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 August 1, 2020

OR

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

For the transition period from to

Commission file number: 1-11893

GUESS?, INC.

(Exact name of registrant as specified in its charter)

Delaware	**95-3679695**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1444 South Alameda Street
Los Angeles, California
90021
(Address of principal executive offices and zip code)

(213) 765-3100
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	GES	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 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	☐	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. ☐

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 August 31, 2020, the registrant had 63,610,474 shares of Common Stock, $.01 par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

GUESS?, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	Aug 1, 2020	Feb 1, 2020
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 327,970	$ 284,613
Accounts receivable, net	246,471	327,281
Inventories	419,427	393,129
Other current assets	80,069	59,212
Total current assets	1,073,937	1,064,235
Property and equipment, net	240,081	288,112
Goodwill	36,232	34,777
Deferred tax assets	62,444	63,555
Restricted cash	228	215
Operating lease right-of-use assets	766,853	851,990
Other assets	130,954	126,078
	$ 2,310,729	$ 2,428,962
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of borrowings and finance lease obligations	$ 42,321	$ 9,490
Accounts payable	259,743	232,761
Accrued expenses and other current liabilities	192,667	204,096
Current portion of operating lease liabilities	235,749	192,066
Total current liabilities	730,480	638,413
Convertible senior notes, net	252,988	247,363
Long-term debt and finance lease obligations	66,069	32,770
Long-term operating lease liabilities	659,118	714,079
Other long-term liabilities	143,225	130,259
	1,851,880	1,762,884
Redeemable noncontrolling interests	4,021	4,731
Commitments and contingencies (Note 13)		
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 142,843,839 and 142,867,947 shares, outstanding 63,614,749 and 65,848,510 shares, as of August 1, 2020 and February 1, 2020, respectively	636	658
Paid-in capital	548,602	563,004
Retained earnings	952,707	1,130,409
Accumulated other comprehensive loss	(131,609)	(139,910)
Treasury stock, 79,229,090 and 77,019,437 shares as of August 1, 2020 and February 1, 2020, respectively	(932,068)	(914,447)
Guess?, Inc. stockholders' equity	438,268	639,714
Nonredeemable noncontrolling interests	16,560	21,633
Total stockholders' equity	454,828	661,347
	$ 2,310,729	$ 2,428,962

See accompanying notes to condensed consolidated financial statements.

GUESS?, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Six Months Ended	
	Aug 1, 2020	Aug 3, 2019	Aug 1, 2020	Aug 3, 2019
Product sales	$ 386,392	$ 664,678	$ 633,709	$ 1,182,551
Net royalties	12,147	18,542	25,081	37,360
Net revenue	398,539	683,220	658,790	1,219,911
Cost of product sales	251,511	417,554	477,533	772,296
Gross profit	147,028	265,666	181,257	447,615
Selling, general and administrative expenses	150,293	218,175	293,581	422,820
Asset impairment charges	11,969	1,504	64,941	3,279
Net gains on lease terminations	(885)	—	(429)	—
Earnings (loss) from operations	(14,349)	45,987	(176,836)	21,516
Other income (expense):				
Interest expense	(5,941)	(4,951)	(11,403)	(6,210)
Interest income	436	313	1,046	674
Other income (expense), net	5,548	(6,355)	(14,032)	(4,284)
	43	(10,993)	(24,389)	(9,820)
Earnings (loss) before income tax expense (benefit)	(14,306)	34,994	(201,225)	11,696
Income tax expense (benefit)	6,386	8,818	(19,995)	6,101
Net earnings (loss)	(20,692)	26,176	(181,230)	5,595
Net earnings (loss) attributable to noncontrolling interests	(334)	854	(3,206)	1,647
Net earnings (loss) attributable to Guess?, Inc.	$ (20,358)	$ 25,322	$ (178,024)	$ 3,948
Net earnings (loss) per common share attributable to common stockholders (Note 3):				
Basic	$ (0.31)	$ 0.36	$ (2.72)	$ 0.05
Diluted	$ (0.31)	$ 0.35	$ (2.72)	$ 0.05
Weighted average common shares outstanding attributable to common stockholders (Note 3):				
Basic	65,177	70,508	65,446	75,216
Diluted	65,177	71,356	65,446	76,155

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	Aug 1, 2020	**Aug 3, 2019**	**Aug 1, 2020**	**Aug 3, 2019**
Net earnings (loss)	$ (20,692)	$ 26,176	$ (181,230)	$ 5,595
Other comprehensive income (loss) (“OCI”):				
Foreign currency translation adjustment				
Gains (losses) arising during the period	32,802	(5,293)	14,303	(17,360)
Derivative financial instruments designated as cash flow hedges				
Gains (losses) arising during the period	(7,897)	2,286	(4,361)	6,722
Less income tax effect	885	(308)	529	(880)
Reclassification to net earnings (loss) for gains realized	(2,462)	(1,801)	(4,450)	(2,077)
Less income tax effect	264	229	483	324
Defined benefit plans				
Foreign currency and other adjustments	(236)	(167)	(236)	(60)
Less income tax effect	25	16	24	5
Net actuarial loss amortization	97	111	193	222
Prior service credit amortization	(16)	(9)	(32)	(19)
Less income tax effect	(10)	(12)	(19)	(23)
Total comprehensive income (loss)	2,760	21,228	(174,796)	(7,551)
Less comprehensive income (loss) attributable to noncontrolling interests:				
Net earnings (loss)	(334)	854	(3,206)	1,647
Foreign currency translation adjustment	1,759	(452)	(1,867)	(142)
Amounts attributable to noncontrolling interests	1,425	402	(5,073)	1,505
Comprehensive income (loss) attributable to Guess?, Inc.	$ 1,335	$ 20,826	$ (169,723)	$ (9,056)

See accompanying notes to condensed consolidated financial statements.

GUESS?, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended	
	Aug 1, 2020	Aug 3, 2019
Cash flows from operating activities:		
Net earnings (loss)	$ (181,230)	$ 5,595
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	32,250	37,225
Amortization of debt discount	5,197	2,662
Amortization of debt issuance costs	661	276
Share-based compensation expense	9,789	9,454
Forward contract gains	3,420	(34)
Net loss on impairment and disposition of property and equipment and long-term assets	65,974	3,753
Other items, net	11,889	5,606
Changes in operating assets and liabilities:		
Accounts receivable	94,373	24,492
Inventories	(16,002)	(22,926)
Prepaid expenses and other assets	(20,550)	(1,596)
Operating lease assets and liabilities, net	39,902	1,340
Accounts payable and accrued expenses	(3,923)	(87,423)
Other long-term liabilities	(1,065)	(1,381)
Net cash provided by (used in) operating activities	40,685	(22,957)
Cash flows from investing activities:		
Purchases of property and equipment	(10,099)	(34,551)
Proceeds from sale of long-term assets	336	—
Net cash settlement of forward contracts	(273)	162
Purchases of investments	(1,882)	—
Other investing activities	(52)	521
Net cash used in investing activities	(11,970)	(33,868)
Cash flows from financing activities:		
Proceeds from borrowings	274,594	90,136
Repayments on borrowings and finance lease obligations	(218,267)	(63,285)
Proceeds from issuance of convertible senior notes	—	300,000
Proceeds from issuance of warrants	—	28,080
Purchase of convertible note hedges	—	(60,990)
Convertible debt issuance costs	—	(5,068)
Purchase of equity forward contracts	—	(68,000)
Dividends paid	(958)	(26,901)
Issuance of common stock, net of tax withholdings on vesting of stock awards	(2,908)	43
Purchase of treasury stock	(38,876)	(212,564)
Net cash provided by (used in) financing activities	13,585	(18,549)
Effect of exchange rates on cash, cash equivalents and restricted cash	1,070	(4,042)
Net change in cash, cash equivalents and restricted cash	43,370	(79,416)
Cash, cash equivalents and restricted cash at the beginning of the year	284,828	210,995
Cash, cash equivalents and restricted cash at the end of the period	$ 328,198	$ 131,579
Supplemental cash flow data:		
Interest paid	$ 5,277	$ 1,535
Income taxes paid, net of refunds	$ 2,967	$ 4,201
Non-cash investing and financing activity:		
Assets acquired under finance lease obligations	$ 276	$ 3,055
Receivable and related adjustments from sale of retail locations	$ (364)	$ 5,088

See accompanying notes to condensed consolidated financial statements.

GUESS?, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	For the three and six months ended August 1, 2020								
	Guess?, Inc. Stockholders' Equity								
	Common Stock					Treasury Stock			
	Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	Amount	Nonredeemable Noncontrolling Interests	Total
Balance at February 1, 2020	65,848,510	$ 658	$ 563,004	$ 1,130,409	$ (139,910)	77,019,437	$ (914,447)	$ 21,633	$ 661,347
Net loss	—	—	—	(157,666)	—	—	—	(2,872)	(160,538)
Other comprehensive loss, net of income tax of ($147)	—	—	—	—	(13,392)	—	—	(3,626)	(17,018)
Issuance of common stock under stock compensation plans including tax effect	1,763,311	18	(24,264)	—	—	(1,770,223)	21,017	—	(3,229)
Issuance of stock under Employee Stock Purchase Plan	32,427	—	(192)	—	—	(32,427)	385	—	193
Share-based compensation	—	—	5,771	15	—	—	—	—	5,786
Dividends, net of forfeitures on non-participating securities	—	—	—	248	—	—	—	—	248
Balance at May 2, 2020	67,644,248	$ 676	$ 544,319	$ 973,006	$ (153,302)	75,216,787	$ (893,045)	$ 15,135	$ 486,789
Net loss	—	—	—	(20,358)	—	—	—	(334)	(20,692)
Other comprehensive income, net of income tax of $1,164	—	—	—	—	21,693	—	—	1,759	23,452
Issuance of common stock under stock compensation plans including tax effect	(54,926)	—	429	—	—	37,730	(448)	—	(19)
Issuance of stock under Employee Stock Purchase Plan	25,427	—	(154)	—	—	(25,427)	301	—	147
Share-based compensation	—	—	3,968	35	—	—	—	—	4,003
Dividends, net of forfeitures on non-participating securities	—	—	—	24	—	—	—	—	24
Share repurchases	(4,000,000)	(40)	40	—	—	4,000,000	(38,876)	—	(38,876)
Balance at August 1, 2020	63,614,749	$ 636	$ 548,602	$ 952,707	$ (131,609)	79,229,090	$ (932,068)	$ 16,560	$ 454,828

GUESS?, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	For the three and six months ended August 3, 2019								
	Guess?, Inc. Stockholders' Equity								
	Common Stock					Treasury Stock			
	Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	Amount	Nonredeemable Noncontrolling Interests	Total
Balance at February 2, 2019	81,379,660	$ 814	$ 523,331	$ 1,077,747	$ (126,179)	61,327,640	$ (638,486)	$ 16,418	$ 853,645
Cumulative adjustment from adoption of new accounting guidance	—	—	—	(1,684)	1,981	—	—	—	297
Net earnings (loss)	—	—	—	(21,374)	—	—	—	793	(20,581)
Other comprehensive income (loss), net of income tax of ($499)	—	—	—	—	(8,508)	—	—	310	(8,198)
Issuance of common stock under stock compensation plans including tax effect	545,881	5	(3,042)	—	—	(211,221)	2,225	—	(812)
Issuance of stock under Employee Stock Purchase Plan	11,377	1	69	—	—	(11,377)	120	—	190
Share-based compensation	—	—	4,440	28	—	—	—	—	4,468
Dividends, net of forfeitures on non-participating securities	—	—	—	(18,331)	—	—	—	—	(18,331)
Share repurchases	(10,264,052)	(103)	103	—	—	10,264,052	(201,564)	—	(201,564)
Equity component value of convertible note issuance, net	—	—	42,324	—	—	—	—	—	42,324
Sale of common stock warrant	—	—	28,080	—	—	—	—	—	28,080
Purchase of convertible note hedge	—	—	(46,440)	—	—	—	—	—	(46,440)
Equity forward contract issuance	—	—	(68,000)	—	—	—	—	—	(68,000)
Balance at May 4, 2019	71,672,866	$ 717	$ 480,865	$ 1,036,386	$ (132,706)	71,369,094	$ (837,705)	$ 17,521	$ 565,078
Net earnings	—	—	—	25,322	—	—	—	854	26,176
Other comprehensive loss, net of income tax of ($75)	—	—	—	—	(4,496)	—	—	(452)	(4,948)
Issuance of common stock under stock compensation plans including tax effect	64,080	—	(852)	—	—	(106,039)	1,249	—	397
Issuance of stock under Employee Stock Purchase Plan	19,538	—	38	—	—	(19,538)	230	—	268
Share-based compensation	—	—	4,928	58	—	—	—	—	4,986
Dividends, net of forfeitures on non-participating securities	—	—	—	(8,162)	—	—	—	—	(8,162)
Share repurchases	(749,252)	(7)	7	—	—	749,252	(11,000)	—	(11,000)
Balance at August 3, 2019	71,007,232	$ 710	$ 484,986	$ 1,053,604	$ (137,202)	71,992,769	$ (847,226)	$ 17,923	$ 572,795

See accompanying notes to condensed consolidated financial statements.

GUESS?, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 1, 2020
(unaudited)

(1) Basis of Presentation and New Accounting Guidance

Description of the Business

Guess?, Inc. (the "Company" or "GUESS?") designs, markets, distributes and licenses a leading lifestyle collection of contemporary apparel and accessories for men, women and children that reflect the American lifestyle and European fashion sensibilities. The Company's designs are sold in GUESS? owned stores, to a network of wholesale accounts that includes better department stores, selected specialty retailers and upscale boutiques and through the Internet. GUESS? branded products, some of which are produced under license, are also sold internationally through a series of retail store licensees and wholesale distributors.

Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of the Company contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the condensed consolidated balance sheets as of August 1, 2020 and February 1, 2020, the condensed consolidated statements of income (loss), comprehensive income (loss) and stockholders' equity for the three and six months ended August 1, 2020 and August 3, 2019 and the condensed consolidated statements of cash flows for the six months ended August 1, 2020 and August 3, 2019. 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 (the "SEC"). 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 and six months ended August 1, 2020 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 February 1, 2020.

The three and six months ended August 1, 2020 had the same number of days as the three and six months ended August 3, 2019. All references herein to "fiscal 2021," "fiscal 2020" and "fiscal 2019" represent the results of the 52-week fiscal year ending January 30, 2021 and the 52-week fiscal years ended February 1, 2020 and February 2, 2019, respectively.

Reclassifications

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

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosed in the accompanying notes. Significant areas requiring the use of management estimates relate to the allowances for doubtful accounts, sales return and markdown allowances, gift card and loyalty accruals, valuation of inventories, share-based compensation, income taxes, recoverability of deferred taxes, unrecognized tax benefits, the useful life of assets for depreciation and amortization, evaluation of asset impairment (including goodwill and long-lived assets, such as property and equipment and operating lease right-of-use ("ROU") assets), pension obligations, workers' compensation and medical self-insurance expense and accruals, litigation reserves and restructuring expense and accruals. Actual results could differ from those estimates. Revisions in estimates could materially impact the results of operations and financial position.

As discussed further below, the coronavirus (or "COVID-19") pandemic has materially impacted the Company's results during the three and six months ended August 1, 2020. The Company's operations could continue to be impacted in ways we are not able to predict today due to the developing situation. While the

Company believes it has made reasonable accounting estimates based on the facts and circumstances that were available as of the reporting date, to the extent there are differences between these estimates and actual results, the Company's results of operations and financial position could be materially impacted.

COVID-19 Business Update

The COVID-19 pandemic has had and is continuing to have a material impact on the Company's financial performance. The pandemic is ongoing and dynamic in nature and, to date, the Company has experienced temporary closures in key regions globally. During the second quarter of fiscal 2021, the Company gradually reopened most of its global fleet of brick-and-mortar stores resulting in stores being closed for approximately 30% and 35% of the total days during the three and six months ended August 1, 2020, respectively. As of August 1, 2020, approximately 95% of the Company's stores were open, with the majority of closed stores located primarily within interior malls in California. The Company will continue to reopen stores (and/or close again, if appropriate), as state and local guidelines and conditions permit or require, taking an informed, measured approach based on a number of factors. The Company's e-commerce sites have remained open in all regions. In addition, retail stores that are open have and continue to experience significant reductions in traffic and revenue. Many of the Company's wholesale and licensing partners have also substantially reduced their operations. The Company has been bringing back furloughed store associates and support staff as stores reopen. The extent and duration of the global pandemic remains uncertain and may continue to impact consumer purchasing activity into the foreseeable future.

During the first half of fiscal 2021, in addition to the negative impact from lower net revenue, the Company's operating results reflected asset impairment charges as well as additional inventory valuation reserves and higher allowances for markdowns and doubtful accounts due to the ongoing effects of the COVID-19 pandemic. These charges were partially offset by lower selling, general and administrative ("SG&A") expenses driven primarily by expense savings, both one-time, such as furloughs and temporary salary reductions, and permanent, such as headcount reductions and lower discretionary spending. In addition, the Company benefited from various government assistance programs related primarily to the recovery of employee payroll costs as well as certain favorable tax treatments.

During the first half of fiscal 2021, the Company implemented a number of measures to help mitigate the operating and financial impact of the pandemic, including: (i) furloughing its U.S. and Canada store associates and significant portions of its U.S. and Canada corporate and distribution center associates and permanently reducing U.S. corporate headcount; (ii) implementing temporary tiered salary reductions for management level corporate employees, including its executive officers; (iii) deferring annual merit increases; (iv) executing substantial reductions in expenses, store occupancy costs, capital expenditures and overall costs, including through reduced inventory purchases; (v) working globally with country management teams to maximize the Company's participation in all eligible government or other initiatives available to businesses or employees impacted by the COVID-19 pandemic; (vi) drawing down on certain credit facilities and entering into certain term loans to ensure financial flexibility and maintain maximum liquidity; (vii) engaging with landlords to negotiate rent deferrals or other rent concessions; (viii) working with vendors to extend payment terms; and (ix) postponing its decision related to the payment of its quarterly cash dividend.

During the second quarter of fiscal 2021, as the situation began to stabilize, the Company repaid a significant portion of its previously drawn down credit facilities, continued to bring back furloughed employees, eliminated the temporary tiered salary reductions and invested in share repurchases to return value to its shareholders. Subsequent to the second quarter of fiscal 2021, the Company also announced that it would resume paying its quarterly cash dividend beginning in the third quarter of fiscal 2021, but decided to not declare any cash dividends for the first and second quarters of fiscal 2021.

In response to the COVID-19 pandemic, governments in various jurisdictions have implemented relief programs to provide assistance in the form of wage subsidies and tax related payment deferrals (related to payroll, income, sales and other taxes). The Company is leveraging these relief initiatives where able to help mitigate expenses and provide additional liquidity. An example of such an economic relief program is the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which was enacted by the U.S. government in March 2020. The provisions of the CARES Act include the deferral of the employer portion of social security taxes, creation of refundable employee retention tax credits, modification of net operating loss carryback periods, relaxation of the net interest deduction limitations and technical amendment for qualified improvement property deduction.

