

GUESS INC
Form 10-Q
June 02, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 29, 2017

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number: 1-11893
GUESS?, INC.

(Exact name of registrant as specified in its charter)
Delaware 95-3679695
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1444 South Alameda Street
Los Angeles, California 90021
(Address of principal executive offices) (Zip Code)
(213) 765-3100

(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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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 May 30, 2017, the registrant had 83,239,184 shares of Common Stock, \$.01 par value per share, outstanding.

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GUESS?, INC.

FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

GUESS?, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	Apr 29, 2017 (unaudited)	Jan 28, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$316,395	\$396,129
Accounts receivable, net	193,643	225,537
Inventories	402,673	367,381
Other current assets	66,695	54,965
Total current assets	979,406	1,044,012
Property and equipment, net	245,131	243,005
Goodwill	34,560	34,100
Other intangible assets, net	6,269	6,504
Deferred tax assets	82,593	82,793
Restricted cash	1,529	1,521
Other assets	122,636	122,550
	\$1,472,124	\$1,534,485
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of borrowings	\$571	\$566
Accounts payable	207,215	209,616
Accrued expenses	116,780	135,271
Total current liabilities	324,566	345,453
Long-term debt	23,322	23,482
Deferred rent and lease incentives	79,973	80,209
Other long-term liabilities	99,351	99,895
	527,212	549,039
Redeemable noncontrolling interests	5,585	4,452
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$.01 par value. Authorized 10,000,000 shares; no shares issued and outstanding	—	—
Common stock, \$.01 par value. Authorized 150,000,000 shares; issued 141,166,919 and 140,509,974 shares, outstanding 83,255,709 and 84,069,492 shares, as of April 29, 2017 and January 28, 2017, respectively	833	841
Paid-in capital	484,506	480,435
Retained earnings	1,174,495	1,215,079
Accumulated other comprehensive loss	(150,292)	(161,389)
Treasury stock, 57,911,210 and 56,440,482 shares as of April 29, 2017 and January 28, 2017, respectively	(583,426)	(565,744)
Guess?, Inc. stockholders' equity	926,116	969,222
Nonredeemable noncontrolling interests	13,211	11,772

Total stockholders' equity	939,327	980,994
	\$1,472,124	\$1,534,485

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF LOSS

(in thousands, except per share data)

(unaudited)

	Three Months Ended	
	Apr 29, 2017	Apr 30, 2016
Product sales	\$438,320	\$426,468
Net royalties	20,261	22,347
Net revenue	458,581	448,815
Cost of product sales	313,939	306,056
Gross profit	144,642	142,759
Selling, general and administrative expenses	167,399	165,501
Asset impairment charges	2,762	153
Restructuring charges	—	6,083
Loss from operations	(25,519)	(28,978)
Other income (expense):		
Interest expense	(414)	(520)
Interest income	871	651
Other income (expense), net	2,432	(1,098)
	2,889	(967)
Loss before income tax benefit	(22,630)	(29,945)
Income tax benefit	(1,403)	(4,791)
Net loss	(21,227)	(25,154)
Net earnings attributable to noncontrolling interests	66	24
Net loss attributable to Guess?, Inc.	\$(21,293)	\$(25,178)
Net loss per common share attributable to common stockholders (Note 2):		
Basic	\$(0.26)	\$(0.30)
Diluted	\$(0.26)	\$(0.30)
Weighted average common shares outstanding attributable to common stockholders (Note 2):		
Basic	83,010	83,514
Diluted	83,010	83,514
Dividends declared per common share	\$0.225	\$0.225

See accompanying notes to condensed consolidated financial statements.

