31, 2009, our products were sold directly to consumers from approximately 1,057 major doors in the U.S. These locations include approximately 374 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 European wholesale business is more fragmented and we 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 found in major cities throughout Canada, Africa, Asia, Australia, the Middle East, Mexico, the Caribbean and South America.

**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 carefully select our trademark licensees and approve in advance all product design, advertising and packaging materials of all licensed products in order to maintain a consistent GUESS? image. We currently have 22 domestic and international licenses that include eyewear, watches, handbags, footwear, kids' and infants' apparel, lingerie, leather outerwear, fragrance, jewelry and other fashion accessories. We have also granted licenses for the manufacture or sale of GUESS? branded products in markets which include Africa, Asia, Australia, Europe, the Middle East, Mexico, the Caribbean, North America and South America.

**Business Growth Strategies**

We regularly evaluate and implement initiatives that we believe will build brand equity, grow our business and enhance profitability. However, the deterioration of the global economic environment over the past several months has negatively impacted the level of consumer spending for discretionary items. This has affected our business as it is dependent on consumer demand for our products. In North America, we have experienced a significant slowdown in customer traffic and a highly promotional environment. These same conditions are now spreading to many of our international markets. We have reacted accordingly and have adjusted our near term strategic goals to protect our liquidity and strong balance sheet position. If the global macroeconomic environment continues to be weak or deteriorates further, the ability to implement our business growth strategies could be impacted in the near term by our desire to

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preserve capital, resulting in a more risk averse investment strategy. Despite the current economic conditions, our key growth strategies in the long term remain as follows:

**Leveraging the GUESS? Brand.** We believe the GUESS? brand is an integral part of our business, a significant strategic asset and a primary source of sustainable competitive advantage. It communicates a distinctive image that is fun, fashionable and sexy. Brand loyalty, name awareness, perceived quality, strong brand images, public relations, publicity, promotional events and trademarks all contribute to brand integrity. Our design teams visit the world's premier fashion locations in order to identify important style trends and to discover new fabrics. We will continue this practice while promoting our innovative designs through stylish advertising campaigns that advance the GUESS? image. Our marketing programs are designed to convey a uniform style image for the brand and are aimed at increasing the desire of the target group to join our GUESS? customer group.

**International Expansion.** 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. The Company has made several key acquisitions in Europe during the past few years, as discussed under "Acquisition Strategy" below. Our European segment's earnings from operations now represent roughly half of the total Company consolidated earnings from operations. The Company continues to view Europe and Asia as our key growth priorities and our international licensees as key strategic partners. In fiscal 2009, we, along with our distributors and licensees, opened 168 stores in all concepts combined outside of the U.S. and Canada, comprised of 99 stores in Europe and the Middle East, 55 stores in Asia and 14 stores in the combined area of Mexico, Central and South America, bringing the total number of such stores to 690 at year end. This store count does not include 177 jean and accessory concessions located in Asia and Europe because of their smaller store size in relation to our standard international store size. In Mexico, our joint venture is currently distributing through three major department store chains, Liverpool, El Palacio de Hierro and Chapur, with 173 shop-in-shop locations and eleven GUESS? free-standing stores. We plan to continue our international expansion by opening approximately 126 new stores in fiscal 2010 outside of the U.S. and Canada, primarily through our international licensees and distributors.

**North American Retail Store Strategy and Expansion Plans.** Our North American retail growth strategy is to increase retail sales and profitability by expanding our network of retail stores and improving the performance of existing stores. During fiscal 2009, we opened a total of 57 new stores in the U.S. and Canada consisting of nine full-price retail stores, seven factory outlet stores, ten G by GUESS stores, 14 GUESS by MARCIANO stores and 17 GUESS? Accessories stores. We also closed five stores and converted one full-price retail store to a GUESS? Accessories store during the year.

Our retail locations build brand awareness and contribute to market penetration and growth of the brand. In fiscal 2009, we increased our retail average square footage by 12.8% to a total of 1,953,600 square feet in the U.S. and Canada. In light of the economic downturn in North America in the second half of fiscal 2009, we plan to be very selective with new store locations for fiscal 2010. At this time, the Company is committed to opening 15 new stores during fiscal 2010 in the U.S. and Canada, consisting of five GUESS? Accessories, four full-price retail, four factory outlet and two G by GUESS stores. The Company will continue to evaluate other opportunities that may arise based on the individual merits and economics of each potential store.