In light of store closures and reduced traffic in stores, the Company has taken certain actions with respect to certain of its existing leases, including engaging with landlords to discuss rent deferrals as well as other rent concessions. Since April 2020, the Company has suspended rental payments and/or paid reduced rental amounts with respect to its retail stores that were closed or were experiencing drastically reduced customer traffic as a result of the COVID-19 pandemic. The Company is engaging in discussions with the affected landlords in an effort to achieve appropriate rent relief and other lease concessions and, in some cases, to terminate existing leases. Consistent with updated guidance from the Financial Accounting Standards Board ("FASB") in April 2020, the Company has elected to treat any such agreed-upon payment deferrals related to the COVID-19 pandemic as if there were no modifications to the lease contract and has accrued such amounts within the current portion of operating lease liabilities in the Company's condensed consolidated balance sheet. The Company has elected to treat other rent concessions which result in reduced lease payments as variable lease payments if the concessions that are provided are for a period of less than 12 months. For any rent concessions which reduce the lease payments for a period of more than 12 months or change the payment terms from minimum rental amounts to amounts based on a percentage of sales volume for the remainder of the lease term, the Company has elected to treat such changes as lease modifications under the current lease guidance.

Revenue Recognition

The Company recognizes the majority of its revenue from its direct-to-consumer (brick-and-mortar retail stores and concessions as well as e-commerce) and wholesale distribution channels at a point in time when it satisfies a performance obligation and transfers control of the product to the respective customer.

The Company also recognizes royalty revenue from its trademark license agreements. The Company's trademark license agreements represent symbolic licenses that are dependent on the Company's continued support over the term of the license agreement. The amount of revenue that is recognized from the licensing arrangements is based on sales-based royalty and advertising fund contributions as well as specific fixed payments, where applicable. The Company's trademark license agreements customarily provide for a multi-year initial term ranging from three to ten years, and may contain options to renew prior to expiration for an additional multi-year period. The unrecognized portion of upfront payments is included in deferred royalties in accrued expenses and other long-term liabilities depending on the short or long-term nature of the payments to be recognized. As of August 1, 2020, the Company had $6.4 million and $15.7 million of deferred royalties related to these upfront payments included in accrued expenses and other long-term liabilities, respectively. This compares to $6.7 million and $18.7 million of deferred royalties related to these upfront payments included in accrued expenses and other long-term liabilities, respectively, at February 1, 2020. During the three and six months ended August 1, 2020, the Company recognized $3.1 million and $6.7 million in net royalties related to the amortization of the deferred royalties, respectively. During the three and six months ended August 3, 2019, the Company recognized $3.1 million and $6.1 million in net royalties related to the amortization of the deferred royalties, respectively.

Refer to Note 8 for further information on disaggregation of revenue by segment and country.

Allowance for Doubtful Accounts

During the first quarter of fiscal 2021, the Company adopted authoritative guidance related to the measurement of credit losses on financial instruments. This guidance replaces the "as incurred" loss model with an "expected loss" model which requires the recognition of an allowance for credit losses expected to be incurred over an asset's lifetime. The adoption of this guidance did not have a material impact on the Company's allowance for doubtful accounts.

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 may result from the inability of its wholesale customers and licensing partners 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 and current collection trends, an evaluation of the impact of current and future forecasted economic conditions and whether the Company has obtained credit insurance or other guarantees. Management performs regular evaluations concerning the ability of its customers and records a provision for doubtful accounts based on these evaluations.

As of August 1, 2020, approximately 58% of the Company's total net trade accounts receivable and 68% of its European net trade receivables were subject to credit insurance coverage, certain bank guarantees or letters of credit for collection purposes. The Company's credit insurance coverage contains certain terms and conditions specifying deductibles and annual claim limits. Management evaluates the creditworthiness of the counterparties to the credit insurance, bank guarantees, and letters of credit and records a provision for the risk of loss on these instruments based on these evaluations as considered necessary.

The Company's credit losses for the periods presented were not significant compared to sales and did not significantly exceed management's estimates. Refer to Note 5 for further information on the Company's allowance for doubtful accounts.

Net Gains on Lease Terminations

During the three and six months ended August 1, 2020, the Company recorded net gains on lease terminations of $0.9 million and $0.4 million, respectively, related primarily to the early termination of certain lease agreements.

Other Assets

During fiscal 2019, the Company invested $8.3 million in a privately-held apparel company. During the second quarter of fiscal 2021, the Company invested an additional $1.9 million. The Company's ownership in this company (a 30% minority interest) is accounted for under the equity method of accounting. The Company recognized its proportionate share of net losses of this company of $2.0 million and $4.1 million in other income (expense) in its condensed consolidated statements of income (loss) during the three and six months ended August 1, 2020, respectively. During the three and six months ended August 3, 2019, the Company recognized its proportionate share of net losses of this company of $2.9 million in other income (expense) in its condensed consolidated statements of income (loss).

Sale of Australian Stores

During fiscal 2020, the Company entered into a definitive agreement to sell its Australian retail locations to the Company's wholesale distributor in the region for approximately AUD$7.1 million (US$4.9 million), subject to certain adjustments, and recognized a loss on the sale of approximately AUD$1.2 million (US$0.8 million). During the second quarter of fiscal 2021, the Company recorded an adjustment of AUD$0.5 million (US$0.4 million) to reduce the purchase price. As per the terms of the agreement, the wholesale distributor entered into a promissory note with the Company to make periodic payments on the sale through August 2021. As of August 1, 2020, the Company included AUD$2.0 million (US$1.4 million) and AUD$2.6 million (US$1.9 million) in accounts receivable, net and other assets, respectively, in its condensed consolidated balance sheet based on the timing of the payments. This compares to AUD$1.8 million (US$1.2 million) and AUD$3.3 million (US$2.2 million) included in accounts receivable, net and other assets, respectively, as of February 1, 2020.

New Accounting Guidance

Recently Adopted Accounting Guidance

In June 2016, the FASB issued authoritative guidance related to the measurement of credit losses on financial instruments. This guidance replaces the "as incurred" loss model with an "expected loss" model which requires the recognition of an allowance for credit losses expected to be incurred over an asset's lifetime. The measurement of expected credit losses is based on relevant information about past events, current conditions and reasonable and supportable forecasts impacting the collectibility of the reported amounts. This guidance was adopted as of February 2, 2020 on a modified retrospective basis and did not have a material impact on the Company's consolidated financial statements or related disclosures.

In August 2018, the FASB issued authoritative guidance to modify the disclosure requirements on fair value measurements. This guidance was adopted as of February 2, 2020 on a prospective basis and did not have a material impact on the Company's related disclosures.

In August 2018, the FASB issued authoritative guidance to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The Company adopted this guidance as of February 2, 2020 on a prospective basis. Prior to the adoption of this guidance, the Company capitalized implementation costs related to a hosting arrangement that is a service contract to property and equipment, net in the Company's consolidated balance sheets and included such expenditures within the investing section of the Company's consolidated statements of cash flows. These assets were amortized over their estimated useful life with the related amortization included in depreciation and amortization in either cost of product sales or SG&A expenses in the Company's consolidated statements of income (loss) depending on the nature of how the assets were used. Subsequent to the adoption of this guidance, these costs are included within other current assets or other assets in the Company's consolidated balance sheets depending on the short or long-term nature of the underlying hosting agreement with such expenditures included in the operating section of the Company's consolidated statements of cash flows. These assets are now amortized over the shorter of the estimated useful life or the term of the underlying hosting agreement, including any probable renewal periods, with the related amortization included in cost of product sales or SG&A expenses in the Company's consolidated statements of income (loss), consistent with the presentation of the expense related to the underlying hosting arrangement. The adoption of this guidance, including the different classification requirements for the implementation costs, did not have a material impact on the Company's consolidated financial statements or the related disclosures.

In December 2019, the FASB issued authoritative guidance that simplifies the accounting for income taxes by eliminating certain exceptions to general principles related to intraperiod tax allocations, ownership changes in foreign investments and calculating income taxes in an interim period when year-to-date losses exceed total anticipated losses. The new guidance also simplifies the accounting for income taxes related to franchise taxes that are partially based on income, the step up in the tax basis of goodwill, allocation of current and deferred tax expense for certain legal entities and enacted changes in tax laws or rates during interim periods, among other improvements. This guidance was adopted during the second quarter of fiscal 2021 on a prospective basis and did not have a material impact on the Company's consolidated financial statements or related disclosures.

Recently Issued Accounting Guidance

In August 2018, the FASB issued authoritative guidance to modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance is effective for fiscal years beginning after December 15, 2020, which will be the Company's first quarter of fiscal 2022, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its financial statement disclosures.

In March 2020, the FASB issued authoritative guidance to provide temporary optional expedients and exceptions related to contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as SOFR. This guidance may be adopted as of March 12, 2020 through December 31, 2022. This temporary relief cannot be applied to contract modifications after December 31, 2022. The Company is currently evaluating its election options and the impact on its consolidated financial statements and related disclosures.

In August 2020, the FASB issued authoritative guidance to simplify the accounting for convertible instruments and contracts in an entity's own equity and the diluted earnings per share computations for these instruments. This guidance removes major separation models required under current guidance which will enable more convertible debt instruments to be reported as a single liability instrument with no separate accounting for embedded conversion features. This guidance also removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception. The new guidance also requires the "if -converted" method to be applied for all convertible instruments (the treasury stock method is no longer available) and removes the ability to rebut the presumption of share settlement for contracts that may be settled in cash or stock. In addition, expanded disclosures are required on the terms and features of convertible instruments. This guidance is effective for fiscal years beginning after December 31, 2021, which will be the Company's first quarter of fiscal 2023, on either a full or modified retrospective basis. Early adoption is permitted for fiscal years beginning after December 31, 2020, which will be the Company's first quarter of fiscal 2022. The Company is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements and related disclosures.

(2) Lease Accounting

The Company primarily leases its showrooms, advertising, licensing, sales and merchandising offices, remote distribution and warehousing facilities and retail and factory outlet store locations under operating lease agreements expiring on various dates through January 2039. The Company also leases some of its equipment as well as computer hardware and software under operating and finance lease agreements expiring on various dates through May 2027.

The Company's lease agreements primarily provide for lease payments based on a minimum annual rental amount, a percentage of annual sales volume, periodic adjustments related to inflation or a combination of such lease payments. Certain retail store leases provide for lease payments based upon the minimum annual rental amount and a percentage of annual sales volume, generally ranging from 3% to 23%, when specific sales volumes are exceeded. The Company's retail concession leases also provide for lease payments primarily based upon a percentage of annual sales volume, which averages approximately 35%.

In addition to the amounts as disclosed below, the Company has estimated additional operating lease commitments of approximately $24.4 million for leases where the Company has not yet taken possession of the underlying asset as of August 1, 2020. As such, the related operating lease ROU assets and operating lease liabilities have not been recognized in the Company's condensed consolidated balance sheet as of August 1, 2020.

As of August 1, 2020 and February 1, 2020, the components of leases are as follows (in thousands):

	Balance Sheet Location	**Aug 1, 2020**	**Feb 1, 2020**
Assets			
Operating	Operating lease right-of-use assets	$ 766,853	$ 851,990
Finance	Property and equipment, net	15,451	15,972
Total lease assets		$ 782,304	$ 867,962
Liabilities			
Current:			
Operating	Current portion of operating lease liabilities	$ 235,749	$ 192,066
Finance	Current portion of borrowings and finance lease obligations	2,524	2,273
Noncurrent:			
Operating	Long-term operating lease liabilities	659,118	714,079
Finance	Long-term debt and finance lease obligations	13,729	14,262
Total lease liabilities		$ 911,120	$ 922,680

As of August 1, 2020 and August 3, 2019, the components of lease costs are as follows (in thousands):

		Three Months Ended		Six Months Ended	
	Income Statement Location	**Aug 1, 2020**	**Aug 3, 2019**	**Aug 1, 2020**	**Aug 3, 2019**
Operating lease costs	Cost of product sales	$ 50,005	$ 58,749	$ 105,374	$ 117,565
Operating lease costs	Selling, general and administrative expenses	5,355	5,720	10,531	10,984
Finance lease costs					
Amortization of leased assets[1, 2]	Cost of product sales	20	44	32	87
Amortization of leased assets[1, 2]	Selling, general and administrative expenses	474	637	1,338	1,180
Interest on lease liabilities	Interest expense	208	286	490	573
Variable lease costs[3]	Cost of product sales	13,209	25,083	27,557	49,908
Variable lease costs[3]	Selling, general and administrative expenses	638	628	1,217	1,455
Short-term lease costs	Cost of product sales	181	—	420	—
Short-term lease costs	Selling, general and administrative expenses	170	183	1,959	395
Total lease costs		$ 70,260	$ 91,330	$ 148,918	$ 182,147

Notes:

1 The Company has made certain reclassifications to prior period amounts to conform to the current period presentation.

2 Amortization of leased assets related to finance leases are included in depreciation expense within cost of product sales or selling, general and administrative expenses depending on the nature of the asset in the Company's condensed consolidated statements of income (loss).

3 During the three and six months ended August 1, 2020, variable lease costs included certain rent concessions received by the Company, primarily in Europe, related to the COVID-19 pandemic of approximately $7.7 million and $10.5 million, respectively. Refer to Note 1 for further information.

Maturities of the Company's operating and finance lease liabilities as of August 1, 2020 are as follows (in thousands):

Maturity of Lease Liabilities	**Operating Leases**	**Finance Leases**	**Total**
2021[1]	$ 155,961	$ 1,618	$ 157,579
2022	207,825	3,904	211,729
2023	172,592	3,483	176,075
2024	144,021	3,260	147,281
2025	99,851	2,446	102,297
After 2025	201,665	5,229	206,894
Total lease payments	981,915	19,940	1,001,855
Less: Interest	87,048	3,687	90,735
Present value of lease liabilities	$ 894,867	$ 16,253	$ 911,120

Notes:

1 Represents the maturity of lease liabilities for the remainder of fiscal 2021 and also includes rent payments that have been deferred due to the COVID-19 pandemic. This amount does not include payments made during the six months ended August 1, 2020.

Other supplemental information is as follows (dollars in thousands):

Lease Term and Discount Rate	Aug 1, 2020
Weighted-average remaining lease term (years)	
Operating leases	5.7 years
Finance leases	5.9 years
Weighted-average discount rate	
Operating leases	3.7%
Finance leases	7.0%

	Six Months Ended	
Supplemental Cash Flow Information	Aug 1, 2020	Aug 3, 2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 70,890	$ 124,687
New operating ROU assets obtained in exchange for lease liabilities	$ 19,566	$ 99,951

Impairment

During the three and six months ended August 1, 2020, the Company recorded asset impairment charges of $8.2 million and $36.5 million, respectively, related to ROU assets at certain retail locations in North America and Europe. The asset impairment charges were determined based on the excess of carrying value over the fair value of the ROU assets. The Company uses estimates of market participant rents to calculate fair value of the ROU assets. There were no asset impairment charges recorded related to the Company's ROU assets during the three and six months ended August 3, 2019. Refer to Note 15 for more information on the Company's impairment testing.

(3) Earnings (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, and the dilutive impact of the Company's convertible senior notes and related warrants, as applicable.

The Company expects to settle the principal amount of its outstanding convertible senior notes in cash and any excess in shares. As a result, upon conversion of the convertible senior notes, only the amounts in excess of the principal amount are considered in diluted earnings per share under the treasury stock method, if applicable. See Note 10 for more information regarding the Company's convertible senior notes.

In periods when there is a net loss, the potentially dilutive impact of common equivalent shares outstanding is not included in the computation of diluted net loss per share as the impact of the shares would be antidilutive. 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 was the end of the related contingency period, and the results would be dilutive under the treasury stock method.

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

	Three Months Ended		Six Months Ended	
	Aug 1, 2020	Aug 3, 2019	Aug 1, 2020	Aug 3, 2019
Net earnings (loss) attributable to Guess?, Inc.	$ (20,358)	$ 25,322	$ (178,024)	$ 3,948
Less net earnings attributable to nonvested restricted stockholders	—	233	—	235
Net (earnings) loss attributable to common stockholders	$ (20,358)	$ 25,089	$ (178,024)	$ 3,713
Weighted average common shares used in basic computations	65,177	70,508	65,446	75,216
Effect of dilutive securities:				
Stock options and restricted stock units[1]	—	848	—	939
Weighted average common shares used in diluted computations	65,177	71,356	65,446	76,155
Net earnings (loss) per common share attributable to common stockholders:				
Basic	$ (0.31)	$ 0.36	$ (2.72)	$ 0.05
Diluted	$ (0.31)	$ 0.35	$ (2.72)	$ 0.05

Notes:

1 For the three and six months ended August 1, 2020, there were 262,086 and 382,222, respectively, of potentially dilutive shares 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.

For the three months ended August 1, 2020 and August 3, 2019, equity awards granted for 4,121,433 and 3,258,910, respectively, of the Company's common shares and for the six months ended August 1, 2020 and August 3, 2019, equity awards granted for 3,890,881 and 2,899,760, 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 and six months ended August 1, 2020, the Company also excluded 525,875 nonvested stock units which are subject to the achievement of performance-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 August 1, 2020. For the three and six months ended August 3, 2019, the Company excluded 1,228,017 nonvested stock units which were subject to the achievement of performance-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 August 3, 2019.

The conversion spread on the Company's convertible senior notes will have a dilutive impact on diluted earnings per share when the average market price of the Company's common stock for a given period exceeds the conversion price of $25.78 per share of common stock. For the three and six months ended August 1, 2020 and August 3, 2019, the convertible senior notes have been excluded from the computation of diluted earnings per share as the effect would be antidilutive since the conversion price of the convertible senior notes exceeded the average market price of the Company's common stock. Warrants to initially purchase 11.6 million shares of the Company's common shares at an initial strike price of $46.88 per share were outstanding as of August 1, 2020. These warrants were excluded from the computation of diluted earnings per share since the warrants' adjusted strike price was greater than the average market price of the Company's common stock during the three and six months ended August 1, 2020 and August 3, 2019. See Note 10 for more information regarding the Company's convertible senior notes.

(4) Stockholders' Equity

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. There were 4,000,000 shares repurchased at an aggregate cost of $38.8 million under the program during the three and six months ended August 1, 2020. During the six months ended August 3, 2019, the Company repurchased 11,013,304 shares under the program at an aggregate cost of $212.5 million, which is inclusive of the shares repurchased under the accelerated share repurchase agreement (the "ASR Contract") as described below. The Company repurchased 10,264,052 shares at an aggregate cost of $201.5 million during the three months ended May 4, 2019 and an additional 749,252 shares at an aggregate cost of $11.0 million during the three months ended August 3, 2019. As of August 1, 2020, the Company had remaining authority under the program to purchase $47.8 million of its common stock.