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GUESS?, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (LOSS)

(in thousands)

(unaudited)

	Three Months Ended	
	Apr 29, 2017	Apr 30, 2016
Net loss	\$(21,227)	\$(25,154)
Other comprehensive income (loss) ("OCI"):		
Foreign currency translation adjustment		
Gains arising during the period	12,835	43,152
Derivative financial instruments designated as cash flow hedges		
Gains (losses) arising during the period	446	(12,243)
Less income tax effect	(322)	2,363)
Reclassification to net loss for gains realized	(661)	(1,416)
Less income tax effect	85	271
Marketable securities		
Gains arising during the period	—	1
Defined benefit plans		
Foreign currency and other adjustments	(14)	(164)
Less income tax effect	1	15
Net actuarial loss amortization	117	86
Prior service credit amortization	(7)	(7)
Less income tax effect	(21)	(19)
Total comprehensive income (loss)	(8,768)	6,885
Less comprehensive income attributable to noncontrolling interests:		
Net earnings	66	24
Foreign currency translation adjustment	1,362	521
Amounts attributable to noncontrolling interests	1,428	545
Comprehensive income (loss) attributable to Guess?, Inc.	\$(10,196)	\$6,340

See accompanying notes to condensed consolidated financial statements.

Table of ContentsGUESS?, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended	
	Apr 29, 2017	Apr 30, 2016
Cash flows from operating activities:		
Net loss	\$(21,227)	\$(25,154)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of property and equipment	14,586	16,215
Amortization of intangible assets	425	465
Share-based compensation expense	3,963	4,232
Unrealized forward contract losses	360	4,708
Net loss on disposition of property and equipment	3,458	178
Other items, net	(453)	(935)
Changes in operating assets and liabilities:		
Accounts receivable	32,480	44,957
Inventories	(32,906)	(33,973)
Prepaid expenses and other assets	(9,428)	(10,410)
Accounts payable and accrued expenses	(18,855)	(29,112)
Deferred rent and lease incentives	24	161
Other long-term liabilities	(2,374)	(2,043)
Net cash used in operating activities	(29,947)	(30,711)
Cash flows from investing activities:		
Purchases of property and equipment	(18,846)	(17,841)
Proceeds from sale of long-term assets	—	7,500
Changes in other assets	(703)	—
Acquisition of businesses, net of cash acquired	(175)	(55)
Net cash settlement of forward contracts	490	310
Net cash used in investing activities	(19,234)	(10,086)
Cash flows from financing activities:		
Payment of debt issuance costs	—	(111)
Proceeds from borrowings	—	21,500
Repayment of borrowings and capital lease obligations	(143)	(472)
Dividends paid	(18,946)	(19,256)
Noncontrolling interest capital contribution	962	1,876
Issuance of common stock, net of tax withholdings on vesting of stock awards	(6)	262
Purchase of treasury stock	(17,827)	—
Net cash provided by (used in) financing activities	(35,960)	3,799
Effect of exchange rates on cash, cash equivalents and restricted cash	5,415	19,032
Net change in cash, cash equivalents and restricted cash	(79,726)	(17,966)
Cash, cash equivalents and restricted cash at the beginning of the year	397,650	445,999
Cash, cash equivalents and restricted cash at the end of the period	\$317,924	\$428,033
Supplemental cash flow data:		
Interest paid	\$270	\$310
Income taxes paid	\$3,729	\$5,335

See accompanying notes to condensed consolidated financial statements.

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GUESS?, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

April 29, 2017

(unaudited)

(1) Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of Guess?, Inc. and its subsidiaries (the “Company”) contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the condensed consolidated balance sheets as of April 29, 2017 and January 28, 2017, the condensed consolidated statements of loss, comprehensive income (loss) and cash flows for the three months ended April 29, 2017 and April 30, 2016. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) for interim financial information and the instructions to Rule 10-01 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they have been condensed and do not include all of the information and footnotes required by GAAP for complete financial statements. The results of operations for the three months ended April 29, 2017 are not necessarily indicative of the results of operations to be expected for the full fiscal year. These financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended January 28, 2017.

The three months ended April 29, 2017 had the same number of days as the three months ended April 30, 2016. All references herein to “fiscal 2018,” “fiscal 2017” and “fiscal 2016” represent the results of the 53-week fiscal year ending February 3, 2018 and the 52-week fiscal years ended January 28, 2017 and January 31, 2016, respectively.

Reclassifications

The Company has made certain reclassifications to prior year amounts to conform to the current period presentation within the accompanying notes to the condensed consolidated financial statements.