The Company has attributed its historical growth in this segment to the strength of the brand, the quality of our product assortment, the introduction of new product categories, the development of a motivated team of sales professionals to service our customers and provide a favorable shopping experience, quality real estate in high-traffic shopping centers, and a diversified mix of store concepts.

Our newer store concepts leverage our brand recognition and the reputation we have for sexy, contemporary styling to extend the appeal of our brand. As part of our retail growth strategy, in fiscal 2008



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we launched our newest brand store concept, G by GUESS. We currently have 43 G by GUESS stores in North America. G by GUESS is aimed to capture a market demographic that shops price points between factory and retail. The G by GUESS brand is distributed only in G by GUESS stores and carries apparel, accessories and footwear for both men and women that is aspirational, timeless and fun. The stores have a fresh feel, directed toward a full customer experience, with fashion-forward, but not cutting edge fashion. The stores have a slightly smaller footprint than Guess? stores. We also recently changed the name of our MARCIANO concept in the U.S. and Canada to GUESS by MARCIANO. This change further allows us to leverage the GUESS? brand. In addition, we continue to emphasize our Accessories line. This includes greater focus on our Accessories line in our existing stores as well as continuing to develop and open additional GUESS? Accessories stores. We shall continue to monitor the performance of these store concepts carefully and make adjustments where necessary.

**Continue to Develop our Licensee Portfolio.** One of our primary objectives is to maintain the quality and reputation of the GUESS? brand. In order to accomplish this goal, we will continue to strategically reposition our licensing portfolio by constantly monitoring and evaluating the performance of our licensees worldwide and their strengths and capabilities to appropriately represent our brand. As part of this process, we will consider bringing apparel licenses in-house, where appropriate. If we determine that licensees are performing inadequately, we will, from time to time, discontinue the existing relationship and seek out a stronger replacement licensee.

In 2006, we entered into a joint venture with Adivina S.A. de. C.V. to oversee the revitalization and expansion of the GUESS? brand in Mexico. We also signed a new license with a European licensee to develop and manufacture lingerie and swimwear under the GUESS? trademark in Europe and certain other countries. In 2005, we successfully renegotiated license agreements with our existing licensees for watches, handbags and eyewear on terms that were significantly improved over our prior arrangements and began shipping our new fragrance line. In addition, in 2004, we signed a new footwear license with Marc Fisher LLC to develop, manufacture and distribute athletic and fashion footwear under the GUESS? trademark in the U.S. and several countries worldwide and began shipping footwear products in 2005. We believe these were important steps in expanding our presence both domestically and globally. We will continue to examine strategic opportunities to expand our licensee portfolio by developing new licensees that can expand our brand penetration and complement the GUESS? image.

**Acquisition Strategy.** 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 10 years. 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 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.

**Improved Product Sourcing.** In fiscal 2009, we have continued to execute on our strategic vision to deploy a global sourcing and product development platform to service our worldwide retail and wholesale channels. Over the past year, these actions have helped to support our global revenue growth. We believe that our balanced global sourcing platform provides us with a powerful competitive advantage.

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Our sourcing strategy has allowed us to reduce costs by sourcing from Asia, while accomplishing shorter lead-times from our Western Hemisphere vendors for our North American customers.

Our product sourcing strategy includes the roll-out of our global calendar and a concerted effort to reduce the number of suppliers while cultivating deeper partnerships with our key vendors. The global calendar is the roadmap for our global operations, enabling us to continue integrating our North American and European design and supply chains. Our vision of offering a global core product assortment, through collaboration between our U.S. and Italian based design teams continues to be our primary focus. We have maintained skilled sourcing and product development teams in Los Angeles, California and Florence, Italy, while continuing to develop our sourcing team in Hong Kong. Los Angeles will remain the hub of denim development.

**e-Commerce.** Our websites, [www.guess.com](http://www.guess.com), [www.gbyguess.com](http://www.gbyguess.com), [www.guessbymarciano.com](http://www.guessbymarciano.com), [www.marciano.com](http://www.marciano.com), [www.guess.ca](http://www.guess.ca), [www.guessbymarciano.ca](http://www.guessbymarciano.ca) and [www.shopmarciano.ca](http://www.shopmarciano.ca) are virtual storefronts that 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 also they have improved customer service and are fun and entertaining alternative-shopping environments. These sites also provide fashion information and a mechanism for customer feedback while promoting customer loyalty and enhancing our brand identity through interactive content. In fiscal 2009, these combined sites experienced continued growth and generated net sales in excess of the top retail GUESS? store in the chain.