On April 26, 2019, pursuant to existing stock repurchase authorizations, the Company entered into an ASR Contract with JPMorgan Chase Bank, National Association (in such capacity, the "ASR Counterparty"), to repurchase an aggregate of $170 million of the Company's common stock. Under the ASR Contract, the Company made an initial payment of $170 million to the ASR Counterparty and received an initial delivery of approximately 5.2 million shares of common stock, which represented approximately $102 million (or 60%) of the ASR Contract. The Company received a final delivery of an additional 5.4 million shares, or $68 million, under its ASR Contract during the third quarter of fiscal 2020. The final share amount was determined based on the daily volume-weighted average price since the effective date of the ASR Contract, less the applicable contractual discount. When combined with the 5.2 million upfront shares received at the inception of the ASR in April 2019, the Company repurchased approximately 10.6 million of its shares under the ASR at an average repurchase price of $16.09 per share. All shares were repurchased in accordance with the Company's publicly announced ASR program, which was completed during the third quarter of fiscal 2020. The shares delivered under the ASR Contract reduced the Company's outstanding shares and its weighted average number of common shares outstanding for purposes of calculating basic and diluted earnings per share.

Dividends

During the first quarter of fiscal 2021, the Company announced that its Board of Directors had deferred the decision with respect to the payment of its quarterly cash dividend. The Board of Directors decided to continue to postpone its decision with respect to the payment of its quarterly cash dividend during the second quarter of fiscal 2021 in order to preserve the Company's cash position and provide continued financial flexibility in light of the uncertainties related to the COVID-19 pandemic. As a result, there was no cash dividend declared during the three and six months ended August 1, 2020. During the three and six months ended August 1, 2020, dividends paid related to the vesting of restricted stock units that are considered non-participating securities and are only entitled to dividend payments once the respective awards vest. Subsequent to the second quarter of fiscal 2021, the Company announced that it would resume paying its quarterly cash dividend of $0.1125 per share beginning in the third quarter of fiscal 2021, but decided to not declare any cash dividends for the first and second quarters of fiscal 2021.

During the three and six months ended August 3, 2019, the Company declared a cash dividend of $0.1125 per share and $0.3375 per share, respectively.

During the first quarter of fiscal 2020, the Company announced that its Board of Directors reduced the future quarterly cash dividends that may be paid to holders of the Company's common stock, when, as and if any such dividend is declared by the Company's Board of Directors, from $0.225 per share to $0.1125 per share to redeploy capital and return incremental value to shareholders through share repurchases.

Decisions on whether, when and in what amounts to continue making any future dividend distributions will remain at all times entirely at the discretion of the Company's Board of Directors, which reserves the right to change or terminate the Company's dividend practices at any time and for any reason without prior notice. The payment of cash dividends in the future will be based upon a number of business, legal and other considerations, including our cash flow from operations, capital expenditures, debt service and covenant requirements, cash paid for income taxes, earnings, share repurchases, economic conditions and U.S. and global liquidity.

Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss), net of related income taxes, for the three and six months ended August 1, 2020 and August 3, 2019 are as follows (in thousands):

	Three Months Ended Aug 1, 2020			
	Foreign Currency Translation Adjustment	Derivative Financial Instruments Designated as Cash Flow Hedges	Defined Benefit Plans	Total
Balance at May 2, 2020	$ (152,162)	$ 7,711	$ (8,851)	$ (153,302)
Gains (losses) arising during the period	31,043	(7,012)	(211)	23,820
Reclassification to net loss for (gains) losses realized	—	(2,198)	71	(2,127)
Net other comprehensive income (loss)	31,043	(9,210)	(140)	21,693
Balance at August 1, 2020	$ (121,119)	$ (1,499)	$ (8,991)	$ (131,609)

	Six Months Ended Aug 1, 2020			
	Foreign Currency Translation Adjustment	Derivative Financial Instruments Designated as Cash Flow Hedges	Defined Benefit Plans	Total
Balance at February 1, 2020	$ (137,289)	$ 6,300	$ (8,921)	$ (139,910)
Gains (losses) arising during the period	16,170	(3,832)	(212)	12,126
Reclassification to net loss for (gains) losses realized	—	(3,967)	142	(3,825)
Net other comprehensive income (loss)	16,170	(7,799)	(70)	8,301
Balance at August 1, 2020	$ (121,119)	$ (1,499)	$ (8,991)	$ (131,609)

	Three Months Ended Aug 3, 2019			
	Foreign Currency Translation Adjustment	Derivative Financial Instruments Designated as Cash Flow Hedges	Defined Benefit Plans	Total
Balance at May 4, 2019	$ (131,923)	$ 8,663	$ (9,446)	$ (132,706)
Gains (losses) arising during the period	(4,841)	1,978	(151)	(3,014)
Reclassification to net earnings for (gains) losses realized	—	(1,572)	90	(1,482)
Net other comprehensive income (loss)	(4,841)	406	(61)	(4,496)
Balance at August 3, 2019	$ (136,764)	$ 9,069	$ (9,507)	$ (137,202)

	Six Months Ended Aug 3, 2019			
	Foreign Currency Translation Adjustment	Derivative Financial Instruments Designated as Cash Flow Hedges	Defined Benefit Plans	Total
Balance at February 2, 2019	$ (119,546)	$ 2,999	$ (9,632)	$ (126,179)
Cumulative adjustment reclassified from retained earnings due to adoption of new accounting guidance[1]	—	1,981	—	1,981
Gains (losses) arising during the period	(17,218)	5,842	(55)	(11,431)
Reclassification to net earnings for (gains) losses realized	—	(1,753)	180	(1,573)
Net other comprehensive income (loss)	(17,218)	4,089	125	(13,004)
Balance at August 3, 2019	$ (136,764)	$ 9,069	$ (9,507)	$ (137,202)

Notes:

1 During the first quarter of fiscal 2020, the Company adopted new authoritative guidance which eliminated the requirement to separately measure and report ineffectiveness for instruments that qualify for hedge accounting and generally requires that the entire change in the fair value of such instruments ultimately be presented in the same line as the respective hedge item. As a result, there is no interest component recognized for the ineffective portion of instruments that qualify for hedge accounting, but rather all changes in the fair value of such instruments are included in other comprehensive income (loss). Upon adoption of this guidance, the Company reclassified approximately $2.0 million in gains from retained earnings to accumulated other comprehensive loss related to the previously recorded interest component on outstanding instruments that qualified for hedge accounting.

Details on reclassifications out of accumulated other comprehensive income (loss) to net earnings (loss) during the three and six months ended August 1, 2020 and August 3, 2019 are as follows (in thousands):

	Three Months Ended		Six Months Ended		Location of (Gain) Loss Reclassified from Accumulated OCI into Earnings (Loss)
	Aug 1, 2020	Aug 3, 2019	Aug 1, 2020	Aug 3, 2019	
Derivative financial instruments designated as cash flow hedges:					
Foreign exchange currency contracts	$ (2,504)	$ (1,757)	$ (4,495)	$ (1,987)	Cost of product sales
Interest rate swap	42	(44)	45	(90)	Interest expense
Less income tax effect	264	229	483	324	Income tax expense (benefit)
	(2,198)	(1,572)	(3,967)	(1,753)	
Defined benefit plans:					
Net actuarial loss amortization	97	111	193	222	Other income (expense)
Prior service credit amortization	(16)	(9)	(32)	(19)	Other income (expense)
Less income tax effect	(10)	(12)	(19)	(23)	Income tax expense (benefit)
	71	90	142	180	
Total reclassifications during the period	$ (2,127)	$ (1,482)	$ (3,825)	$ (1,573)	

(5) Accounts Receivable

Accounts receivable is summarized as follows (in thousands):

	Aug 1, 2020	Feb 1, 2020
Trade	$ 237,399	$ 309,508
Royalty	9,248	12,775
Other	14,224	13,429
	260,871	335,712
Less allowances[1]	14,400	8,431
	$ 246,471	$ 327,281

Notes:

[1] During the first quarter of fiscal 2021, the Company adopted authoritative guidance related to the measurement of credit losses on financial instruments. This guidance replaces the "as incurred" loss model with an "expected loss" model which requires the recognition of an allowance for credit losses expected to be incurred over an asset's lifetime. The adoption of this guidance did not have a material impact on the Company's allowance for doubtful accounts. Refer to Note 1 for further information.

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 the Americas and Asia, 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.

(6) Inventories

Inventories consist of the following (in thousands):

	Aug 1, 2020	Feb 1, 2020
Raw materials	$ 585	$ 399
Work in progress	43	52
Finished goods	418,799	392,678
	$ 419,427	$ 393,129

The above balances include an allowance to write down inventories to the lower of cost or net realizable value of $42.6 million and $24.5 million as of August 1, 2020 and February 1, 2020, respectively.

(7) Income Taxes

Effective Tax Rate

Income tax expense for the interim periods was computed using the tax rate estimated to be applicable for the full fiscal year, adjusted for discrete items. The Company's effective income tax rate was a benefit of 9.9% for the six months ended August 1, 2020, compared to an expense of 52.2% for the six months ended August 3, 2019. During the six months ended August 1, 2020, the Company recognized a tax benefit of approximately $3.9 million from a tax rate change related to the ability to carryback net operating losses to tax years with a higher federal corporate tax rate as allowed under the CARES Act enacted in March 2020. This benefit was mostly offset by a valuation allowance of $3.7 million resulting from jurisdictions where there have been cumulative net operating losses, limiting the Company's ability to consider other subjective evidence to continue to recognize the existing deferred tax assets. Excluding the impact of these items, the change in the effective tax rate was due primarily to a shift in the distribution of earnings among the Company's tax jurisdictions during the six months ended August 1, 2020, compared to the same prior-year period.

On March 27, 2020, the U.S. government enacted the CARES Act to provide economic relief from the COVID-19 pandemic. The CARES Act includes certain provisions that affect our income taxes, including temporary five-year net operating loss carryback provisions, relaxation of the net interest deduction limitations and the technical amendment for qualified improvement property deduction.

Unrecognized Tax Benefit

From time-to-time, the Company is subject to routine income and other tax audits on various tax matters around the world in the ordinary course of business. As of August 1, 2020, several tax audits were ongoing for various periods in multiple jurisdictions. These audits could conclude with an assessment of additional tax liability for the Company. These assessments could arise as the result of timing or permanent differences and could be material to the Company's net income or future cash flows. In the event the Company disagrees with an assessment from a taxing authority, the Company may elect to appeal, litigate, pursue settlement or take other actions. The Company accrues an amount for its estimate of additional tax liability which the Company, more likely than not, will incur as a result of the ultimate resolution of tax audits ("uncertain tax positions"). The Company reviews and updates the estimates used in the accrual for uncertain tax positions, as appropriate, as more definitive information or interpretations become available from taxing authorities, upon completion of tax audits, upon receipt of assessments, upon expiration of statutes of limitation, or upon occurrence of other events.

During the second quarter of fiscal 2021, the Company became aware of a foreign withholding tax regulation that could be interpreted to apply to certain of its previous transactions. The Company currently does not expect that its exposure, if any, will have a material impact on its condensed consolidated financial position, results of operations or cash flows.

The Company had aggregate accruals for uncertain tax positions, including penalties and interest, of $35.6 million and $34.0 million as of August 1, 2020 and February 1, 2020, respectively. This includes an accrual of $19.9 million for the estimated transition tax (excluding related interest) related to the 2017 Tax Cuts and Jobs Act for each of the periods ended August 1, 2020 and February 1, 2020.

(8) Segment Information

The Company's businesses are grouped into five reportable segments for management and internal financial reporting purposes: Americas Retail, Americas Wholesale, Europe, Asia and Licensing. The Company's Americas Retail, Americas Wholesale, Europe and Licensing reportable segments are the same as their respective operating segments. Certain components of the Company's Asia operating segment are separate operating segments based on region, which have been aggregated into the Asia reportable segment for disclosure purposes. Management evaluates segment performance based primarily on revenues and earnings (loss) from operations before corporate performance-based compensation costs, asset impairment charges, net gains (losses) on lease terminations, restructuring charges and certain non-recurring credits (charges), if any. The Company believes this segment reporting reflects how its business segments are managed and how each segment's performance is evaluated by the Company's chief operating decision maker to assess performance and make resource allocation decisions. The Americas Retail segment includes the Company's retail and e-commerce operations in the Americas. The Americas Wholesale segment includes the Company's wholesale operations in the Americas. The Europe segment includes the Company's retail, e-commerce and wholesale operations in Europe and the Middle East. The Asia segment includes the Company's retail, e-commerce and wholesale operations in Asia and the Pacific. The Licensing segment includes the worldwide licensing operations of the Company. The business segment operating results exclude corporate overhead costs, which consist of shared costs of the organization, asset impairment charges, net gains (losses) on lease terminations, restructuring charges and certain non-recurring credits (charges), if any. Corporate overhead costs are presented separately and generally include, among other things, the following unallocated corporate costs: accounting and finance, executive compensation, corporate performance-based compensation, facilities, global advertising and marketing, human resources, information technology and legal.

Net revenue and earnings (loss) from operations are summarized as follows for the three and six months ended August 1, 2020 and August 3, 2019 (in thousands):

	Three Months Ended		Six Months Ended	
	Aug 1, 2020	Aug 3, 2019	Aug 1, 2020	Aug 3, 2019
Net revenue:				
Americas Retail	$ 110,065	$ 198,966	$ 184,649	$ 375,389
Americas Wholesale	20,285	41,902	46,160	88,107
Europe	205,851	340,509	312,324	550,564
Asia	50,191	83,301	90,576	168,491
Licensing	12,147	18,542	25,081	37,360
Total net revenue	$ 398,539	$ 683,220	$ 658,790	$ 1,219,911
Earnings (loss) from operations:				
Americas Retail	$ (4,704)	$ 5,957	$ (41,377)	$ 4,145
Americas Wholesale	1,688	8,422	3,312	16,236
Europe	20,795	51,594	(23,611)	35,267
Asia	(3,367)	(4,800)	(26,144)	(8,003)
Licensing	11,511	15,547	21,605	32,191
Total segment earnings (loss) from operations	25,923	76,720	(66,215)	79,836
Corporate overhead	(29,188)	(29,229)	(46,109)	(55,041)
Asset impairment charges[1]	(11,969)	(1,504)	(64,941)	(3,279)
Net gains on lease terminations[2]	885	—	429	—
Total earnings (loss) from operations	$ (14,349)	$ 45,987	$ (176,836)	$ 21,516

Notes:

1 During the three and six months ended August 1, 2020, the Company recognized asset impairment charges related primarily to impairment of certain operating lease ROU assets and impairment of property and equipment related to certain retail locations resulting from lower revenue and future cash flow projections from the ongoing effects of the COVID-19 pandemic. During the three and six months ended August 3, 2019, the Company's asset impairment charges related primarily to impairment of property and equipment related to certain retail locations resulting from under-performance and expected store closures. Refer to Note 2 and Note 15 for more information regarding these asset impairment charges.

2 During the three and six months ended August 1, 2020, the Company recorded net gains on lease terminations related primarily to the early termination of certain lease agreements.

The table below presents information regarding geographic areas in which the Company operated. Net revenue is classified primarily based on the country where the Company's customer is located (in thousands):

	Three Months Ended		Six Months Ended	
	Aug 1, 2020	Aug 3, 2019	Aug 1, 2020	Aug 3, 2019
Net revenue:				
U.S.	$ 97,202	$ 176,557	$ 166,667	$ 340,928
Italy	36,671	86,497	56,023	136,932
South Korea	29,092	32,898	50,316	66,815
Germany	33,376	31,990	44,738	50,738
Canada	24,174	44,001	40,851	82,582
Spain	20,381	39,900	33,377	67,897
Other foreign countries	145,496	252,835	241,737	436,659
Total product sales	386,392	664,678	633,709	1,182,551
Net royalties	12,147	18,542	25,081	37,360
Net revenue	$ 398,539	$ 683,220	$ 658,790	$ 1,219,911

Due to the seasonal nature of the Company's business segments, the above net revenue and operating results are not necessarily indicative of the results that may be expected for the full fiscal year.

(9) Borrowings and Finance Lease Obligations

Borrowings and finance lease obligations are summarized as follows (in thousands):

	Aug 1, 2020	Feb 1, 2020
Term loans	$ 51,823	$ —
Borrowings under credit facilities	19,192	3,957
Mortgage debt	18,821	19,132
Finance lease obligations	16,253	16,535
Other	2,301	2,636
	108,390	42,260
Less current installments	42,321	9,490
Long-term debt and finance lease obligations	$ 66,069	$ 32,770

Term Loans

As a precautionary measure to ensure financial flexibility and maintain maximum liquidity in response to the COVID-19 pandemic, in addition to drawing down on certain of the credit facilities as noted below, the Company entered into term loans with certain banks in Europe during the six months ended August 1, 2020. These loans have terms ranging from one-to-five years and provide annual interest rates ranging between 0.5% to 1.5%. Certain of these loans also have an option to extend the term for a period of up to five years, subject to certain terms and conditions. As of August 1, 2020, the Company had outstanding borrowings of $51.8 million under these borrowing arrangements.

Credit Facilities

On April 21, 2020, the Company entered into an amendment of its senior secured asset-based revolving credit facility with Bank of America, N.A. and the other lenders party thereto to extend the maturity date of the credit facility to April 21, 2023, among other changes (as amended, the "Credit Facility"). The Credit Facility provides for a borrowing capacity in an amount up to $120 million, including a Canadian sub-facility up to $20 million, subject to a borrowing base. Based on applicable accounts receivable and inventory balances as of August 1, 2020, the Company could have borrowed up to $81 million under the Credit Facility. The Credit Facility has an option to expand the borrowing capacity by up to $180 million subject to certain terms and conditions, including the willingness of existing or new lenders to assume such increased amount. The Credit Facility is available for direct borrowings and the issuance of letters of credit, subject to certain letters of credit sublimits, and may be used for working capital and other general corporate purposes.

All obligations under the Credit Facility are unconditionally guaranteed by the Company and the Company's existing and future domestic and Canadian subsidiaries, subject to certain exceptions, and are secured by a first priority lien on substantially all of the assets of the Company and such domestic and Canadian subsidiaries, as applicable.

Direct borrowings under the Credit Facility made by the Company and its domestic subsidiaries shall bear interest at the U.S. base rate plus an applicable margin (varying from 0.75% to 1.25%) or at LIBOR plus an applicable margin (varying from 1.75% to 2.25%), provided that LIBOR may not be less than 1.0%. The U.S. base rate is based on the greater of (i) the U.S. prime rate, (ii) the federal funds rate, plus 0.5%, and (iii) LIBOR for a 30-day interest period, plus 1.0%. Direct borrowings under the Credit Facility made by the Company's Canadian subsidiaries shall bear interest at the Canadian prime rate plus an applicable margin (varying from 0.75% to 1.25%) or at the Canadian BA rate plus an applicable margin (varying from 1.75% to 2.25%), provided that the Canadian BA rate may not be less than 1.0%. The Canadian prime rate is based on the greater of (i) the Canadian prime rate and (ii) the Canadian BA rate for a one-month interest period, plus 1.0%, provided that the Canadian prime rate may not be less than zero. The applicable margins are calculated quarterly and vary based on the average daily availability of the aggregate borrowing base. The Company is also obligated to pay certain commitment, letter of credit and other fees customary for a credit facility of this size and type. As of August 1, 2020, the Company had $2.1 million in outstanding standby letters of credit, no outstanding documentary letters of credit and no outstanding borrowings under the Credit Facility.