New Accounting Guidance

Changes in Accounting Policies

In July 2015, the Financial Accounting Standards Board (“FASB”) issued authoritative guidance to simplify the subsequent measurement of inventories by replacing the lower of cost or market test with a lower of cost or net realizable value test. The Company adopted this guidance effective January 29, 2017 on a prospective basis. The adoption of this guidance did not have a material impact on the Company’s condensed consolidated financial statements or related disclosures.

In March 2016, the FASB issued authoritative guidance to simplify the accounting for certain aspects of share-based compensation. This guidance addresses the accounting for income tax effects at award settlement, the use of an expected forfeiture rate to estimate award cancellations prior to the vesting date and the presentation of excess tax benefits and shares surrendered for tax withholdings on the statement of cash flows. The Company adopted this guidance effective January 29, 2017. This guidance requires all income tax effects of awards (resulting from an increase or decrease in the fair value of an award from grant date to the vesting date) to be recognized in the income statement when the awards vest or are settled which is a change from previous guidance that required such activity to be recorded in paid-in capital within stockholders’ equity. The Company adopted this provision prospectively and accordingly recorded tax shortfalls of approximately \$0.6 million as a decrease to the Company’s income tax benefit in its condensed consolidated statement of loss during the three months ended April 29, 2017. This resulted in a negative impact on net loss attributable to Guess?, Inc. of approximately \$0.6 million, or an unfavorable \$0.01 per share impact during the three months ended April 29, 2017. Under this guidance, excess tax benefits are also excluded from the assumed proceeds available to repurchase shares in the computation of diluted earnings (loss) per share. This was adopted prospectively and did not have an impact on the Company’s diluted loss per share for the three months ended April 29, 2017. This guidance also eliminates the requirement to estimate forfeitures, but rather provides for an election that would allow entities to account for forfeitures as they occur. The Company adopted this election beginning in the first quarter of fiscal 2018 using the modified

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retrospective method and recorded a cumulative adjustment to reduce retained earnings by approximately \$0.3 million. This guidance also changes the presentation of excess tax benefits from a financing activity to an operating activity in the statement of cash flows. This presentation was adopted on a retrospective basis and, as a result, net cash used in operating activities decreased by \$0.1 million with a corresponding offset to net cash provided by financing activities during the three months ended April 30, 2016.

In August 2016, the FASB issued authoritative guidance related to the classification of certain cash receipts and cash payments in the statement of cash flows. The Company adopted this guidance effective January 29, 2017 on a retrospective basis. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements or related disclosures.

In October 2016, the FASB issued authoritative guidance that requires an entity to include indirect interests held through related parties that are under common control on a proportionate basis when evaluating if a reporting entity is the primary beneficiary of a variable interest entity. The Company adopted this guidance effective January 29, 2017. The adoption of this guidance did not have an impact on the Company's condensed consolidated financial statements or related disclosures.

In November 2016, the FASB issued authoritative guidance related to the presentation of restricted cash in the statement of cash flows. This guidance requires that the statement of cash flows reconcile the change during the period in total cash, cash equivalents and restricted cash. The Company's restricted cash is generally held as collateral for certain transactions. The Company adopted this guidance effective January 29, 2017 on a retrospective basis. As a result, the Company updated its condensed consolidated statements of cash flows for the three months ended April 29, 2017 and April 30, 2016 to include restricted cash with cash and cash equivalents when reconciling the beginning and end of period balances and to eliminate changes in restricted cash that have historically been included within operating and investing activities.