### **Product Categories**

**Apparel Products.** Our apparel products are organized into two primary categories: women's and men's apparel. To take advantage of contemporary trends, we complement our core basic styles with more fashion-oriented items. We add new styles, treatments and finishes to our denim assortment on a continuous basis.

These products are primarily sold under the GUESS? brand. However, our line of women's apparel also includes the GUESS by MARCIANO product line, a full collection of better women's apparel incorporating a sophisticated, high fashion combination of colors and styles. In fiscal 2008, we also launched our G by GUESS line of women's and men's products to complement our GUESS? and GUESS by MARCIANO brands.

**Licensed Products.** The high level of desirability of the GUESS? brand among consumers has allowed us to selectively expand our product categories into other lines that include handbags, watches, footwear, fragrance, eyewear, jewelry and swimwear. The design and manufacturing of our accessories and footwear lines are licensed to third parties who distribute these products under licensing arrangements with the Company. We recorded net royalties of \$100.3 million in fiscal 2009.

### **Distribution Channels**

We derive net revenue from the following primary sources:

The sale of our products through our network of directly operated retail and factory outlet stores in the U.S. and Canada and through our on-line stores,

The sale of our products through our network of wholesale customers and distributors in the U.S., Canada and Asia and the sale of our products through our network of licensee operated stores and directly operated stores in Asia,

The sale of our products through our network of distributors, agents, licensee operated stores and our directly operated stores in Europe, and

Royalties from worldwide licensing activities.

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The following table sets forth our net revenue from our business segments:

	January 31, 2009		Year Ended(1) February 2, 2008		February 3, 2007	
	(dollars in thousands)					
<b>Net revenue:</b>						
Retail operations	\$ 977,980	46.7%	\$ 862,381	49.3%	\$ 741,104	59.1%
Wholesale operations	296,181	14.2	258,445	14.8	152,623	12.2
European operations	718,964	34.3	538,358	30.7	291,801	23.3
Net revenue from product sales	1,993,125	95.2	1,659,184	94.8	1,185,528	94.6
Licensing operations	100,265	4.8	90,732	5.2	67,136	5.4
<b>Total net revenue</b>	<b>\$2,093,390</b>	<b>100.0%</b>	<b>\$1,749,916</b>	<b>100.0%</b>	<b>\$1,252,664</b>	<b>100.0%</b>

(1)

The Company changed its year end from December 31 to a 52-53 week year ending on the Saturday closest to January 31. The year ended February 2, 2008 was the first full year on the new fiscal calendar. The table provides unaudited revenue data for the comparable prior 12 months ended February 3, 2007.

### **U.S. and Canada Retail Operations**

At January 31, 2009, our U.S. and Canada retail operations, which comprise directly operated stores in both the U.S. and Canada, consisted of 192 full-price retail, 104 factory outlet, 52 GUESS by MARCIANO, 43 G by GUESS and 34 GUESS? Accessories stores which sell GUESS?, GUESS by

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MARCIANO and G by GUESS labeled apparel and accessory products. Below is a summary of store statistics.

	Jan. 31, 2009	Feb. 2, 2008	Feb. 3, 2007
<b>GUESS? Retail stores:</b>			
U.S.	145	140	148
Canada	47	47	43
	192	187	191
<b>GUESS? Factory stores:</b>			
U.S.	87	81	88
Canada	17	16	14
	104	97	102
<b>GUESS by MARCIANO stores:</b>			
U.S.	35	26	18
Canada	17	12	7
	52	38	25
<b>G by GUESS stores:</b>			
U.S.	43	34	
	43	34	
<b>GUESS? Accessories stores:</b>			
U.S.	27	13	12
Canada	7	4	4
	34	17	16
<b>Total</b>	<b>425</b>	<b>373</b>	<b>334</b>
<b>Square footage at fiscal year end</b>	<b>1,953,600</b>	<b>1,759,000</b>	<b>1,610,000</b>
<b>Sales per average annual square foot</b>	<b>\$ 502</b>	<b>\$ 504</b>	<b>\$ 458</b>

**GUESS? Retail Stores.** At January 31, 2009, our full price North American retail stores occupied approximately 956,000 square feet and ranged in size from approximately 2,000 to 13,500 square feet, with most stores between 3,000 and 6,000 square feet. Our retail stores carry a full assortment of men's and women's GUESS? merchandise, including most of our licensed products. In fiscal 2009, we opened nine new retail stores, closed three stores and converted one full price retail store to a GUESS? Accessories store. Sales per square foot for our full price U.S. and Canada retail stores, not including factory outlet or new concept stores, decreased from \$515 in fiscal 2008 to \$509 in fiscal 2009.