The Credit Facility requires the Company to comply with a fixed charge coverage ratio on a trailing four-quarter basis if a default or an event of default occurs under the Credit Facility or generally if borrowings exceed 80% of the borrowing base. In addition, the Credit Facility contains customary covenants, including covenants that limit or restrict the Company and certain of its subsidiaries' ability to: incur liens, incur indebtedness, make investments, dispose of assets, make certain restricted payments, merge or consolidate and enter into certain transactions with affiliates. Upon the occurrence of an event of default under the Credit Facility, the lenders may cease making loans, terminate the Credit Facility and declare all amounts outstanding to be immediately due and payable. The Credit Facility specifies a number of events of default (some of which are subject to applicable grace or cure periods), including, among other things, non-payment defaults, covenant defaults, cross-defaults to other material indebtedness, bankruptcy and insolvency defaults and material judgment defaults. The Credit Facility allows for both secured and unsecured borrowings outside of the Credit Facility up to specified amounts.

The Company, through its European subsidiaries, maintains short-term committed and uncommitted borrowing agreements, primarily for working capital purposes, with various banks in Europe. Some of these agreements include certain equity-based financial covenants. As of August 1, 2020, the Company had $9.4 million in outstanding borrowings, no outstanding documentary letters of credit and $134.3 million available for future borrowings under these agreements. The agreements are denominated primarily in euros and provide for annual interest rates ranging from 0.7% to 1.3%.

The Company, through its China subsidiary, maintains a short-term uncommitted bank borrowing agreement, primarily for working capital purposes. During the second quarter of fiscal 2021, the borrowing capacity under the multicurrency borrowing agreement increased from $20.0 million to $30.0 million. The Company had $9.6 million and $4.0 million in outstanding borrowings under this agreement as of August 1, 2020 and February 1, 2020, respectively.

Mortgage Debt

On February 16, 2016, the Company entered into a ten-year $21.5 million real estate secured loan (the "Mortgage Debt"). The Mortgage Debt is secured by the Company's U.S. distribution center based in Louisville, Kentucky and provides for monthly principal and interest payments based on a 25-year amortization schedule, with the remaining principal balance and any accrued and unpaid interest due at maturity. Outstanding principal balances under the Mortgage Debt bear interest at the one-month LIBOR rate plus 1.5%. As of August 1, 2020, outstanding borrowings under the Mortgage Debt, net of debt issuance costs of $0.1 million, were $18.8 million. At February 1, 2020, outstanding borrowings under the Mortgage Debt, net of debt issuance costs of $0.1 million, were $19.1 million.

The Mortgage Debt requires the Company to comply with a fixed charge coverage ratio on a trailing four-quarter basis if consolidated cash, cash equivalents, short-term investment balances and availability under borrowing arrangements fall below certain levels. In addition, the Mortgage Debt contains customary covenants, including covenants that limit or restrict the Company's ability to incur liens on the mortgaged property and enter into certain contractual obligations. Upon the occurrence of an event of default under the Mortgage Debt, the lender may terminate the Mortgage Debt and declare all amounts outstanding to be immediately due and payable. The Mortgage Debt specifies a number of events of default (some of which are subject to applicable grace or cure periods), including, among other things, non-payment defaults, covenant defaults, cross-defaults to other material indebtedness, bankruptcy and insolvency defaults and material judgment defaults.

On February 16, 2016, the Company also entered into a separate interest rate swap agreement, designated as a cash flow hedge, that resulted in a swap fixed rate of approximately 3.06%. This interest rate swap agreement matures in January 2026 and converts the nature of the Mortgage Debt from LIBOR floating-rate debt to fixed-rate debt. The fair value of the interest rate swap liability was approximately $1.3 million and $0.3 million as of August 1, 2020 and February 1, 2020, respectively.

Finance Lease Obligations

During fiscal 2018, the Company entered into a finance lease related to equipment used in its European distribution center located in the Netherlands. The finance lease primarily provides for monthly minimum lease payments through May 2027 with an effective interest rate of approximately 6%. The finance lease obligation was $12.6 million for each of the periods ended August 1, 2020 and February 1, 2020.

The Company also has smaller finance leases related primarily to computer hardware and software. As of August 1, 2020 and February 1, 2020, these finance lease obligations totaled $3.7 million and $4.0 million, respectively.

Other

From time-to-time, the Company will obtain other financing in foreign countries for working capital to finance its local operations.

(10) Convertible Senior Notes and Related Transactions

2.00% Convertible Senior Notes due 2024

In April 2019, the Company issued $300 million principal amount of 2.00% convertible senior notes due 2024 (the “Notes”) in a private offering. In connection with the issuance of the Notes, the Company entered into an indenture (the “Indenture”) with respect to the Notes with U.S. Bank N.A., as trustee (the “Trustee”). The Notes are senior unsecured obligations of the Company and bear interest at an annual rate of 2.00% payable semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2019. The Notes will mature on April 15, 2024, unless earlier repurchased or converted in accordance with their terms.

The Notes are convertible in certain circumstances into cash, shares of the Company’s common stock, or a combination of cash and shares of the Company’s common stock, at the Company’s election, at an initial conversion rate of 38.7879 shares of common stock per $1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately $25.78 per share, subject to adjustment upon the occurrence of certain events. Prior to November 15, 2023, the Notes are convertible only upon the occurrence of certain events and during certain periods, and thereafter, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date of the Notes. Following certain corporate events described in the Indenture that occur prior to the maturity date, the conversion rate will be increased for a holder who elects to convert its Notes in connection with such corporate event in certain circumstances. The Notes are not redeemable prior to maturity, and no sinking fund is provided for the Notes.

If the Company undergoes a “fundamental change,” as defined in the Indenture, subject to certain conditions, holders of the Notes may require the Company to purchase for cash all or any portion of their Notes. The fundamental change purchase price will be 100% of the principal amount of the Notes to be purchased plus any accrued and unpaid interest up to but excluding the fundamental change purchase date.

The Indenture contains certain other customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of at least 25% in principal amount of the outstanding Notes may declare 100% of the principal of, and accrued and unpaid interest on, all the Notes to be due and payable.

Under GAAP, certain convertible debt instruments that may be settled in cash on conversion are required to be separately accounted for as liability and equity components of the instrument in a manner that reflects the issuer’s non-convertible debt borrowing rate. Accordingly, in accounting for the issuance of the Notes, the Company separated the Notes into liability and equity components. The liability component was recorded at fair value, which was derived from a valuation technique used to calculate the fair value of a similar liability without an associated conversion feature. The carrying amount of the equity component, which was recognized as a debt discount, represented the difference between the proceeds from the issuance of the Notes and the fair value of the liability component of the Notes. The excess of the principal amount of the liability component over its carrying amount (“debt discount”) will be amortized to interest expense using an effective interest rate of 6.8% over the term of the Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. During the three and six months ended August 1, 2020, the Company recorded approximately $2.6 million and $5.2 million, respectively, of interest expense related to the amortization of the debt discount.

During the three and six months ended August 3, 2019, the Company recorded approximately $2.4 million and $2.7 million of interest expense related to the amortization of the debt discount.

Debt issuance costs related to the Notes were comprised of discounts and commissions payable to the initial purchasers of $3.8 million and third-party offering costs of approximately $1.5 million. In accounting for the debt issuance costs related to the issuance of the Notes, the Company allocated the total amount incurred to the liability and equity components based on their relative values. Debt issuance costs attributable to the liability component were recorded as a contra-liability and are presented net against the convertible senior notes balance on the Company's condensed consolidated balance sheets. These costs are amortized to interest expense using the effective interest method over the term of the Notes. During the three and six months ended August 1, 2020, the Company recorded $0.2 million and $0.4 million, respectively, related to the amortization of debt issuance costs. During each of the three and six months ended August 3, 2019, the Company recorded $0.2 million related to the amortization of debt issuance costs. Debt issuance costs attributable to the equity component are netted with the equity component in stockholders' equity.

The Notes consist of the following components as of August 1, 2020 and February 1, 2020 (in thousands):

	Aug 1, 2020	Feb 1, 2020
Liability component:		
Principal	$ 300,000	$ 300,000
Unamortized debt discount	(43,820)	(49,017)
Unamortized issuance costs	(3,192)	(3,620)
Net carrying amount	$ 252,988	$ 247,363
Equity component, net[1]	$ 42,320	$ 42,320

Notes:

1 Included in paid-in capital within stockholders' equity on the condensed consolidated balance sheets and is net of debt issuance costs and deferred taxes.

As of August 1, 2020 and February 1, 2020, the fair value of the Notes was approximately $163.0 million and $272.0 million, respectively. The fair value of the Notes is determined based on inputs that are observable in the market and have been classified as Level 2 in the fair value hierarchy.

Convertible Bond Hedge and Warrant Transactions

In connection with the offering of the Notes, the Company entered into convertible note hedge transactions whereby the Company had the option to purchase a total of approximately 11.6 million shares of its common stock at an initial strike price of approximately $25.78 per share, in each case subject to adjustment in certain circumstances. The total cost of the convertible note hedge transactions was $61.0 million. In addition, the Company sold warrants whereby the holders of the warrants had the option to purchase a total of approximately 11.6 million shares of the Company's common stock at an initial strike price of $46.88 per share. Both the number of shares underlying the convertible note hedges and warrants and the strike price of the instruments are subject to customary adjustments. The Company received $28.1 million in cash proceeds from the sale of these warrants. Taken together, the purchase of the convertible note hedges and sale of the warrants are intended to offset dilution from the conversion of the Notes to the extent the market price per share of the Company's common stock exceeds the adjusted strike price of the convertible note hedges. The warrant transaction may have a dilutive effect with respect to the Company's common stock to the extent the market price per share of the Company's common stock exceeds the adjusted strike price of the warrants. As these transactions meet certain accounting criteria, the convertible note hedges and warrants are recorded in stockholders' equity, are not accounted for as derivatives and are not remeasured each reporting period.

The Company had a deferred tax liability of $11.2 million in connection with the debt discount associated with the Notes and a deferred tax asset of $12.3 million in connection with the convertible note hedge transactions for each of the periods ended August 1, 2020 and February 1, 2020. The net deferred tax impact was included in deferred tax assets on the Company's condensed consolidated balance sheets.

(11) Share-Based Compensation

The following table summarizes the share-based compensation expense recognized under all of the Company's stock plans during the three and six months ended August 1, 2020 and August 3, 2019 (in thousands):

	Three Months Ended		Six Months Ended	
	Aug 1, 2020	**Aug 3, 2019**	**Aug 1, 2020**	**Aug 3, 2019**
Stock options	$ 820	$ 697	$ 1,515	$ 1,287
Stock awards/units	3,135	4,205	8,061	8,020
Employee Stock Purchase Plan	48	84	213	147
Total share-based compensation expense	$ 4,003	$ 4,986	$ 9,789	$ 9,454

Unrecognized compensation cost related to nonvested stock options and nonvested stock awards/units totaled approximately $9.9 million and $21.9 million, respectively, as of August 1, 2020. This cost is expected to be recognized over a weighted average period of 1.8 years.

The weighted average grant date fair value per share of stock options granted was $4.33 and $5.41 during the six months ended August 1, 2020 and August 3, 2019, respectively.

Grants

As a precautionary measure to maintain maximum liquidity in response to the COVID-19 pandemic, the Company elected to pay out its fiscal 2020 corporate bonus in stock awards rather than cash compensation. As such, on April 27, 2020, the Company issued 816,708 restricted stock units that vested immediately. These awards were granted to certain of the Company's employees that were eligible to receive the corporate bonus based on the satisfaction of certain performance measures during fiscal 2020.

On June 11, 2020, the Company made a grant of 792,057 stock options to certain of its executive employees. On June 29, 2020, the Company made a grant of 736,026 nonvested stock units to certain of its executive employees. These nonvested stock units are subject to certain performance-based or market-based vesting conditions.

In connection with a new employment agreement entered into between the Company and Carlos Alberini (the "Alberini Employment Agreement"), who became the Company's Chief Executive Officer on February 20, 2019, the Company granted Mr. Alberini 600,000 stock options and 250,000 nonvested stock units which were subject to the achievement of certain performance-based vesting conditions. Mr. Alberini was also granted 150,000 restricted stock units which were considered contingently returnable as a result of certain service conditions set forth in the Alberini Employment Agreement. The service conditions were satisfied during the six months ended August 1, 2020.

On June 10, 2019, the Company made a special grant of 1,077,700 stock options to certain of its employees. On June 20, 2019, the Company also granted select key management 205,339 nonvested stock units which were subject to certain performance-based vesting conditions.

Annual Grants

On April 13, 2020, the Company made an annual grant of 743,800 nonvested stock awards/units to its employees. On March 29, 2019, the Company made an annual grant of 5,100 stock options and 280,700 nonvested stock awards/units to its employees.

Performance-Based Awards

The Company has granted certain nonvested stock units subject to performance-based vesting conditions to select executive officers. Each award of nonvested stock units generally has an initial vesting period from the date of the grant through either (i) the end of the first fiscal year or (ii) the first anniversary of the date of grant, followed by annual vesting periods which may range from two-to-three years.

The Company has also granted a target number of nonvested stock units to select key management, including certain executive officers. The number of shares that may ultimately vest with respect to each award may range from 0% up to 200% of the target number of shares, subject to the achievement of certain performance-based vesting conditions. Any shares that are ultimately issued are scheduled to vest at the end of the third fiscal year following the grant date.

The following table summarizes the activity for nonvested performance-based units during the six months ended August 1, 2020:

	Number of Units	Weighted Average Grant Date Fair Value
Nonvested at February 1, 2020	1,140,023	$ 16.66
Granted	310,881	9.65
Vested	(310,413)	13.99
Forfeited	(249,139)	12.24
Nonvested at August 1, 2020	891,352	$ 16.38

Market-Based Awards

The Company has granted certain nonvested stock units subject to market-based vesting conditions to select executive officers. The number of shares that may ultimately vest will equal 0% to 150% of the target number of shares, subject to the performance of the Company's total stockholder return ("TSR") relative to the TSR of a select group of peer companies over a three-year period. Vesting is also subject to continued service requirements through the vesting date.

The following table summarizes the activity for nonvested market-based units during the six months ended August 1, 2020:

	Number of Units	Weighted Average Grant Date Fair Value
Nonvested at February 1, 2020	288,202	$ 13.43
Granted[1]	526,711	7.20
Vested[1]	(305,901)	10.62
Nonvested at August 1, 2020	509,012	$ 8.67

Notes:

[1] Amounts include, as a result of the achievement of certain market-based vesting conditions, 101,566 shares that vested in addition to the original target number of shares granted in fiscal 2018.

(12) Related Party Transactions

The Company and its subsidiaries periodically enter into transactions with other entities or individuals that are considered related parties, including certain transactions with entities affiliated with trusts for the respective benefit of Paul Marciano, who is an executive and member of the Board of the Company, and Maurice Marciano, who is also a member of the Board, and certain of their children (the "Marciano Trusts").

Leases

The Company leases warehouse and administrative facilities, including the Company's corporate headquarters in Los Angeles, California, from partnerships affiliated with the Marciano Trusts and certain of their affiliates. There were four of these leases in effect as of August 1, 2020 with expiration or option exercise dates ranging from calendar years 2020 to 2021. The Company is currently in discussions with the related party landlords for extensions of the leases for the corporate headquarter location in Los Angeles and the office location in Paris, and in the meantime, those leases are continuing on a month-to-month basis under the existing lease terms.

Aggregate lease costs recorded under these four related party leases were approximately $2.6 million for each of the six months ended August 1, 2020 and August 3, 2019. The Company believes that the terms of the related party leases have not been significantly affected by the fact that the Company and the lessors are related.

Aircraft Arrangements

The Company periodically charters aircraft owned by entities affiliated with the Marciano Trusts (the “Aircraft Entities”), through informal arrangements with the Aircraft Entities and independent third-party management companies contracted by the Aircraft Entities to manage their aircraft. The total fees paid under these arrangements for the six months ended August 1, 2020 were approximately $1.2 million. There were no fees paid under these arrangements for the six months ended August 3, 2019.

These related party disclosures should be read in conjunction with the disclosure concerning related party transactions in the Company’s Annual Report on Form 10-K for the year ended February 1, 2020.

(13) Commitments and Contingencies

Investment Commitments

As of August 1, 2020, the Company had an unfunded commitment to invest €3.6 million ($4.3 million) in a private equity fund. Refer to Note 15 for further information.

Legal and Other Proceedings

The Company is involved in legal proceedings, arising both in the ordinary course of business and otherwise, including the proceedings described below as well as various other claims and other matters incidental to the Company’s business. Unless otherwise stated, the resolution of any particular proceeding is not currently expected to have a material adverse impact on the Company’s financial position, results of operations or cash flows. Even if such an impact could be material, we may not be able to estimate the reasonably possible loss or range of loss until developments in the proceedings have provided sufficient information to support an assessment.

The Company has received customs tax assessment notices from the Italian Customs Agency (“ICA”) regarding its customs tax audit of one of the Company’s European subsidiaries for the period from July 2010 through December 2012. Such assessments totaled €9.8 million ($11.6 million), including potential penalties and interest. The Company strongly disagreed with the ICA’s positions and therefore filed appeals with the Milan First Degree Tax Court (“MFDTC”). Those appeals were split into a number of different cases that were then heard by different sections of the MFDTC. The MFDTC ruled in favor of the Company on all of these appeals. The ICA subsequently appealed €9.7 million ($11.4 million) of these favorable MFDTC judgments with the Appeals Court. To date, €8.5 million ($10.0 million) have been decided in favor of the Company and €1.2 million ($1.4 million) have been decided in favor of the ICA. The Company believes that the unfavorable Appeals Court ruling is incorrect and inconsistent with the prior rulings on similar matters by both the MFDTC and other judges within the Appeals Court, and plans to appeal the decision to the Supreme Court. The ICA has appealed most of the favorable Appeals Court rulings to the Supreme Court. To date, of the cases that have been appealed to the Supreme Court, €0.4 million ($0.5 million) have been decided in favor of the Company based on the merits of the case and €1.1 million ($1.3 million) have been remanded back to the lower court for further consideration. There can be no assurances the Company will be successful in the remaining appeals. It also continues to be possible that the Company will receive similar or even larger assessments for periods subsequent to December 2012 or other claims or charges related to the matter in the future. Although the Company believes that it has a strong position and will continue to vigorously defend this matter, it is unable to predict with certainty whether or not these efforts will ultimately be successful or whether the outcome will have a material impact on the Company’s financial position, results of operations or cash flows.