Recently Issued Accounting Guidance

In May 2014, the FASB issued a comprehensive new revenue recognition standard which will supersede previous existing revenue recognition guidance. The standard is intended to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. GAAP and International Financial Reporting Standards. The standard also requires expanded disclosures surrounding revenue recognition. During fiscal 2017, the FASB issued additional clarification guidance on the new revenue recognition standard which also included certain scope improvements and practical expedients. The standard (including clarification guidance issued) is effective for fiscal periods beginning after December 15, 2017, which will be the Company's first quarter of fiscal 2019, and allows for either full retrospective or modified retrospective adoption, with early adoption permitted. The Company plans to adopt this guidance using the modified retrospective method beginning in the first quarter of fiscal 2019. The Company's assessment efforts to date have included reviewing current revenue processes, arrangements and accounting policies to identify potential differences that could arise from the application of this standard on its consolidated financial statements and related disclosures. Based on its current review, the more significant changes that the Company has identified relate to the classification and timing of when revenue is recognized from its licensing business, loyalty programs and gift card breakage. The Company also expects a change in the timing of revenue recognized when merchandise is shipped directly to a customer, as it is expected to be based on when control is transferred to the customer upon shipment, rather than at the time the risk of loss is transferred. In addition, the Company is evaluating the potential impact on timing and classification related to certain shipping revenues and contract acquisition costs related to agent indemnity fees paid in its wholesale business. The Company is continuing to evaluate the financial impact of the adoption of this standard on its consolidated financial statements and related disclosures.

In January 2016, the FASB issued authoritative guidance which requires equity investments not accounted for under the equity method of accounting or consolidation accounting to be measured at fair value, with subsequent changes in fair value recognized in net income. This guidance also addresses other recognition, measurement, presentation and disclosure requirements for financial instruments. This guidance is effective for fiscal years beginning after December 15, 2017, which will be the Company's first quarter of fiscal 2019, and requires a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Company

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is currently evaluating the impact of the adoption of this standard on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued a comprehensive new lease standard which will supersede previous lease guidance. The standard requires a lessee to recognize assets and liabilities related to long-term leases that were classified as operating leases under previous guidance in its balance sheet. An asset would be recognized related to the right to use the underlying asset and a liability would be recognized related to the obligation to make lease payments over the term of the lease. The standard also requires expanded disclosures surrounding leases. The standard is effective for fiscal periods beginning after December 15, 2018, which will be the Company's first quarter of fiscal 2020, and requires modified retrospective adoption, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements and related disclosures, but expects there will be a material increase in its long-term assets and liabilities resulting from the adoption.

In June 2016, the FASB issued authoritative guidance related to the measurement of credit losses on financial instruments. This guidance is effective for fiscal years beginning after December 15, 2019, which will be the Company's first quarter of fiscal 2021. Early adoption is permitted for fiscal periods beginning after December 15, 2018, which will be the Company's first quarter of fiscal 2020. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements and related disclosures.

In October 2016, the FASB issued authoritative guidance which amends the accounting for income taxes on intra-entity transfers of assets other than inventory. This guidance requires that entities recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The income tax consequences on intra-entity transfers of inventory will continue to be deferred until the inventory has been sold to a third party. This guidance is effective for fiscal years beginning after December 15, 2017, which will be the Company's first quarter of fiscal 2019, and requires a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. Early adoption is permitted at the beginning of a fiscal year. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements or related disclosures.

In January 2017, the FASB issued authoritative guidance to simplify the testing for goodwill impairment by removing step two from the goodwill testing. Under current guidance, if the fair value of a reporting unit is lower than its carrying amount (step one), an entity would calculate an impairment charge by comparing the implied fair value of goodwill with its carrying amount (step two). The implied fair value of goodwill was calculated by deducting the fair value of the assets and liabilities of the respective reporting unit from the reporting unit's fair value as determined under step one. This guidance instead provides that an impairment charge should be recognized based on the difference between a reporting unit's fair value and its carrying value. This guidance also does not require a qualitative test to be performed on reporting units with zero or negative carrying amounts. However, entities need to disclose any reporting units with zero or negative carrying amounts that have goodwill and the amount of goodwill allocated to each. This guidance is effective for fiscal years beginning after December 15, 2019, which will be the Company's first quarter of fiscal 2021, with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements or related disclosures.

In March 2017, the FASB issued authoritative guidance related to the presentation of net periodic pension cost in the income statement. This guidance requires that the service cost component of net periodic pension cost is presented in the same line as other compensation costs arising from services rendered by the employees during the period. The other components of net periodic pension cost are required to be presented in the income statement separately from the service cost component and outside of earnings from operations. This guidance also allows for the service cost component to be eligible for capitalization when applicable. This guidance is effective for fiscal years beginning after December 15, 2017, which will be the Company's first quarter of fiscal 2019, and requires retrospective adoption for the presentation of the service cost component and other components of net periodic pension cost in the income statement and prospective adoption for capitalization of the service cost

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component. Early adoption is permitted at the beginning of a fiscal year. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements and related disclosures.