**GUESS? Factory Outlet Stores.** At January 31, 2009, our U.S. and Canada factory outlet stores occupied approximately 562,000 square feet and ranged in size from approximately 2,000 to 11,000 square feet, with most stores between 4,500 and 6,000 square feet. They 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 GUESS? apparel and licensed products at lower price points. We also use the factory outlet stores to liquidate excess inventory and thereby protect the GUESS? image. In fiscal 2009, we opened seven new factory stores. Sales per square foot for our U.S. and Canada factory outlet stores increased from \$509 in fiscal 2008 to \$542 in fiscal 2009.

**GUESS by MARCIANO Stores.** At January 31, 2009, our GUESS by MARCIANO stores occupied approximately 147,000 square feet and ranged in size from approximately 1,500 to 6,500 square feet, with most stores between 2,000 and 3,000 square feet. This concept now leverages the name recognition of the

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GUESS brand and the reputation we have for sexy, contemporary styling to extend the appeal of our brand to a slightly older, more sophisticated customer. In fiscal 2009, we opened 14 new GUESS by MARCIANO stores. Sales per square foot for our GUESS by MARCIANO stores decreased from \$606 in fiscal 2008 to \$571 in fiscal 2009.

**G by GUESS Stores.** At January 31, 2009 our G by GUESS stores occupied approximately 223,000 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. G by GUESS is aimed to capture a market demographic that shops price points between factory and retail and carries apparel for both men and women and a full line of accessories and footwear that is aspirational, timeless and fun. The stores have a fresh feel, directed toward a full customer experience, with fashion-forward, but not cutting edge fashion. In fiscal 2009, we opened ten new G by GUESS stores and closed one store. Sales per square foot for our G by GUESS stores increased from \$264 in fiscal 2008 to \$272 in fiscal 2009.

**GUESS? Accessories Stores.** At January 31, 2009, our GUESS? Accessories concept stores occupied approximately 65,000 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. The GUESS? Accessories stores enable us to build a more meaningful presence and variety in our retail segment. In fiscal 2009, we opened 17 new GUESS? Accessories stores, closed one store and converted one full-price retail store to a GUESS? Accessories store. Sales per square foot for our GUESS? Accessories stores decreased from \$738 in fiscal 2008 to \$717 in fiscal 2009.

**Wholesale Customers**

The majority of our revenues reported in our wholesale segment are generated from our North American wholesale customers that consist primarily of better department stores, select specialty retailers and upscale boutiques. Leading domestic wholesale customers include Macy's, Inc. and Dillard's, Inc. During fiscal 2009, our products were sold directly to consumers through approximately 1,057 major doors in the U.S. Our wholesale merchandising strategy is to focus on trend-right products supported by key fashion basics.

We have sales representatives in New York and Los Angeles. They coordinate with customers to determine the inventory level and product mix that should be carried in each store to maximize retail sell-throughs and enhance the customers' profit margins. The inventory level and product mix are then used as the basis for developing sales projections and product needs for each wholesale customer and for scheduling production. Additionally, we use merchandise coordinators who work with the stores to ensure that our products are displayed appropriately.

A few of our domestic wholesale customers, including some under common ownership, have accounted for significant portions of our net revenue. During fiscal 2009, Macy's, Inc. was our largest domestic wholesale customer and accounted for approximately 4.1% of our consolidated net revenue. During the past year, we continued to see our domestic wholesale operations become a smaller portion of our overall business as our international businesses expanded.

Our European wholesale business relies on a large number of smaller regional distributors and agents to distribute our products. Our Asian wholesale customer base is primarily comprised of a small number of selected distributors with which we have contractual distribution arrangements.

**International Stores**

The Company's international retail network is comprised of a mix of directly operated and licensee operated GUESS? and GUESS by MARCIANO retail and outlet stores. Our retail store license agreements generally provide detailed guidelines for store fixtures and merchandising programs. The appearance, merchandising and service standards of these stores, which are typically smaller than our

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standard North American stores, are closely monitored to ensure that our image and brand integrity are maintained at the same level as our directly operated stores in the U.S. and Canada.

For the year ended January 31, 2009, together with our partners we opened 168 new stores, including 99 in Europe, 55 in Asia and 14 in the combined area of Mexico, Central and South America. We ended the year with 690 stores outside of the U.S. and Canada, of which 488 were GUESS? stores, 46 were GUESS by MARCIANO stores, and 156 were GUESS? Accessories