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 every third anniversary beginning in March 2019, 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. The carrying value of the redeemable noncontrolling interest related to Guess Brazil was $1.0 million and $1.2 million as of August 1, 2020 and February 1, 2020, respectively.

The Company is also 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. The carrying value of the redeemable noncontrolling interest related to Guess CIS was $3.0 million and $3.5 million as of August 1, 2020 and February 1, 2020, respectively.

A reconciliation of the total carrying amount of redeemable noncontrolling interests for the six months ended August 1, 2020 and August 3, 2019 is as follows (in thousands):

	Six Months Ended	
	Aug 1, 2020	**Aug 3, 2019**
Beginning balance	$ 4,731	$ 4,853
Foreign currency translation adjustment	(710)	(69)
Ending balance	$ 4,021	$ 4,784

(14) Defined Benefit Plans

Supplemental Executive Retirement Plan

On August 23, 2005, the Board of Directors of the Company adopted a Supplemental Executive Retirement Plan ("SERP") which became effective January 1, 2006. The SERP provides select employees who satisfy certain eligibility requirements with certain benefits upon retirement, termination of employment, death, disability or a change in control of the Company, in certain prescribed circumstances.

As a non-qualified pension plan, no dedicated funding of the SERP is required; however, the Company has made periodic payments into insurance policies held in a rabbi trust to fund the expected obligations arising under the non-qualified SERP. The amount of any future payments into the insurance policies, if any, may vary depending on investment performance of the trust. The cash surrender values of the insurance policies were $68.8 million and $67.7 million as of August 1, 2020 and February 1, 2020, respectively, and were included in other assets in the Company's condensed consolidated balance sheets. As a result of changes in the value of the insurance policy investments, the Company recorded unrealized gains of $5.1 million and $2.0 million in other income and expense during the three and six months ended August 1, 2020, respectively, and unrealized gains (losses) of $(0.2) million and $3.0 million in other income and expense during the three and six months ended August 3, 2019, respectively. The projected benefit obligation was $51.7 million and $51.9 million as of August 1, 2020 and February 1, 2020, respectively, and was included in accrued expenses and other long-term liabilities in the Company's condensed consolidated balance sheets depending on the expected timing of payments. SERP benefit payments of $0.3 million and $0.8 million were made during the three and six months ended August 1, 2020, respectively. SERP benefit payments of $0.4 million and $0.8 million were made during the three and six months ended August 3, 2019, respectively.

Foreign Pension Plans

In certain foreign jurisdictions, primarily in Switzerland, the Company is required to guarantee the returns on Company-sponsored defined contribution plans in accordance with local regulations. These plans are typically government-mandated defined contribution plans that provide employees with a minimum investment return, and as such, are treated under pension accounting in accordance with authoritative guidance. Under the Swiss plan, both the Company and certain of its employees with annual earnings in excess of government determined amounts are required to make contributions into a fund managed by an independent investment fiduciary. The Company's contributions must be made in an amount at least equal to the employee's contribution. Minimum employee contributions are based on the respective employee's age, salary and gender.

As of August 1, 2020 and February 1, 2020, the foreign pension plans had a total projected benefit obligation of $36.2 million and $34.8 million, respectively, and plan assets held in independent investment fiduciaries of $29.8 million and $28.9 million, respectively. The net liability of $6.4 million and $5.9 million was included in other long-term liabilities in the Company's condensed consolidated balance sheets as of August 1, 2020 and February 1, 2020, respectively.

The components of net periodic defined benefit pension cost for the three and six months ended August 1, 2020 and August 3, 2019 related to the Company's defined benefit plans are as follows (in thousands):

	Three Months Ended Aug 1, 2020		
	SERP	**Foreign Pension Plans**	**Total**
Service cost	$ —	$ 766	$ 766
Interest cost	320	7	327
Expected return on plan assets	—	(45)	(45)
Net amortization of unrecognized prior service credit	—	(16)	(16)
Net amortization of actuarial losses	10	87	97
Net periodic defined benefit pension cost	$ 330	$ 799	$ 1,129

	Six Months Ended Aug 1, 2020		
	SERP	**Foreign Pension Plans**	**Total**
Service cost	$ —	$ 1,530	$ 1,530
Interest cost	639	15	654
Expected return on plan assets	—	(90)	(90)
Net amortization of unrecognized prior service credit	—	(32)	(32)
Net amortization of actuarial losses	20	173	193
Net periodic defined benefit pension cost	$ 659	$ 1,596	$ 2,255

	Three Months Ended Aug 3, 2019		
	SERP	**Foreign Pension Plans**	**Total**
Service cost	$ —	$ 808	$ 808
Interest cost	481	67	548
Expected return on plan assets	—	(78)	(78)
Net amortization of unrecognized prior service credit	—	(9)	(9)
Net amortization of actuarial losses	15	96	111
Net periodic defined benefit pension cost	$ 496	$ 884	$ 1,380

	Six Months Ended Aug 3, 2019		
	SERP	Foreign Pension Plans	Total
Service cost	$ —	$ 1,615	$ 1,615
Interest cost	962	135	1,097
Expected return on plan assets	—	(155)	(155)
Net amortization of unrecognized prior service credit	—	(19)	(19)
Net amortization of actuarial losses	31	191	222
Net periodic defined benefit pension cost	$ 993	$ 1,767	$ 2,760

(15) Fair Value Measurements

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2—Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e. interest rates, yield curves, etc.) and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3—Unobservable inputs that reflect assumptions about what market participants would use in pricing the asset or liability. These inputs would be based on the best information available, including the Company’s own data.

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 1, 2020 and February 1, 2020 (in thousands):

	Fair Value Measurements at Aug 1, 2020				Fair Value Measurements at Feb 1, 2020			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:								
Foreign exchange currency contracts	$ —	$ 116	$ —	$ 116	$ —	$ 4,854	$ —	$ 4,854
Total	$ —	$ 116	$ —	$ 116	$ —	$ 4,854	$ —	$ 4,854
Liabilities:								
Foreign exchange currency contracts	$ —	$ 5,938	$ —	$ 5,938	$ —	$ —	$ —	$ —
Interest rate swap	—	1,317	—	1,317	—	348	—	348
Deferred compensation obligations	—	13,538	—	13,538	—	14,091	—	14,091
Total	$ —	$ 20,793	$ —	$ 20,793	$ —	$ 14,439	$ —	$ 14,439

Foreign exchange currency contracts may be entered into by the Company to hedge the future payment of inventory and intercompany transactions by non-U.S. subsidiaries. Periodically, the Company may also use foreign exchange currency contracts to hedge the translation and economic exposures related to its net investments in certain of its international subsidiaries. The fair values of the Company’s foreign exchange currency contracts are based on quoted foreign exchange forward rates at the reporting date. The fair values of the Company’s interest rate swaps are based upon inputs corroborated by observable market data. Deferred compensation obligations to employees are adjusted based on changes in the fair value of the underlying employee-directed investments. Fair value of these obligations is based upon inputs corroborated by observable market data.

The Company included €1.2 million ($1.4 million) and €1.2 million ($1.3 million), respectively, in other assets in the Company’s condensed consolidated balance sheet related to its investment in a private equity fund for the periods ended August 1, 2020 and February 1, 2020. As permitted in accordance with authoritative guidance, the Company uses net asset value per share as a practical expedient to measure the fair value of this investment and has not included this investment in the fair value hierarchy as disclosed above. During the six months ended August 1, 2020, the Company recorded minimal unrealized losses in other income (expense) as a result of changes in the value of the private equity investment. This compares to unrealized losses of €0.1 million ($0.1 million) included in other income (expense) during the six months ended August 3, 2019. As of August 1, 2020, the Company had an unfunded commitment to invest an additional €3.6 million ($4.3 million) in the private equity fund.

The fair values of the Company's debt instruments (see Note 9) are based on the amount of future cash flows associated with each instrument discounted using the Company's incremental borrowing rate. As of August 1, 2020 and February 1, 2020, the carrying value was not materially different from fair value, as the interest rates on the Company's debt approximated rates currently available to the Company. The fair value of the Company's convertible senior notes (see Note 10) is determined based on inputs that are observable in the market and have been classified as Level 2 in the fair value hierarchy.

The carrying amount of the Company's remaining financial instruments, which principally include cash and cash equivalents, trade receivables, accounts payable and accrued expenses, approximates fair value due to the relatively short maturity of such instruments.

Long-Lived Assets

Long-lived assets, such as property and equipment and operating lease ROU assets are reviewed for impairment quarterly or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The majority of the Company's long-lived assets relate to its retail operations which consist primarily of regular retail and flagship locations. The Company considers each individual regular retail location as an asset group for impairment testing, which is the lowest level at which individual cash flows can be identified. The asset group includes leasehold improvements, furniture, fixtures and equipment, computer hardware and software, operating lease ROU assets including lease acquisition costs, and certain long-term security deposits, and excludes operating lease liabilities. The Company reviews regular retail locations in penetrated markets for impairment risk once the locations have been opened for at least one year in their current condition, or sooner as changes in circumstances require. The Company believes that waiting at least one year allows a location to reach a maturity level where a more comprehensive analysis of financial performance can be performed. The Company evaluates impairment risk for regular retail locations in new markets, where the Company is in the early stages of establishing its presence, once brand awareness has been established. The Company also evaluates impairment risk for retail locations that are expected to be closed in the foreseeable future. The Company has flagship locations which are used as a regional marketing tool to build brand awareness and promote the Company's current product. Provided the flagship locations continue to meet the appropriate criteria, impairment for these locations is tested at a reporting unit level similar to goodwill since they do not have separately identifiable cash flows.

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 earnings 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 carrying amount of an asset exceeds its estimated undiscounted future cash flows adjusted for lease payments, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the estimated fair value. The Company uses estimates of market participant rents to calculate fair value of ROU assets and discounted future cash flows of the asset group to quantify fair value for other long-lived assets. These nonrecurring fair value measurements are considered Level 3 inputs as defined above. The impairment loss calculations require management to apply judgment in estimating future cash flows and the discount rates that reflect the risk inherent in future cash flows. Future expected cash flows for assets in regular retail locations are based on management's estimates of future cash flows over the remaining lease period or expected life, if shorter. For expected location closures, the Company will evaluate whether it is necessary to shorten the useful life for any of the assets within the respective asset group. The Company will use this revised useful life when estimating the asset group's future cash flows. The Company considers historical trends, expected future business trends and other factors when estimating the future cash flow for each regular retail location. The

Company also considers factors such as: the local environment for each regular retail location, including mall traffic and competition; the Company's ability to successfully implement strategic initiatives; and the ability to control variable costs such as cost of sales and payroll and, in some cases, renegotiate lease costs. As discussed further in Note 1, the COVID-19 pandemic has materially impacted the Company's financial results during the three and six months ended August 1, 2020 and could continue to impact the Company's operations in ways we are not able to predict today due to the developing situation. The Company has made reasonable assumptions and judgments to determine the fair value of the assets tested based on the facts and circumstances that were available as of the reporting date. If actual results are not consistent with the assumptions and judgments used in estimating future cash flows and asset fair values, there may be additional exposure to future impairment losses that could be material to the Company's results of operations.

The Company recorded asset impairment charges of $12.0 million and $64.9 million during the three and six months ended August 1, 2020, respectively. The Company recognized $8.2 million and $36.5 million in impairment of certain operating lease ROU assets primarily in North America and Europe during the three and six months ended August 1, 2020, respectively. The Company also recognized $3.7 million and $28.5 million in impairment of property and equipment related to certain retail locations primarily in North America, Europe and Asia driven by lower revenue and future cash flow projections from the ongoing effects of the COVID-19 pandemic during the three and six months ended August 1, 2020, respectively. This compares to $1.5 million and $3.3 million in impairment of property and equipment related to certain retail locations primarily in Europe and, to a lesser extent, North America resulting from under-performance and expected store closures during the three and six months ended August 3, 2019, respectively. Refer to Note 2 for further information on impairment charges recognized on operating lease ROU assets.

Goodwill

Goodwill is tested annually for impairment or more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. This determination is made at the reporting unit level which may be either an operating segment or one level below an operating segment if discrete financial information is available. Two or more reporting units within an operating segment may be aggregated for impairment testing if they have similar economic characteristics. The Company has identified its Americas Retail segment, its Americas Wholesale segment and its European wholesale and European retail components of its Europe segment as reporting units for goodwill impairment testing. Goodwill associated with its China retail component of its Asia segment was fully impaired during fiscal 2020. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the amount of any impairment loss to be recognized for that reporting unit is determined through a quantitative test using two steps. First, the Company determines the fair value of the reporting unit using a discounted cash flow analysis, which requires unobservable inputs (Level 3) within the fair value hierarchy as defined above. These inputs include selection of an appropriate discount rate and the amount and timing of expected future cash flows. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized based on the difference between a reporting unit's fair value and its carrying value.

The COVID-19 pandemic has materially impacted the Company's financial results during the three and six months ended August 1, 2020 as discussed further in Note 1. As a result of these conditions, the Company concluded that a triggering event had occurred resulting in the need to perform quantitative interim impairment testing over the Company's goodwill and flagship assets during the first quarter of fiscal 2021. The testing concluded that the fair values of the respective reporting units exceeded their carrying amounts. During the second quarter of fiscal 2021, the Company assessed qualitative factors and determined that it is not more likely than not that the fair values of its reporting units are less than their carrying amounts. Accordingly, the Company did not record any asset impairment charges on its goodwill or flagship assets that continued to meet the appropriate criteria during the three and six months ended August 1, 2020. In performing its assessment, the Company believes it made reasonable accounting estimates based on the facts and circumstances that were available as of the testing date in light of the developing situation resulting from the COVID-19 pandemic. If actual results are not consistent with the assumptions and judgments used, there may be additional exposure to future impairment losses that could be material to the Company's results of operations.

(16) Derivative Financial Instruments

Hedging Strategy

Foreign Exchange Currency Contracts

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 primary objective is to hedge the variability in forecasted cash flows due to the foreign currency risk. Various transactions that occur primarily in Europe, Canada, South Korea, China, Hong Kong and Mexico are denominated in U.S. dollars, British pounds and Russian roubles and thus are exposed to earnings risk as a result of exchange rate fluctuations when converted to their functional currencies. These types of transactions include U.S. dollar-denominated purchases of merchandise and U.S. dollar- and British pound-denominated intercompany liabilities. In addition, certain operating expenses, tax liabilities and pension-related liabilities are denominated in Swiss francs and are exposed to earnings risk as a result of exchange rate fluctuations when converted to the functional currency. Further, there are certain real estate leases that are denominated in a currency other than the functional currency of the respective entity that entered into the agreement (primarily Swiss francs, Russian roubles and Polish zloty). As a result, the Company may be exposed to volatility related to unrealized gains or losses on the translation of present value of future lease payment obligations when translated at the exchange rate as of a reporting period-end. The Company enters into derivative financial instruments, including forward exchange currency contracts, to offset some, but not all, of the exchange risk on certain of these anticipated foreign currency transactions.

Periodically, the Company may also use foreign exchange currency contracts to hedge the translation and economic exposures related to its net investments in certain of its international subsidiaries.

Interest Rate Swap Agreements

The Company is exposed to interest rate risk on its floating-rate debt. The Company has entered into interest rate swap agreements for certain of these agreements to effectively convert its floating-rate debt to a fixed-rate basis. The principal objective of these contracts is to eliminate or reduce the variability of the cash flows in interest payments associated with the Company's floating-rate debt, thus reducing the impact of interest rate changes on future interest payment cash flows. The Company has elected to apply the hedge accounting rules in accordance with authoritative guidance for certain of these contracts. Refer to Note 9 for further information.

The impact of the credit risk of the counterparties to the derivative contracts is considered in determining the fair value of the foreign exchange currency contracts and interest rate swap agreements. As of August 1, 2020, credit risk has not had a significant effect on the fair value of the Company's foreign exchange currency contracts and interest rate swap agreements.

Hedge Accounting Policy

Foreign Exchange Currency Contracts

U.S. dollar forward contracts are used to hedge forecasted merchandise purchases over specific months. Changes in the fair value of these U.S. dollar forward contracts, designated as cash flow hedges, are recorded as a component of accumulated other comprehensive income (loss) within stockholders' equity and are recognized in cost of product sales in the period that approximates the time the hedged merchandise inventory is sold. The Company may hedge forecasted intercompany royalties over specific months. Changes in the fair value of these U.S. dollar forward contracts, designated as cash flow hedges, are recorded as a component of accumulated other comprehensive income (loss) within stockholders' equity and are recognized in other income (expense) in the period in which the royalty expense is incurred.

The Company has also used U.S. dollar forward contracts to hedge the net investments of certain of the Company's international subsidiaries over specific months. Changes in the fair value of these U.S. dollar forward contracts, designated as net investment hedges, are recorded in foreign currency translation adjustment as a component of accumulated other comprehensive income (loss) within stockholders' equity and are not recognized in earnings (loss) until the sale or liquidation of the hedged net investment.

The Company has also foreign exchange currency contracts that are not designated as hedging instruments for accounting purposes. Changes in fair value of foreign exchange currency contracts not designated as hedging instruments are reported in net earnings (loss) as part of other income (expense).

Interest Rate Swap Agreements

Interest rate swap agreements are used to hedge the variability of the cash flows in interest payments associated with the Company's floating-rate debt. Changes in the fair value of interest rate swap agreements designated as cash flow hedges are recorded as a component of accumulated other comprehensive income (loss) within stockholders' equity and are amortized to interest expense over the term of the related debt.

Periodically, the Company may also enter into interest rate swap agreements that are not designated as hedging instruments for accounting purposes. Changes in the fair value of interest rate swap agreements not designated as hedging instruments are reported in net earnings (loss) as part of other income (expense).

Summary of Derivative Instruments

The fair value of derivative instruments in the condensed consolidated balance sheets as of August 1, 2020 and February 1, 2020 is as follows (in thousands):

	Derivative Balance Sheet Location	Fair Value at Aug 1, 2020	Fair Value at Feb 1, 2020
ASSETS:			
Derivatives designated as hedging instruments:			
Cash flow hedges:			
Foreign exchange currency contracts	Other current assets/ Other assets	$ 116	$ 3,987
Derivatives not designated as hedging instruments:			
Foreign exchange currency contracts	Other current assets/ Other assets	—	867
Total		$ 116	$ 4,854
LIABILITIES:			
Derivatives designated as hedging instruments:			
Cash flow hedges:			
Foreign exchange currency contracts	Accrued expenses/ Other long-term liabilities	$ 4,184	$ —
Interest rate swap	Other long-term liabilities	1,317	348
Total derivatives designated as hedging instruments		5,501	348
Derivatives not designated as hedging instruments:			
Foreign exchange currency contracts	Accrued expenses	1,754	—
Total		$ 7,255	$ 348

Derivatives Designated as Hedging Instruments

Foreign Exchange Currency Contracts Designated as Cash Flow Hedges

During the six months ended August 1, 2020, the Company purchased U.S. dollar forward contracts in Europe totaling US$81.0 million that were designated as cash flow hedges. As of August 1, 2020, the Company had forward contracts outstanding for its European operations of US$139.5 million to hedge forecasted merchandise purchases, which are expected to mature over the next 17 months.