In May 2017, the FASB issued authoritative guidance that provides clarification on accounting for modifications in share-based payment awards. This guidance is effective for fiscal years beginning after December 15, 2017, which will be the Company's first quarter of fiscal 2019, with early adoption permitted. The adoption of this guidance is not expected to have an impact on the Company's consolidated financial statements or related disclosures unless there are modifications to the Company's share-based payment awards.

(2) Loss Per Share

Basic earnings (loss) per share represents net earnings (loss) attributable to common stockholders divided by the weighted average number of common shares outstanding during the period. The Company considers any restricted stock units with forfeitable dividend rights that are issued and outstanding, but considered contingently returnable if certain service conditions are not met, as common equivalent shares outstanding. These restricted stock units are excluded from the weighted average number of common shares outstanding and basic earnings (loss) per share calculation until the respective service conditions have been met. Diluted earnings per share represents net earnings attributable to common stockholders divided by the weighted average number of common shares outstanding, inclusive of the dilutive impact of common equivalent shares outstanding during the period. The potentially dilutive impact of common equivalent shares outstanding are not included in the computation of diluted net loss per share as the impact of the shares would be antidilutive due to the net loss incurred for the period. Nonvested restricted stock awards (referred to as participating securities) are excluded from the dilutive impact of common equivalent shares outstanding in accordance with authoritative guidance under the two-class method since the nonvested restricted stockholders are entitled to participate in dividends declared on common stock as if the shares were fully vested and hence are deemed to be participating securities. Under the two-class method, distributed and undistributed earnings attributable to nonvested restricted stockholders are excluded from net earnings (loss) attributable to common stockholders for purposes of calculating basic and diluted earnings (loss) per common share. However, net losses are not allocated to nonvested restricted stockholders because they are not contractually obligated to share in the losses of the Company.

In addition, the Company has granted certain nonvested stock units that are subject to certain performance-based or market-based vesting conditions as well as continued service requirements through the respective vesting periods. These nonvested stock units are included in the computation of diluted net earnings per common share attributable to common stockholders only to the extent that the underlying performance-based or market-based vesting conditions are satisfied as of the end of the reporting period, or would be considered satisfied if the end of the reporting period were the end of the related contingency period, and the results would be dilutive under the treasury stock method.

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The computation of basic and diluted net loss per common share attributable to common stockholders is as follows (in thousands, except per share data):

	Three Months Ended	
	Apr 29, 2017	Apr 30, 2016
Net loss attributable to Guess?, Inc.	\$(21,293)	\$(25,178)
Less net earnings attributable to nonvested restricted stockholders	200	150
Net loss attributable to common stockholders	\$(21,493)	\$(25,328)
Weighted average common shares used in basic computations	83,010	83,514
Effect of dilutive securities:		
Stock options and restricted stock units (1)	—	—
Weighted average common shares used in diluted computations	83,010	83,514
Net loss per common share attributable to common stockholders:		
Basic	\$(0.26)	\$(0.30)
Diluted	\$(0.26)	\$(0.30)

(1) For the three months ended April 29, 2017 and April 30, 2016, there were 37,251 and 249,003 potentially dilutive shares, respectively, that were not included in the computation of diluted weighted average common shares and common equivalent shares outstanding because their effect would have been antidilutive given the Company's net loss during each of the respective periods.

For the three months ended April 29, 2017 and April 30, 2016, equity awards granted for 3,779,542 and 3,022,961, respectively, of the Company's common shares were outstanding but were excluded from the computation of diluted weighted average common shares and common equivalent shares outstanding because the assumed proceeds, as calculated under the treasury stock method, resulted in these awards being antidilutive. For the three months ended April 29, 2017 and April 30, 2016, the Company also excluded 1,275,143 and 602,816 nonvested stock units, respectively, which were subject to the achievement of performance-based or market-based vesting conditions from the computation of diluted weighted average common shares and common equivalent shares outstanding because these conditions were not achieved as of the end of each of the respective periods.

Share Repurchase Program

On June 26, 2012, the Company's Board of Directors authorized a program to repurchase, from time-to-time and as market and business conditions warrant, up to \$500 million of the Company's common stock. Repurchases under the program 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, which may be discontinued at any time, without prior notice. During the three months ended April 29, 2017, the Company repurchased 1,485,195 shares under the program at an aggregate cost of \$17.8 million. There were no share repurchases during the three months ended April 30, 2016. As of April 29, 2017, the Company had remaining authority under the program to purchase \$430.5 million of its common stock.

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(3) Stockholders' Equity and Redeemable Noncontrolling Interests

A reconciliation of common stock outstanding, treasury stock and the total carrying amount of total stockholders' equity, Guess?, Inc. stockholders' equity and stockholders' equity attributable to nonredeemable and redeemable noncontrolling interests for the fiscal year ended January 28, 2017 and three months ended April 29, 2017 is as follows (in thousands, except share data):

	Shares		Stockholders' Equity			Redeemable Noncontrolling Interests	
	Common Stock	Treasury Stock	Guess?, Inc. Stockholders' Equity	Nonredeemable Noncontrolling Interests	Total		
Balance at January 30, 2016	83,833,937	56,195,000	\$1,018,475	\$ 12,818	\$1,031,293	\$ 5,252	
Net earnings	—	—	22,761	2,637	25,398	—	
Foreign currency translation adjustment	—	—	(575	) (2,057	) (2,632	) 818
Loss on derivative financial instruments designated as cash flow hedges, net of income tax of \$864	—	—	(1,852	) —	(1,852) —	
Other-than-temporary-impairment and unrealized loss on marketable securities, net of income tax of (\$6)	—	—	15	—	15	—	
Actuarial valuation loss and related amortization, prior service credit amortization and foreign currency and other adjustments on defined benefit plans, net of income tax of \$21	—	—	(923	) —	(923) —	
Issuance of common stock under stock compensation plans, net of tax effect	481,037	—	(3,813	) —	(3,813) —	
Issuance of stock under Employee Stock Purchase Plan	44,486	(44,486	) 558	—	558	—
Share-based compensation	—	—	16,908	—	16,908	—	
Dividends	—	—	(76,997	) —	(76,997) —	
Share repurchases	(289,968	) 289,968	(3,532	) —	(3,532) —	
Purchase of redeemable noncontrolling interest	—	—	(1,133) 1,133	—	(4,445)
Noncontrolling interest capital contribution	—	—	—	—	—	2,157	
Noncontrolling interest capital distribution	—	—	—	(2,759	) (2,759) —	
Redeemable noncontrolling interest redemption value adjustment	—	—	(670	) —	(670	) 670
Balance at January 28, 2017	84,069,492	56,440,482	\$969,222	\$ 11,772	\$980,994	\$ 4,452	
Net earnings (loss)	—	—	(21,293	) 66	(21,227) —	
Foreign currency translation adjustment	—	—	11,473	1,362	12,835	182	
Loss on derivative financial instruments designated as cash flow hedges, net of income tax of (\$237)	—	—	(452	) —	(452) —	
Actuarial valuation and prior service credit amortization and foreign currency and other adjustments on	—	—	76	—	76	—	

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defined benefit plans, net of income tax
of (\$20)

Issuance of common stock under stock compensation plans, net of tax effect	656,945	—	(138) —	(138) —
Issuance of stock under Employee Stock Purchase Plan	14,467	(14,467	) 133	—	133	—
Share-based compensation	—	—	3,963	—	3,963	—
Dividends	—	—	(19,041	) —	(19,041) —
Share repurchases	(1,485,195	) 1,485,195	(17,827	) —	(17,827) —
Noncontrolling interest capital contribution	—	—	—	11	11	951
Balance at April 29, 2017	83,255,709	57,911,210	\$926,116	\$ 13,211	\$939,327	\$ 5,585