As of August 1, 2020, accumulated other comprehensive income (loss) related to foreign exchange currency contracts included a net unrealized loss of approximately $0.4 million, net of tax, of which a net gain of $0.8 million will be recognized in cost of product sales over the following 12 months, at the then current values on a pre-tax basis, which can be different than the current quarter-end values.

At February 1, 2020, the Company had forward contracts outstanding for its European operations of US$148.6 million that were designated as cash flow hedges.

Interest Rate Swap Agreement Designated as Cash Flow Hedge

During fiscal 2017, the Company entered into an interest rate swap agreement with a notional amount of $21.5 million, designated as a cash flow hedge, to hedge the variability of cash flows in interest payments associated with the Company's floating-rate Mortgage Debt. This interest rate swap agreement matures in January 2026 and converts the nature of the Company's Mortgage Debt from LIBOR floating-rate debt to fixed-rate debt, resulting in a swap fixed rate of approximately 3.06%.

As of August 1, 2020, accumulated other comprehensive income (loss) related to the interest rate swap agreement included a net unrealized loss of $1.0 million, net of tax, which will be recognized in interest expense after the following 12 months, at the then current values on a pre-tax basis, which can be different than the current quarter-end values.

The following table summarizes the gains (losses) before taxes recognized on the derivative instruments designated as cash flow hedges in OCI and net earnings (loss) for the three and six months ended August 1, 2020 and August 3, 2019 (in thousands):

	Gains (Losses) Recognized in OCI		Location of Gains (Losses) Reclassified from Accumulated OCI into Earnings (Loss)	Gains (Losses) Reclassified from Accumulated OCI into Earnings (Loss)	
	Three Months Ended			Three Months Ended	
	Aug 1, 2020	Aug 3, 2019		Aug 1, 2020	Aug 3, 2019
Derivatives designated as cash flow hedges:					
Foreign exchange currency contracts	$ (7,758)	$ 3,063	Cost of product sales	$ 2,504	$ 1,757
Interest rate swap	(139)	(777)	Interest expense	(42)	44

	Gains (Losses) Recognized in OCI		Location of Gain (Loss) Reclassified from Accumulated OCI into Earnings (Loss)	Gains (Losses) Reclassified from Accumulated OCI into Earnings (Loss)	
	Six Months Ended			Six Months Ended	
	Aug 1, 2020	Aug 3, 2019		Aug 1, 2020	Aug 3, 2019
Derivatives designated as cash flow hedges:					
Foreign exchange currency contracts	$ (3,348)	$ 7,718	Cost of product sales	$ 4,495	$ 1,987
Interest rate swap	(1,013)	(996)	Interest expense	(45)	90

The following table summarizes net after-tax derivative activity recorded in accumulated other comprehensive income (loss) (in thousands):

	Three Months Ended		Six Months Ended	
	Aug 1, 2020	Aug 3, 2019	Aug 1, 2020	Aug 3, 2019
Beginning balance gain	$ 7,711	$ 8,663	$ 6,300	$ 2,999
Cumulative adjustment from adoption of new accounting guidance[1]	—	—	—	1,981
Net gains (losses) from changes in cash flow hedges	(7,012)	1,978	(3,832)	5,842
Net gains reclassified into earnings (loss)	(2,198)	(1,572)	(3,967)	(1,753)
Ending balance gain (loss)	$ (1,499)	$ 9,069	$ (1,499)	$ 9,069

Notes:

1 During the first quarter of fiscal 2020, the Company adopted new authoritative guidance which eliminated the requirement to separately measure and report ineffectiveness for instruments that qualify for hedge accounting and generally requires that the entire change in the fair value of such instruments ultimately be presented in the same line as the respective hedge item. As a result, there is no interest component recognized for the ineffective portion of instruments that qualify for hedge accounting, but rather all changes in the fair value of such instruments are included in other comprehensive income (loss). Upon adoption of this guidance, the Company reclassified $2.0 million in gains from retained earnings to accumulated other comprehensive loss related to the previously recorded interest component on outstanding instruments that qualified for hedge accounting.

Foreign Exchange Currency Contracts Not Designated as Hedging Instruments

As of August 1, 2020, the Company had euro foreign exchange currency contracts to purchase US$62.5 million expected to mature over the next ten months.

The following table summarizes the gains (losses) before taxes recognized on the derivative instruments not designated as hedging instruments in other income (expense) for the three and six months ended August 1, 2020 and August 3, 2019 (in thousands):

	Location of Gain (Loss) Recognized in Earnings (Loss)	Gain (Loss) Recognized in Earnings (Loss)			
		Three Months Ended		Six Months Ended	
		Aug 1, 2020	Aug 3, 2019	Aug 1, 2020	Aug 3, 2019
Derivatives not designated as hedging instruments:					
Foreign exchange currency contracts	Other income (expense)	$ (4,706)	$ 233	$ (3,618)	$ 808

At February 1, 2020, the Company had euro foreign exchange currency contracts to purchase US$46.1 million.

(17) Subsequent Events

Dividends

On September 2, 2020, the Company announced that it was resuming its quarterly cash dividend program and declared a regular quarterly cash dividend of $0.1125 per share on the Company's common stock. The Company also decided not to declare any cash dividends for the first or second quarters of fiscal 2021. The cash dividend will be paid on October 2, 2020 to shareholders of record as of the close of business on September 16, 2020.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

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

Important Factors Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including documents incorporated by reference herein, contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may also be contained in the Company's other reports filed under the Securities Exchange Act of 1934, as amended, in its press releases and in other documents. In addition, from time-to-time, the Company, through its management, may make oral forward-looking statements. These statements relate to expectations, analyses and other information based on current plans, forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our goals, future prospects, potential actions and impacts related to the coronavirus (or "COVID-19") pandemic, global cost reduction opportunities and profitability efforts, capital allocation plans, cash needs and current business strategies and strategic initiatives. These forward-looking statements are identified by their use of terms and phrases such as "anticipate," "believe," "continue," "could," "create," "estimate," "expect," "goal," "intend," "may," "outlook," "pending," "plan," "predict," "project," "see," "should," "strategy," "will," "would," 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. Factors which may cause actual results in future periods to differ materially from current expectations include, among others: our ability to maintain our brand image and reputation; domestic and international economic or political conditions, including economic and other events that could negatively impact consumer confidence and discretionary consumer spending; the continuation or worsening of impacts related to the COVID-19 pandemic, including business, financial, human capital, litigation and other impacts to the Company and its partners; our ability to successfully negotiate rent relief or other lease-related terms with our landlords; our ability to successfully negotiate or defer our vendor obligations; our ability to maintain adequate levels of liquidity; changes to estimates related to impairments, inventory and other reserves, including the impact of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act enacted in March 2020, which were made using the best information available at the time; changes in the competitive marketplace and in our commercial relationships; our ability to anticipate and adapt to changing consumer preferences and trends; our ability to manage our inventory commensurate with customer demand; risks related to the timing and costs of delivering merchandise to our stores and our wholesale customers; unexpected or unseasonable weather conditions; our ability to effectively operate our various retail concepts, including securing, renewing, modifying or terminating leases for store locations; our ability to successfully and/or timely implement our growth strategies and other strategic initiatives; our ability to expand internationally and operate in regions where we have less experience, including through joint ventures; risks related to our convertible senior notes issued in April 2019, including our ability to settle the liability in cash; our ability to successfully or timely implement plans for cost reductions; our ability to effectively and efficiently manage the volume and costs associated with our European distribution centers without incurring shipment delays; our ability to attract and retain key personnel; obligations or changes in estimates arising from new or existing litigation, tax and other regulatory proceedings; risks related to the complexity of the Tax Reform, future clarifications and legislative amendments thereto, as well as our ability to accurately interpret and predict its impact on our cash flows and financial condition; the risk of economic uncertainty associated with the transition period of the United Kingdom's departure from the European Union ("Brexit") or any other similar referendums that may be held; the occurrence of unforeseen epidemics, such as the COVID-19 pandemic; other catastrophic events; changes in U.S. or foreign tax or tariff policy, including changes to tariffs on imports into the U.S.; risk of future non-cash asset impairments, including goodwill, right of-use lease assets and/or other store asset impairments; restructuring charges; our ability to adapt to new regulatory compliance and disclosure obligations; risks associated with our foreign operations, such as violations of laws prohibiting improper payments and the burdens of complying with a variety of foreign laws and regulations (including global data privacy regulations); risks associated with the acts or omissions of our third party vendors, including a failure to comply with our vendor code of conduct or other policies; risks associated with cyber-attacks and other cyber security risks; risks associated with our ability to properly collect, use, manage and secure consumer and employee data; risks associated with our vendors' ability to maintain the strength and security of information technology systems; and changes in economic, political, social and other conditions affecting our foreign operations and sourcing, including the impact of currency fluctuations, global tax rates and economic and market conditions in the various countries in which we operate. These risks and uncertainties are discussed in further detail under "Part I, Item 1A. Risk Factors" contained in the Company's most recent Annual Report on Form 10-K for the fiscal year ended February 1, 2020 and under "Part II, Item 1A. Risk Factors" contained herein, as such risk factors may be updated in our other filings made from time-to-time with the Securities and Exchange Commission ("SEC") after the date of this report. We do not intend, and undertake no obligation, to update our forward-looking statements to reflect future events or circumstances. If we do update or correct one or more of these statements, investors and others should not conclude that we will make additional updates or corrections.

COVID-19 Business Update

The COVID-19 pandemic has had and is continuing to have a material impact on the Company's financial performance. The pandemic is ongoing and dynamic in nature and, to date, the Company has experienced temporary closures in key regions globally. During the second quarter of fiscal 2021, the Company gradually reopened most of its global fleet of brick-and-mortar stores resulting in stores being closed for approximately 30% and 35% of the total days during the three and six months ended August 1, 2020, respectively. As of August 1, 2020, approximately 95% of the Company's stores were open, with the majority of closed stores located primarily within interior malls in California. The Company will continue to reopen stores (and/or close again, if appropriate), as state and local guidelines and conditions permit or require, taking an informed, measured approach based on a number of factors. The Company's e-commerce sites have remained open in all regions. In addition, retail stores that are open have and continue to experience significant reductions in traffic and revenue. Many of the Company's wholesale and licensing partners have also substantially reduced their operations. The Company has been bringing back furloughed store associates and support staff as stores reopen.

During the first half of fiscal 2021, in addition to the negative impact from lower net revenue, the Company's operating results reflected asset impairment charges as well as additional inventory valuation reserves and higher allowances for markdowns and doubtful accounts due to the ongoing effects of the COVID-19 pandemic. These charges were partially offset by lower SG&A expenses driven primarily by expense savings, both one-time, such as furloughs and temporary salary reductions, and permanent, such as headcount reductions and lower discretionary spending. In addition, the Company benefited from various government assistance programs related primarily to the recovery of employee payroll costs as well as certain favorable tax treatments.

During the first half of fiscal 2021, the Company implemented a number of measures to help mitigate the operating and financial impact of the pandemic, including: (i) furloughing its U.S. and Canada store associates and significant portions of its U.S. and Canada corporate and distribution center associates and permanently reducing U.S. corporate headcount; (ii) implementing temporary tiered salary reductions for management level corporate employees, including its executive officers; (iii) deferring annual merit increases; (iv) executing substantial reductions in expenses, store occupancy costs, capital expenditures and overall costs, including through reduced inventory purchases; (v) working globally with country management teams to maximize the Company's participation in all eligible government or other initiatives available to businesses or employees impacted by the COVID-19 pandemic; (vi) drawing down on certain credit facilities and entering into certain term loans to ensure financial flexibility and maintain maximum liquidity; (vii) engaging with landlords to negotiate rent deferrals or other rent concessions; (viii) working with vendors to extend payment terms; and (ix) postponing its decision related to the payment of its quarterly cash dividend.

During the second quarter of fiscal 2021, as the situation began to stabilize, the Company repaid a significant portion of its previously drawn down credit facilities, continued to bring back furloughed employees, eliminated the temporary tiered salary reductions and invested in share repurchases to return value to its shareholders. Subsequent to the second quarter of fiscal 2021, the Company also announced that it would resume paying its quarterly cash dividend beginning in the third quarter of fiscal 2021, but decided to not declare any cash dividends for the first and second quarters of fiscal 2021.

Although we are unable to determine with any degree of accuracy the length and severity of the COVID-19 pandemic, we expect it will continue to have a material impact on our consolidated financial position, consolidated results of operations, and consolidated cash flows into the foreseeable future.

Business Segments

The Company's businesses are grouped into five reportable segments for management and internal financial reporting purposes: Americas Retail, Americas Wholesale, Europe, Asia and Licensing. Management evaluates segment performance based primarily on revenues and earnings (loss) from operations before corporate performance-based compensation costs, asset impairment charges, net gains (losses) on lease terminations, restructuring charges and certain non-recurring credits (charges), if any. The Americas Retail segment includes the Company's retail and e-commerce operations in the Americas. The Americas Wholesale segment includes the Company's wholesale operations in the Americas. The Europe segment includes the Company's retail, e-commerce and wholesale operations in Europe and the Middle East. The Asia segment includes the Company's retail, e-commerce and wholesale operations in Asia and the Pacific. The Licensing segment includes the worldwide licensing operations of the Company. The business segment operating results exclude corporate overhead costs, which consist of shared costs of the organization, asset impairment charges, net gains (losses) on lease terminations, restructuring charges and certain non-recurring credits (charges), if any. Corporate overhead costs are presented separately and generally include, among other things, the following unallocated corporate costs: accounting and finance, executive compensation, corporate performance-based compensation, facilities, global advertising and marketing, human resources, information technology and legal. Information regarding these segments is summarized in "Part I, Item 1. Financial Statements – Note 8 – Segment Information."

Products

We derive our net revenue from the sale of GUESS?, G by GUESS (GbG), GUESS Kids and MARCIANO apparel and our licensees' products through our worldwide network of directly-operated and licensed retail stores, wholesale customers and distributors, as well as our online sites. We also derive royalty revenue from worldwide licensing activities.

Foreign Currency Volatility

Since the majority of our international operations are conducted in currencies other than the U.S. dollar (primarily the British pound, Canadian dollar, Chinese yuan, euro, Japanese yen, Korean won, Mexican peso, Polish zloty, Russian rouble and Turkish lira), currency fluctuations can have a significant impact on the translation of our international revenues and earnings (loss) into U.S. dollar amounts.

Some of our transactions that occur primarily in Europe, Canada, South Korea, China, Hong Kong and Mexico are denominated in U.S. dollars, Swiss francs, British pounds and Russian roubles, exposing them to exchange rate fluctuations when these transactions (such as inventory purchases or periodic lease payments) are converted to their functional currencies. As a result, fluctuations in exchange rates can impact the operating margins of our foreign operations and reported earnings (loss), and are largely dependent on the transaction timing and magnitude during the period that the currency fluctuates. In addition, there are certain real estate leases which are denominated in a currency other than the functional currency of the respective entity that entered into the agreement (primarily Swiss francs, Russian roubles and Polish zloty). As a result, the Company may be exposed to volatility related to unrealized gains or losses on the translation of present value of future lease payment obligations when translated at the exchange rate as of a reporting period-end. When these foreign exchange rates weaken versus the U.S. dollar at the time the respective U.S. dollar denominated payment is made relative to the payments made in the comparable period, our product margins could be unfavorably impacted.

During the first six months of fiscal 2021, the average U.S. dollar rate was stronger against the Canadian dollar, Chinese yuan, euro, Korean won, Mexican peso, Russian rouble and Turkish lira and weaker against the Japanese yen compared to the average rate in the same prior-year period. This had an overall unfavorable impact on the translation of our international revenues and a favorable impact on loss from operations for the six months ended August 1, 2020 compared to the same prior-year period.

If the U.S. dollar strengthens relative to the respective fiscal 2020 foreign exchange rates, foreign exchange could negatively impact our revenues and operating results, as well as our international cash and other balance sheet items, during the remainder of fiscal 2021, particularly in Canada, Europe (primarily the euro, Turkish lira and Russian rouble) and Mexico. Alternatively, if the U.S. dollar weakens relative to the respective fiscal 2020 foreign exchange rates, our revenues and operating results, as well as our other cash balance sheet items, could be positively impacted by foreign currency fluctuations during the remainder of fiscal 2021, particularly in these regions.

The Company enters into derivative financial instruments to offset some, but not all, of the exchange risk on foreign currency transactions. For additional discussion regarding our exposure to foreign currency risk, forward contracts designated as hedging instruments and forward contracts not designated as hedging instruments, refer to "Item 3. Quantitative and Qualitative Disclosures About Market Risk."

Strategy

In December 2019, Carlos Alberini, the Company's Chief Executive Officer, shared his strategic vision and implementation plan for execution which included the identification of several key priorities to drive revenue and operating profit growth over the next five years. These priorities are: (i) brand relevancy; (ii) customer centricity; (iii) global footprint; (iv) product excellence; and (v) functional capabilities; each as further described below:

Brand Relevancy. We plan to optimize our brand architecture to be relevant with our three target consumer groups: Heritage, Millennials, and Generation Z. We will continue to execute celebrity and influencer partnerships and collaborations as we believe that they are critical to engage more effectively with a younger and broader audience.

Customer Centricity. We intend to place the customer at the center of everything we do. We plan to implement processes and platforms to provide our customers with a seamless omni-channel experience.

Global Footprint. We will continue to expand the reach of our brands by optimizing the productivity and profitability of our current footprint and expanding our distribution channels.

Product Excellence. We will extend our product offering to provide our customers with products for the different occasions of their lifestyles. We will seek to better address local product needs.

Functional Capabilities. We expect to drive material operational improvements in the next five years to leverage and support our global business more effectively, primarily in the areas of logistics, sourcing, product development and production, inventory management, and overall infrastructure.

While we have been challenged with the extremely difficult situation presented by the COVID-19 pandemic, we believe that the opportunities identified above remain in place for the long-term and provide a solid roadmap to grow our business, increase profitability over time and create significant value for our shareholders. In the short-term, we remain focused on enhancing our omni-channel platform centered around our consumer and accelerating efforts to gain efficiencies across our global operations and rationalize our store portfolios, measures which we believe will also maximize our liquidity to address the current crisis.

Capital Allocation

We plan to continue to prioritize capital allocation toward investments that support growth and infrastructure, while remaining highly disciplined in the way we allocate capital across projects, including new store development, store remodels, technology investments and others. When we prioritize investments, we will focus on their strategic significance and their return on invested capital expectations. We also plan to manage product buys and inventory ownership rigorously and optimize overall working capital management consistently.

Comparable Store Sales

Except as described below in connection with the COVID-19 pandemic, the Company reports National Retail Federation calendar comparable store sales on a quarterly basis for our retail businesses which include the combined results from our brick-and-mortar retail stores and our e-commerce sites. We also separately report the impact of e-commerce sales on our comparable store sales metric. As a result of our omni-channel strategy, our e-commerce business has become strongly intertwined with our brick-and-mortar retail store business. Therefore, we believe that the inclusion of e-commerce sales in our comparable store sales metric provides a more meaningful representation of our retail results.