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Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss), net of related income taxes, for the three months ended April 29, 2017 and April 30, 2016 are as follows (in thousands):

	Three Months Ended Apr 29, 2017				
	Foreign Currency Translation Adjustment	Derivative Financial Instruments Designated as Cash Flow Hedges	Defined Benefit Plans		Total
Balance at January 28, 2017	\$ (158,227)	\$ 5,400	\$ (8,562)		\$ (161,389)
Gains (losses) arising during the period	11,473	124	(13)		11,584
Reclassification to net loss for (gains) losses realized	—	(576)	89		(487)
Net other comprehensive income (loss)	11,473	(452)	76		11,097
Balance at April 29, 2017	\$ (146,754)	\$ 4,948	\$ (8,486)		\$ (150,292)
	Three Months Ended Apr 30, 2016				
	Foreign Currency Translation Adjustment	Derivative Financial Instruments Designated as Cash Flow Hedges	Marketable Securities	Defined Benefit Plans	Total
Balance at January 30, 2016	\$ (157,652)	\$ 7,252	\$ (15)	\$ (7,639)	\$ (158,054)
Gains (losses) arising during the period	42,631	(9,880)	1	(149)	32,603
Reclassification to net loss for (gains) losses realized	—	(1,145)	—	60	(1,085)
Net other comprehensive income (loss)	42,631	(11,025)	1	(89)	31,518
Balance at April 30, 2016	\$ (115,021)	\$ (3,773)	\$ (14)	\$ (7,728)	\$ (126,536)

Details on reclassifications out of accumulated other comprehensive income (loss) to net loss during the three months ended April 29, 2017 and April 30, 2016 are as follows (in thousands):

	Three Months Ended		Location of (Gain) Loss Reclassified from Accumulated OCI into Loss
	Apr 29, 2017	Apr 30, 2016	
Derivative financial instruments designated as cash flow hedges:			
Foreign exchange currency contracts	\$ (618)	\$ (1,435)	Cost of product sales
Foreign exchange currency contracts	(79)	(32)	Other income/expense
Interest rate swap	36	51	Interest expense
Less income tax effect	85	271	Income tax benefit
	(576)	(1,145)	
Defined benefit plans:			
Actuarial loss amortization	117	86	(1)
Prior service credit amortization	(7)	(7)	(1)
Less income tax effect	(21)	(19)	Income tax benefit
	89	60	
Total reclassifications during the period	\$ (487)	\$ (1,085)	

(1) These accumulated other comprehensive income (loss) components are included in the computation of net periodic defined benefit pension cost. Refer to Note 13 for further information.

Redeemable Noncontrolling Interests

The Company is party to a put arrangement with respect to the common securities that represent the remaining noncontrolling interest for its majority-owned subsidiary, Guess Brasil Comércio e Distribuição S.A. (“Guess Brazil”), which was established through a majority-owned joint venture during fiscal 2014. The put arrangement for Guess Brazil, representing 40% of the total outstanding equity interest of that subsidiary, may be exercised at the discretion of the noncontrolling interest holder by providing written notice to the Company beginning in the sixth year of the agreement, or sooner in certain limited circumstances, and every third anniversary from the end

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of the sixth year thereafter subject to certain time restrictions. The redemption value of the Guess Brazil put arrangement is based on a multiple of Guess Brazil's earnings before interest, taxes, depreciation and amortization subject to certain adjustments and is classified as a redeemable noncontrolling interest outside of permanent equity in the Company's condensed consolidated balance sheet. During fiscal 2017, the Company and the noncontrolling interest holder increased their capital contributions by \$1.7 million, of which \$1.0 million was paid by the Company and the remaining amount was paid by the noncontrolling interest holder to retain the same pro-rata interest in Guess Brazil. The carrying value of the redeemable noncontrolling interest related to Guess Brazil was \$1.6 million and \$1.7 million as of April 29, 2017 and January 28, 2017, respectively.