Sales from our brick-and-mortar retail stores include purchases that are initiated, paid for and fulfilled at our retail stores and directly-operated concessions as well as merchandise that is reserved online but paid for and picked up at our retail stores. Sales from our e-commerce sites include purchases that are initiated and paid for online and shipped from either our distribution centers or our retail stores as well as purchases that are initiated in a retail store, but due to inventory availability at the retail store, are ordered and paid for online and shipped from our distribution centers or picked up from a different retail store.

Store sales are considered comparable after the store has been open for 13 full fiscal 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 sales are removed from the comparable store base until the store has been opened at its new size, in its new location or under its new concept for 13 full fiscal months. Stores that are permanently closed or temporarily closed for more than seven days in any fiscal month are excluded from the calculation in the fiscal month that they are closed. E-commerce sales are considered comparable after the online site has been operational in a country for 13 full fiscal months and exclude any related revenue from shipping fees. These criteria are consistent with the metric used by management for internal reporting and analysis to measure performance of the store or online sites. Definitions and calculations of comparable store sales used by the Company may differ from similarly titled measures reported by other companies.

As a result of significant temporary store closures resulting from the COVID-19 pandemic, the Company has not disclosed any comparable store sales measures when discussing the results of operations for the three and six months ended August 1, 2020. We do not believe that comparable store sales measures will be meaningful to the evaluation of the Company's results until the impact from the temporary store closures resulting from the COVID-19 pandemic has normalized.

Other

The Company operates on a 52/53-week fiscal year calendar, which ends on the Saturday nearest to January 31 of each year. The six months ended August 1, 2020 had the same number of days as the six months ended August 3, 2019.

Executive Summary

Overview

Net loss attributable to Guess?, Inc. was $20.4 million, or diluted loss of $0.31 per common share, for the quarter ended August 1, 2020, compared to net earnings attributable to Guess?, Inc. of $25.3 million, or diluted earnings of $0.35 per common share, for the quarter ended August 3, 2019.

During the quarter ended August 1, 2020, the Company recognized $12.0 million of asset impairment charges; $0.9 million of net gains on lease terminations; a net credit of $0.2 million of certain professional services and legal fees and related costs; $2.5 million of separation charges; $2.6 million of amortization of debt discount related to the Company's convertible senior notes and $8.1 million in additional tax expense from certain discrete tax adjustments (or a combined $19.7 million, or $0.30 per share, negative impact after considering the related tax benefit of these adjustments of $4.4 million). Excluding the impact of these items, adjusted net loss attributable to Guess?, Inc. was $0.6 million and adjusted diluted loss was $0.01 per common share for the quarter ended August 1, 2020. During the quarter ended August 3, 2019, the Company recognized $1.5 million of asset impairment charges; $0.4 million of certain professional services and legal fees and related costs and $2.4 million of amortization of debt discount related to the Company's convertible senior notes (or a combined $2.1 million, or $0.03 per share, negative impact after considering the related tax benefit of these adjustments and adjustments to uncertain tax positions excluded from results in prior years totaling $2.3 million). Excluding the impact of these items, adjusted net earnings attributable to Guess?, Inc. were $27.4 million and adjusted diluted earnings were $0.38 per common share for the quarter ended August 3, 2019. References to financial results excluding the impact of these items are non-GAAP measures and are addressed below under "Non-GAAP Measures."

Highlights of the Company's performance for the quarter ended August 1, 2020 compared to the same prior-year period are presented below, followed by a more comprehensive discussion under "Results of Operations":

Operations

- Total net revenue decreased 41.7% to $398.5 million for the quarter ended August 1, 2020, from $683.2 million in the same prior-year quarter. In constant currency, net revenue decreased by 41.2%.
- Gross margin (gross profit as a percentage of total net revenue) decreased 200 basis points to 36.9% for the quarter ended August 1, 2020, from 38.9% in the same prior-year period.
- Selling, general and administrative ("SG&A") expenses as a percentage of total net revenue ("SG&A rate") increased 570 basis points to 37.7% for the quarter ended August 1, 2020, compared to 32.0% in the same prior-year period. SG&A expenses decreased 31.1% to $150.3 million for the quarter ended August 1, 2020, from $218.2 million in the same prior-year period.
- During the quarter ended August 1, 2020, the Company recognized asset impairment charges of $12.0 million, compared to $1.5 million in the same prior-year period.
- During the quarter ended August 1, 2020, the Company recorded net gains on lease terminations of $0.9 million related primarily to the early termination of certain lease agreements.
- Operating margin decreased 10.3% to negative 3.6% for the quarter ended August 1, 2020, from 6.7% in the same prior-year period, driven primarily by overall deleveraging of expenses due to the negative impact from the COVID-19 pandemic on our global operations. Higher asset impairment charges unfavorably impacted operating margin by 280 basis points during the quarter ended August 1, 2020 compared to the same prior-year period. Separation charges unfavorably impacted operating margin by 60 basis points during the quarter ended August 1, 2020. Net gains on lease terminations favorably impacted operating margin by 20 basis points during the quarter ended August 1, 2020. Lower expenses related to certain professional service and legal fees and related costs favorably impacted operating margin by 10 basis points during the quarter ended August 1, 2020. Loss from operations was $14.3 million for the quarter ended August 1, 2020, compared to earnings from operations of $46.0 million in the same prior-year period.
- Other income, net (including interest income and expense), was minimal for the quarter ended August 1, 2020, compared to other expense, net of $11.0 million in the same prior-year period.
- The effective income tax rate changed to negative 44.6% for the quarter ended August 1, 2020, compared to 25.2% in the same prior-year period. The Company's effective tax rate for the quarter ended August 1, 2020 included the unfavorable impact from certain discrete tax adjustments totaling $8.1 million.

Key Balance Sheet Accounts

- The Company had $328.0 million in cash and cash equivalents and $0.2 million in restricted cash as of August 1, 2020, compared to $131.1 million in cash and cash equivalents and $0.5 million in restricted cash at August 3, 2019.
    - As of August 1, 2020, the Company had $51.8 million in outstanding borrowings under its term loans and $19.2 million in outstanding borrowings under its credit facilities to help ensure financial flexibility and liquidity in response to uncertainty surrounding the COVID-19 pandemic.
    - During the three and six months ended August 1, 2020, the Company repurchased 4.0 million shares of its common stock for $38.9 million (including commissions). During fiscal 2020, the Company used $170 million of proceeds from its offering of convertible senior notes to

enter into an accelerated share repurchase program ("ASR Contract"), pursuant to which it received a total of approximately 10.6 million shares. The Company also repurchased shares of its common stock for $118.1 million (including commissions) during fiscal 2020.

- 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 the Americas and Asia, royalty receivables relating to its licensing operations, credit card and retail concession receivables related to its retail businesses and certain other receivables. Accounts receivable decreased by $46.5 million, or 15.9%, to $246.5 million as of August 1, 2020, from $293.0 million at August 3, 2019. On a constant currency basis, accounts receivable decreased by $54.9 million, or 18.7%, when compared to August 3, 2019.

- Inventory decreased by $64.8 million, or 13.4%, to $419.4 million as of August 1, 2020, from $484.2 million at August 3, 2019. On a constant currency basis, inventory decreased by $72.6 million, or 15.0%, when compared to August 3, 2019.

Global Store Count

In the second quarter of fiscal 2021, together with our partners, we opened six new stores worldwide, consisting of five stores in Europe and the Middle East and one store in Asia and the Pacific. Together with our partners, we closed 65 stores worldwide, consisting of 35 stores in Asia and the Pacific, 21 stores in the U.S., seven stores in Europe and the Middle East, one store in Canada and one store in Central and South America.

We ended the second quarter of fiscal 2021 with 1,622 stores and 369 concessions worldwide, comprised as follows:

	Stores			Concessions		
Region	**Total**	**Directly-Operated**	**Partner Operated**	**Total**	**Directly-Operated**	**Partner Operated**
United States	259	257	2	1	—	1
Canada	79	79	—	—	—	—
Central and South America	110	72	38	27	27	—
Total Americas	448	408	40	28	27	1
Europe and the Middle East	742	515	227	38	38	—
Asia and the Pacific	432	161	271	303	115	188
Total	1,622	1,084	538	369	180	189

Of the total 1,622 stores, 1,337 were GUESS? stores, 182 were GUESS? Accessories stores, 64 were G by GUESS (GbG) stores and 39 were MARCIANO stores.

Results of Operations

<u>Three Months Ended August 1, 2020 and August 3, 2019</u>

Consolidated Results

Net Revenue. Net revenue decreased by $284.7 million, or 41.7%, to $398.5 million for the quarter ended August 1, 2020, from $683.2 million for the quarter ended August 3, 2019. In constant currency, net revenue decreased by 41.2%, driven primarily by the unfavorable impact on revenue due to temporary store closures and lower store traffic and, to a lesser extent, lower wholesale shipments resulting from lower demand as a result of the COVID-19 pandemic. Currency translation fluctuations relating to our foreign operations unfavorably impacted net revenue by $3.2 million, compared to the same prior-year period.

Gross Margin. Gross margin decreased 200 basis points to 36.9% for the quarter ended August 1, 2020, from 38.9% in the same prior-year period, of which 410 basis points was due to a higher occupancy rate, partially offset by 210 basis points due to higher product margins. The higher occupancy rate was driven primarily by overall deleveraging of occupancy costs due mainly to lower revenue resulting from the impact of the COVID-19 pandemic. The higher product margins were driven primarily by higher initial markups in Europe during the quarter ended August 1, 2020, compared to the same prior-year period.

Gross Profit. Gross profit decreased by $118.6 million, or 44.7%, to $147.0 million for the quarter ended August 1, 2020, from $265.7 million in the same prior-year period. The decrease in gross profit, which included the unfavorable impact of currency translation, was due primarily to the unfavorable impact on gross profit from lower revenue, partially offset by lower occupancy costs and, to a lesser extent, higher overall product margins. Currency translation fluctuations relating to our foreign operations unfavorably impacted gross profit by $0.4 million.

The Company includes inbound freight charges, purchasing costs and related overhead, retail store occupancy costs, including lease costs and depreciation and amortization, and a portion of the Company's distribution costs related to its retail business in cost of product sales. The Company also includes net royalties received on the Company's inventory purchases of licensed product as a reduction to cost of product sales. The Company's gross margin may not be comparable to that of other entities since some entities include all of the costs related to their distribution in cost of product sales and others, like the Company, generally exclude wholesale-related distribution costs from gross margin, including them instead in SG&A expenses. Additionally, some entities include retail store occupancy costs in SG&A expenses and others, like the Company, include retail store occupancy costs in cost of product sales.

SG&A Rate. The Company's SG&A rate increased 570 basis points to 37.7% for the quarter ended August 1, 2020, compared to 32.0% in the same prior-year period. The Company's SG&A rate included the unfavorable impact of 60 basis points from separation charges and the favorable impact of 10 basis points from lower expenses related to certain professional service and legal fees and related costs which the Company otherwise would not have incurred as part of its business operations. Excluding these items, the SG&A rate would have increased by 520 basis points during the quarter ended August 1, 2020 compared to the same prior-year period, driven by overall deleveraging of expenses due mainly to lower revenue resulting from the impact of the COVID-19 pandemic, partially offset by expense savings.

SG&A Expenses. SG&A expenses decreased by $67.9 million, or 31.1%, to $150.3 million for the quarter ended August 1, 2020, from $218.2 million in the same prior-year period. The decrease, which included the favorable impact of currency translation, was driven primarily by lower payroll costs and, to a lesser extent, lower overall discretionary expenses. The lower payroll costs were driven primarily by the impact of furloughs and, to a lesser extent, government assistance programs related to the recovery of employee payroll costs, temporary tiered salary reductions for management level corporate employees that have since been restored and permanent headcount reductions. Currency translation fluctuations relating to our foreign operations favorably impacted SG&A expenses by $1.2 million.

Asset Impairment Charges. During the quarter ended August 1, 2020, the Company recognized $8.2 million in impairment of certain operating lease right-of-use assets and $3.7 million in impairment of property and equipment related to certain retail locations resulting from lower revenue and future cash flow projections from the ongoing effects of the COVID-19 pandemic. This compares to $1.5 million in impairment of property and equipment related to certain retail locations resulting from under-performance and expected store closures during the quarter ended August 3, 2019. Currency translation fluctuations relating to our foreign operations unfavorably impacted asset impairment charges by $0.2 million.

Net Gains on Lease Terminations. During the quarter ended August 1, 2020, the Company recorded net gains on lease terminations of $0.9 million related primarily to the early termination of certain lease agreements. There were no net gains on lease terminations during the quarter ended August 3, 2019.

Operating Margin. Operating margin decreased 10.3% to negative 3.6% for the quarter ended August 1, 2020, from 6.7% in the same prior-year period, driven primarily by overall deleveraging of expenses due to the negative impact from the COVID-19 pandemic on our global operations. Higher asset impairment charges unfavorably impacted operating margin by 280 basis points during the quarter ended August 1, 2020 compared to the same prior-year period. Separation charges unfavorably impacted operating margin by 60 basis points during the quarter ended August 1, 2020. Net gains on lease terminations favorably impacted operating margin by 20 basis points during the quarter ended August 1, 2020. Lower expenses related to certain professional service and legal fees and related costs favorably impacted operating margin by 10 basis points during the quarter ended August 1, 2020. Excluding the impact of these expenses, the Company's operating margin would have decreased 720 basis points compared to the same prior-year period. The negative impact of currency on operating margin for the quarter was approximately 40 basis points.

Earnings (Loss) from Operations. Loss from operations was $14.3 million for the quarter ended August 1, 2020, compared to earnings from operations of $46.0 million in the same prior-year period. Currency translation fluctuations relating to our foreign operations favorably impacted loss from operations by $0.5 million.

Interest Expense, Net. Interest expense, net, was $5.5 million for the quarter ended August 1, 2020, compared to $4.6 million for the quarter ended August 3, 2019.

Other Income (Expense), Net. Other income, net, was $5.5 million for the quarter ended August 1, 2020, compared to other expense, net, of $6.4 million in the same prior-year period. The change was driven primarily by market volatility which resulted in net unrealized gains on the translation of foreign currency balances and, to a lesser extent, net unrealized gains on our SERP-related assets, compared to net unrealized losses in the same prior-year quarter. This was partially offset by net mark-to-market losses on the revaluation of foreign exchange currency contracts, compared to gains in the same prior-year quarter.

Income Tax Expense. Income tax expense for the quarter ended August 1, 2020 was $6.4 million, or a negative 44.6% effective tax rate, compared to $8.8 million, or a 25.2% effective tax rate, in the same prior-year period. Generally, income taxes for the interim periods are computed using the tax rate estimated to be applicable for the full fiscal year, adjusted for discrete items, which is subject to ongoing review and evaluation by management. During the quarter ended August 1, 2020, the Company recorded a discrete tax expense of $7.9 million related to improved forecasts for the current fiscal year which changes the estimate of the net operating losses that the Company can carryback to tax years with a higher federal corporate tax rate as allowed under the CARES Act. Excluding this impact, the change in the effective tax rate was due primarily to a shift in the distribution of earnings among the Company's tax jurisdictions during the quarter ended August 1, 2020, compared to the same prior-year period.

Net Earnings (Loss) Attributable to Noncontrolling Interests. Net loss attributable to noncontrolling interests was $0.3 million, net of taxes, for the quarter ended August 1, 2020, compared to net earnings attributable to noncontrolling interests of $0.9 million, net of taxes, for the quarter ended August 3, 2019.

Net Earnings (Loss) Attributable to Guess?, Inc. Net loss attributable to Guess?, Inc. was $20.4 million for the quarter ended August 1, 2020, compared to net earnings attributable to Guess?, Inc. of $25.3 million in the same prior-year period. Diluted loss per share was $0.31 for the quarter ended August 1, 2020, compared to diluted earnings per share of $0.35 in the same prior-year period. We estimate that the unfavorable impact from the Company's share repurchases had a negative impact of $0.03 on diluted loss per share for the quarter ended August 1, 2020. We also estimate that the positive impact of currency on diluted loss per share for the quarter ended August 1, 2020 was approximately $0.03 per share. During the quarter ended August 1, 2020, the Company recognized $12.0 million of asset impairment charges; $0.9 million of net gains on lease terminations; a net credit of $0.2 million of certain professional services and legal fees and related costs; $2.5 million of separation charges; $2.6 million of amortization of debt discount related to the Company's convertible senior notes and $8.1 million in additional tax expense from certain discrete tax adjustments (or a combined $19.7 million, or $0.30 per share, negative impact after considering the related tax benefit of these adjustments of $4.4 million). Excluding the impact of these items, adjusted net loss attributable to Guess?, Inc. was $0.6 million and adjusted diluted loss was $0.01 per common share for the quarter ended August 1, 2020. We estimate that the unfavorable impact from the Company's share repurchases had a minimal impact on adjusted diluted loss per share for the quarter ended

August 1, 2020. During the quarter ended August 3, 2019, the Company recognized $1.5 million of asset impairment charges; $0.4 million of certain professional services and legal fees and related costs and $2.4 million of amortization of debt discount related to the Company's convertible senior notes (or a combined $2.1 million, or $0.03 per share, negative impact after considering the related tax benefit of these adjustments and adjustments to uncertain tax positions excluded from results in prior years totaling $2.3 million). Excluding the impact of these items, adjusted net earnings attributable to Guess?, Inc. were $27.4 million and adjusted diluted earnings were $0.38 per common share for the quarter ended August 3, 2019. References to financial results excluding the impact of these items are non-GAAP measures and are addressed below under "Non-GAAP Measures."