The Company is party to a put arrangement with respect to the common securities that represent the remaining noncontrolling interest for its majority-owned subsidiary, Guess? CIS, LLC ("Guess CIS"), which was established through a majority-owned joint venture during fiscal 2016. The put arrangement for Guess CIS, representing 30% of the total outstanding equity interest of that subsidiary, may be exercised at the discretion of the noncontrolling interest holder by providing written notice to the Company during the period beginning after the fifth anniversary of the agreement through December 31, 2025, or sooner in certain limited circumstances. The redemption value of the Guess CIS put arrangement is based on a multiple of Guess CIS's earnings before interest, taxes, depreciation and amortization subject to certain adjustments and is classified as a redeemable noncontrolling interest outside of permanent equity in the Company's condensed consolidated balance sheet. During fiscal 2017, the Company and the noncontrolling interest holder increased their capital contributions by \$5.0 million, of which \$3.5 million was paid by the Company and the remaining amount was paid by the noncontrolling interest holder to retain the same pro-rata interest in Guess CIS. During the three months ended April 29, 2017, the Company and the noncontrolling interest holder made an additional capital contribution totaling \$3.2 million, of which \$2.2 million was paid by the Company and the remaining amount was paid by the noncontrolling interest holder to retain the same pro-rata interest in Guess CIS. The carrying value of the redeemable noncontrolling interest related to Guess CIS was \$4.0 million and \$2.8 million as of April 29, 2017 and January 28, 2017, respectively.

The Company was previously party to a put arrangement in connection with its now wholly-owned subsidiary, Guess Sud SAS ("Guess Sud"). Under the terms of this put arrangement, which represented 40% of the total outstanding interest of that subsidiary, the noncontrolling interest holder had the option to exercise the put arrangement at its discretion by providing written notice to the Company any time after January 30, 2012. The redemption value of the put arrangement was determined based on a method which approximated fair value. During fiscal 2017, the Company acquired the remaining 40% interest in Guess Sud for \$4.4 million.

(4)Accounts Receivable

Accounts receivable is summarized as follows (in thousands):

	Apr 29, 2017	Jan 28, 2017
Trade	\$ 198,494	\$ 234,690
Royalty	17,081	19,881
Other	9,413	5,888
	224,988	260,459
Less allowances	31,345	34,922
	\$ 193,643	\$ 225,537

Accounts receivable consists of trade receivables relating primarily to the Company's wholesale business in Europe and, to a lesser extent, to its wholesale businesses in Asia and the Americas, royalty receivables relating to its licensing operations, credit card and retail concession receivables related to its retail businesses and certain other receivables. Other receivables generally relate to amounts due to the Company that result from activities that are not related to the direct sale of the Company's products or collection of royalties. The accounts receivable allowance includes allowances for doubtful accounts, wholesale sales returns and wholesale markdowns. Retail sales returns allowances are included in accrued expenses.

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(5) Inventories

Inventories consist of the following (in thousands):

	Apr 29, 2017	Jan 28, 2017
Raw materials	\$663	\$799
Work in progress	340	78
Finished goods	401,670	366,504
	\$402,673	\$367,381

The above balances include an allowance to write down inventories to the lower of cost or net realizable value of \$21.6 million and \$19.4 million as of April 29, 2017 and January 28, 2017, respectively.

(6) Restructuring Charges

During the first quarter of fiscal 2017, the Company implemented a global cost reduction and restructuring plan to better align its global cost and organizational structure with its current strategic initiatives. This plan included the consolidation and streamlining of the Company's business processes and a reduction in its global workforce and other expenses. These actions resulted in restructuring charges related primarily to cash-based severance costs of \$6.1 million during the three months ended April 30, 2016. There were no restructuring charges incurred during the three months ended April 29, 2017 related to this plan. The Company does not expect significant future cash-based severance charges to be incurred under this plan as the actions were completed during the first quarter of fiscal 2017. As of April 29, 2017, the Company had a balance of approximately \$0.1 million in accrued expenses for amounts expected to be paid during the remainder of fiscal 2018. At January 28, 2017, the Company had a balance of approximately \$0.2 million in accrued expenses related to these restructuring activities.

The following table summarizes restructuring activities related primarily to severance during the fiscal year ended January 28, 2017 and three months ended April 29, 2017