Information by Business Segment

The following table presents our net revenue and earnings (loss) from operations by segment for the three months ended August 1, 2020 and August 3, 2019 (dollars in thousands):

	Three Months Ended			
	Aug 1, 2020	**Aug 3, 2019**	**$ Change**	**% Change**
Net revenue:				
Americas Retail	$ 110,065	$ 198,966	$ (88,901)	(44.7%)
Americas Wholesale	20,285	41,902	(21,617)	(51.6%)
Europe	205,851	340,509	(134,658)	(39.5%)
Asia	50,191	83,301	(33,110)	(39.7%)
Licensing	12,147	18,542	(6,395)	(34.5%)
Total net revenue	$ 398,539	$ 683,220	$ (284,681)	(41.7%)
Earnings (loss) from operations:				
Americas Retail	$ (4,704)	$ 5,957	$ (10,661)	(179.0%)
Americas Wholesale	1,688	8,422	(6,734)	(80.0%)
Europe	20,795	51,594	(30,799)	(59.7%)
Asia	(3,367)	(4,800)	1,433	29.9%
Licensing	11,511	15,547	(4,036)	(26.0%)
Total segment earnings from operations	25,923	76,720	(50,797)	(66.2%)
Corporate overhead	(29,188)	(29,229)	41	(0.1%)
Asset impairment charges	(11,969)	(1,504)	(10,465)	695.8%
Net gains on lease terminations	885	—	885	
Total earnings (loss) from operations	$ (14,349)	$ 45,987	$ (60,336)	(131.2%)
Operating margins:				
Americas Retail	(4.3%)	3.0%		
Americas Wholesale	8.3%	20.1%		
Europe	10.1%	15.2%		
Asia	(6.7%)	(5.8%)		
Licensing	94.8%	83.8%		
Total Company	(3.6%)	6.7%		

Americas Retail

Net revenue from our Americas Retail segment decreased by $88.9 million, or 44.7%, to $110.1 million for the quarter ended August 1, 2020, from $199.0 million in the same prior-year period. In constant currency, net revenue decreased by 44.1%, driven primarily by temporary store closures and, to a lesser extent, lower store traffic resulting from the COVID-19 pandemic. Excluding the impact from the temporary store closures, the store base for the U.S. and Canada decreased by an average of 22 net stores during the quarter ended August 1, 2020 compared to the same prior-year period, resulting in a 3.9% net decrease in average square footage. Currency translation fluctuations relating to our non-U.S. retail stores and e-commerce sites unfavorably impacted net revenue by $1.2 million.

Operating margin decreased 730 basis points to negative 4.3% for the quarter ended August 1, 2020, from 3.0% in the same prior-year quarter, due to lower gross margins, partially offset by a lower SG&A rate. The lower gross margins were driven primarily by overall deleveraging of occupancy costs due primarily to the negative impact from temporary store closures and lower store traffic. The lower SG&A rate was driven primarily by lower store selling expenses due to payroll savings resulting from the temporary furlough of the Company's store associates in the U.S. and Canada, partially offset by overall deleveraging of expenses.

Loss from operations from our Americas Retail segment was $4.7 million for the quarter ended August 1, 2020, compared to earnings from operations of $6.0 million in the same prior-year period. The deterioration is primarily due to the unfavorable impact on earnings from lower revenue, partially offset by lower store selling expenses and lower occupancy costs.

Americas Wholesale

Net revenue from our Americas Wholesale segment decreased by $21.6 million, or 51.6%, to $20.3 million for the quarter ended August 1, 2020, from $41.9 million in the same prior-year period. In constant currency, net revenue decreased by 48.7%, driven primarily by our U.S. wholesale business due mainly to lower demand resulting from the COVID-19 pandemic. Currency translation fluctuations relating to our non-U.S. wholesale businesses unfavorably impacted net revenue by $1.2 million.

Operating margin decreased 11.8% to 8.3% for the quarter ended August 1, 2020, from 20.1% in the same prior-year quarter, due primarily to a higher SG&A rate driven primarily by overall deleveraging of expenses resulting from lower wholesale shipments.

Earnings from operations from our Americas Wholesale segment decreased by $6.7 million, or 80.0%, to $1.7 million for the quarter ended August 1, 2020, from $8.4 million in the same prior-year period. The decrease reflects the unfavorable impact on earnings from lower revenue.

Europe

Net revenue from our Europe segment decreased by $134.7 million, or 39.5%, to $205.9 million for the quarter ended August 1, 2020, from $340.5 million in the same prior-year period. In constant currency, net revenue decreased by 39.6%, driven primarily by lower wholesale shipments resulting from lower demand and, to a lesser extent, lower store traffic and temporary store closures resulting from the COVID-19 pandemic. As of August 1, 2020, we directly operated 515 stores in Europe compared to 510 stores at August 3, 2019, excluding concessions, which represents a 1.0% increase over the same prior-year period. Currency translation fluctuations relating to our European operations favorably impacted net revenue by $0.1 million.

Operating margin decreased 510 basis points to 10.1% for the quarter ended August 1, 2020, from 15.2% in the same prior-year quarter. The decrease was driven mainly by a higher SG&A rate due primarily to overall deleveraging of expenses resulting from lower revenue. Gross margins were relatively flat as the unfavorable impact from overall deleveraging of occupancy costs was mostly offset by the favorable impact from certain rent concessions granted related to the COVID-19 pandemic and, to a lesser extent, higher initial markups.

Earnings from operations from our Europe segment decreased by $30.8 million, or 59.7%, to $20.8 million for the quarter ended August 1, 2020, from $51.6 million in the same prior-year period, driven primarily by the unfavorable impact on earnings from lower revenue, partially offset by lower SG&A expenses and, to a lesser extent, lower occupancy costs. Currency translation fluctuations relating to our European operations favorably impacted earnings from operations by $0.8 million.

Asia

Net revenue from our Asia segment decreased by $33.1 million, or 39.7%, to $50.2 million for the quarter ended August 1, 2020, from $83.3 million in the same prior-year period. In constant currency, net revenue decreased by 38.7%, driven primarily by lower store traffic and temporary store closures resulting from the COVID-19 pandemic. As of August 1, 2020, we and our partners operated 432 stores and 303 concessions in Asia, compared to 520 stores and 337 concessions at August 3, 2019. As of August 1, 2020, we directly operated 161 stores and 115 concessions in Asia, compared to 216 directly-operated stores and 162 concessions at August 3, 2019. Currency translation fluctuations relating to our Asian operations unfavorably impacted net revenue by $0.8 million.

Operating margin decreased 90 basis points to negative 6.7% for the quarter ended August 1, 2020, from negative 5.8% in the same prior-year quarter, driven primarily by a higher SG&A rate. The higher SG&A rate was driven primarily by overall deleveraging of expenses, partially offset by the favorable impact from business mix.

Loss from operations from our Asia segment improved by $1.4 million, or 29.9%, to $3.4 million for the quarter ended August 1, 2020, compared to $4.8 million in the same prior-year period. The improvement was driven primarily by the favorable impact on earnings from lower SG&A expenses and, to a lesser extent, lower occupancy costs, partially offset by the unfavorable impact from lower revenue.

Licensing

Net royalty revenue from our Licensing segment decreased by $6.4 million, or 34.5%, to $12.1 million for the quarter ended August 1, 2020, from $18.5 million in the same prior-year period, due primarily to lower demand resulting from the COVID-19 pandemic.

Earnings from operations from our Licensing segment decreased by $4.0 million, or 26.0%, to $11.5 million for the quarter ended August 1, 2020, from $15.5 million in the same prior-year period. The decrease was driven by the unfavorable impact to earnings from lower revenue.

Corporate Overhead

Unallocated corporate overhead was relatively flat at $29.2 million for the quarter ended August 1, 2020, compared to the same prior-year period.

Six Months Ended August 1, 2020 and August 3, 2019

Consolidated Results

Net Revenue. Net revenue decreased by $561.1 million, or 46.0%, to $658.8 million for the six months ended August 1, 2020, compared to $1.22 billion for the six months ended August 3, 2019. In constant currency, net revenue decreased by 45.1%, driven primarily by the unfavorable impact on revenue due to temporary store closures and lower store traffic and, to a lesser extent, lower wholesale shipments resulting from lower demand as a result of the COVID-19 pandemic. Currency translation fluctuations relating to our foreign operations unfavorably impacted net revenue by $10.6 million, compared to the same prior-year period.

Gross Margin. Gross margin decreased 920 basis points to 27.5% for the six months ended August 1, 2020, compared to 36.7% in the same prior-year period, of which 800 basis points was due to a lower occupancy rate and 120 basis points was due to lower product margins. The higher occupancy rate was driven primarily by overall deleveraging of occupancy costs due mainly to lower revenue resulting from the impact of the COVID-19 pandemic. The lower product margins were driven primarily by higher inventory reserves during the six months ended August 1, 2020, compared to the same prior-year period.

Gross Profit. Gross profit decreased by $266.4 million, or 59.5%, to $181.3 million for the six months ended August 1, 2020, from $447.6 million in the same prior-year period. The decrease in gross profit, which included the unfavorable impact of currency translation, was due primarily to the unfavorable impact on gross profit from lower revenue, partially offset by lower occupancy costs. Currency translation fluctuations relating to our foreign operations unfavorably impacted gross profit by $1.4 million.

SG&A Rate. The Company's SG&A rate increased 990 basis points to 44.5% for the six months ended August 1, 2020, compared to 34.6% in the same prior-year period. The Company's SG&A rate included the unfavorable impact of 40 basis points from separation charges. Excluding these charges, the Company's SG&A rate would have increased by 950 basis points during six months ended August 1, 2020 compared to the same prior-year period, driven by overall deleveraging of expenses due mainly to lower revenue resulting from the impact of the COVID-19 pandemic, partially offset by expense savings.

SG&A Expenses. SG&A expenses decreased by $129.2 million, or 30.6%, to $293.6 million for the six months ended August 1, 2020, from $422.8 million in the same prior-year period. The decrease, which included the favorable impact of currency translation, was driven primarily by lower payroll costs and, to a lesser extent, lower overall discretionary expenses. The lower payroll costs were driven primarily by the impact of furloughs and, to a lesser extent, government assistance programs related to the recovery of employee payroll costs, temporary tiered salary reductions for management level corporate employees that have since been restored and permanent headcount reductions. Currency translation fluctuations relating to our foreign operations favorably impacted SG&A expenses by $4.8 million.

Asset Impairment Charges. During the six months ended August 1, 2020, the Company recognized $36.5 million in impairment of certain operating lease right-of-use assets and $28.5 million in impairment of property and equipment related to certain retail locations resulting from lower revenue and future cash flow projections from the ongoing effects of the COVID-19 pandemic. This compares to $3.3 million in impairment of property and equipment related to certain retail locations resulting from under-performance and expected store closures during the six months ended August 3, 2019. Currency translation fluctuations relating to our foreign operations favorably impacted asset impairment charges by $1.6 million.

Net Gains on Lease Terminations. During the six months ended August 1, 2020, the Company recorded net gains on lease terminations of $0.4 million related primarily to the early termination of certain lease agreements. There were no net gains on lease terminations recorded during the six months ended August 3, 2019.

Operating Margin. Operating margin decreased 28.6% to negative 26.8% for the six months ended August 1, 2020, compared to 1.8% in the same prior-year period, driven primarily by overall deleveraging of expenses due to the negative impact from the COVID-19 pandemic on our global operations and higher asset impairment charges. Higher asset impairment charges negatively impacted operating margin by 960 basis points during the six months ended August 1, 2020 compared to the same prior-year period. Separation charges unfavorably impacted operating margin by 40 basis points during the six months ended August 1, 2020. Net gains on lease terminations favorably impacted operating margin by 10 basis points during the six months ended August 1, 2020. Excluding the impact of these items, the Company's operating margin would have decreased 18.7% compared to the same prior-year period. The negative impact of currency on operating margin for the first six months of fiscal 2021 was approximately 10 basis points.

Earnings (Loss) from Operations. Loss from operations was $176.8 million for the six months ended August 1, 2020, compared to earnings from operations of $21.5 million in the same prior-year period. Currency translation fluctuations relating to our foreign operations favorably impacted earnings from operations by $5.1 million.

Interest Expense, Net. Interest expense, net, was $10.4 million for the six months ended August 1, 2020, compared to $5.5 million for the six months ended August 3, 2019. The increase in interest expense was due primarily to higher amortization of debt discount and higher interest expense related to the Company's convertible senior notes during the six months ended August 1, 2020.

Other Expense, Net. Other expense, net, was $14.0 million for the six months ended August 1, 2020, compared to $4.3 million in the same prior-year period. The change was due primarily to net mark-to-market losses on revaluation of foreign exchange currency contracts, compared to gains in the same prior-year period. During the first six months of fiscal 2021, market volatility also resulted in higher unrealized losses on the translation of foreign currency balances and lower net unrealized gains on our SERP-related assets, compared to the same prior-year period.

Income Tax Expense (Benefit). Income tax benefit for the six months ended August 1, 2020 was $20.0 million, or a 9.9% effective tax rate, compared to income tax expense of $6.1 million, or a 52.2% effective tax rate, in the same prior-year period. Generally, income taxes for the interim periods are computed using the tax rate estimated to be applicable for the full fiscal year, adjusted for discrete items, which is subject to ongoing review and evaluation by management. During the six months ended August 1, 2020, the Company recognized a tax benefit of approximately $3.9 million from a tax rate change related to the ability to carryback net operating losses to tax years with a higher federal corporate tax rate as allowed under the CARES Act enacted in March 2020. This benefit was mostly offset by a valuation allowance of $3.7 million resulting from jurisdictions where there have been cumulative net operating losses, limiting the Company's ability to consider other subjective evidence to continue to recognize the existing deferred tax assets. Excluding the impact of these items, the change in the effective tax rate was due primarily to a shift in the distribution of earnings among the Company's tax jurisdictions during the six months ended August 1, 2020, compared to the same prior-year period.

Net Earnings (Loss) Attributable to Noncontrolling Interests. Net loss attributable to noncontrolling interests was $3.2 million, net of taxes, for the six months ended August 1, 2020, compared to net earnings attributable to noncontrolling interests of $1.6 million, net of taxes, for the six months ended August 3, 2019.

Net Earnings (Loss) Attributable to Guess?, Inc. Net loss attributable to Guess?, Inc. was $178.0 million for the six months ended August 1, 2020, compared to net earnings attributable to Guess?, Inc. of $3.9 million in the same prior-year period. Diluted loss per share was $2.72 for the six months ended August 1, 2020, compared to diluted earnings per share of $0.05 in the same prior-year period. We estimate that the unfavorable impact from the Company's share repurchases and additional interest expense recognized related to the offering of convertible senior notes had a net negative impact on diluted loss per share of $0.45 for the six months ended August 1, 2020. We also estimate that the negative impact of currency on diluted loss per share for the six months ended August 1, 2020 was approximately $0.06 per share. During the six months ended August 1, 2020, the Company recognized $64.9 million of asset impairment charges; $0.4 million of net gains on lease terminations; $0.1 million of certain professional services and legal fees and related costs; $2.7 million of separation charges; $5.2 million of amortization of debt discount related to the Company's convertible senior notes; and $0.2 million in additional tax expense from certain discrete tax adjustments (or a combined $58.5 million, or $0.89 per share, negative impact after considering the related tax benefit of these adjustments of $14.2 million). Excluding the impact of these items, adjusted net loss attributable to Guess?, Inc. was $119.6 million and adjusted diluted loss was $1.83 per common share during the six months ended August 1, 2020. We estimate that the unfavorable impact from share repurchases and additional interest expense recognized related to the offering of convertible senior notes had a net negative impact of $0.29 on adjusted diluted loss per share for the six months ended August 1, 2020. During the six months ended August 3, 2019, the Company recognized $3.3 million of asset impairment charges; $0.7 million of certain professional services and legal fees and related costs; and $2.7 million of amortization of debt discount related to the Company's convertible senior notes (or a combined $3.9 million, or $0.05 per share, negative impact after considering the related tax benefit of these adjustments and adjustments to uncertain tax positions excluded from results in prior years totaling $2.8 million). Excluding the impact of these items, adjusted net earnings attributable to Guess?, Inc. were $7.8 million and adjusted diluted earnings per share were $0.10 per common share during the six months ended August 3, 2019. References to financial results excluding the impact of these items are non-GAAP measures and are addressed below under "Non-GAAP Measures."

Information by Business Segment

The following table presents our net revenue and earnings (loss) from operations by segment for the six months ended August 1, 2020 and August 3, 2019 (dollars in thousands):

	Six Months Ended			
	Aug 1, 2020	Aug 3, 2019	$ Change	% Change
Net revenue:				
Americas Retail	$ 184,649	$ 375,389	$ (190,740)	(50.8%)
Americas Wholesale	46,160	88,107	(41,947)	(47.6%)
Europe	312,324	550,564	(238,240)	(43.3%)
Asia	90,576	168,491	(77,915)	(46.2%)
Licensing	25,081	37,360	(12,279)	(32.9%)
Total net revenue	$ 658,790	$ 1,219,911	$ (561,121)	(46.0%)
Earnings (loss) from operations:				
Americas Retail	$ (41,377)	$ 4,145	$ (45,522)	(1,098.2%)
Americas Wholesale	3,312	16,236	(12,924)	(79.6%)
Europe	(23,611)	35,267	(58,878)	(166.9%)
Asia	(26,144)	(8,003)	(18,141)	(226.7%)
Licensing	21,605	32,191	(10,586)	(32.9%)
Total segment earnings (loss) from operations	(66,215)	79,836	(146,051)	(182.9%)
Corporate overhead	(46,109)	(55,041)	8,932	(16.2%)
Asset impairment charges	(64,941)	(3,279)	(61,662)	1,880.5%
Net gains on lease terminations	429	—	429	
Total earnings (loss) from operations	$ (176,836)	$ 21,516	$ (198,352)	(921.9%)
Operating margins:				
Americas Retail	(22.4%)	1.1%		
Americas Wholesale	7.2%	18.4%		
Europe	(7.6%)	6.4%		
Asia	(28.9%)	(4.7%)		
Licensing	86.1%	86.2%		
Total Company	(26.8%)	1.8%		

Americas Retail

Net revenue from our Americas Retail segment decreased by $190.7 million, or 50.8%, to $184.6 million for the six months ended August 1, 2020, compared to $375.4 million in the same prior-year period. In constant currency, net revenue decreased by 50.3%, driven primarily by temporary store closures and, to a lesser extent, lower store traffic resulting from the COVID-19 pandemic. Excluding the impact from the temporary store closures, the store base for the U.S. and Canada decreased by an average of 21 net stores during the six months ended August 1, 2020 compared to the same prior-year period, resulting in a 3.4% net decrease in average square footage. Currency translation fluctuations relating to our non-U.S. retail stores and e-commerce sites unfavorably impacted net revenue by $1.7 million.

Operating margin decreased 23.5% to negative 22.4% for the six months ended August 1, 2020, compared to 1.1% in the same prior-year period, due to lower gross margins and, to a lesser extent, a higher SG&A rate. The lower gross margins were driven primarily by overall deleveraging of occupancy costs due primarily to the negative impact from temporary store closures and lower store traffic. The higher SG&A rate was driven primarily by overall deleveraging of expenses, partially offset by lower store selling expenses due to payroll savings resulting from the temporary furlough of the Company's store associates in the U.S. and Canada.

Loss from operations from our Americas Retail segment was $41.4 million for the six months ended August 1, 2020, compared to earnings from operations of $4.1 million in the same prior-year period. The deterioration is primarily due to the unfavorable impact on earnings from lower revenue, partially offset by lower store selling expenses and lower occupancy costs.

Americas Wholesale

Net revenue from our Americas Wholesale segment decreased by $41.9 million, or 47.6%, to $46.2 million for the six months ended August 1, 2020, compared to $88.1 million in the same prior-year period. In constant currency, net revenue decreased by 45.1%, driven primarily by our U.S. wholesale business due mainly to lower demand resulting from the COVID-19 pandemic. Currency translation fluctuations relating to our non-U.S. wholesale businesses unfavorably impacted net revenue by $2.3 million.

Operating margin decreased 11.2% to 7.2% for the six months ended August 1, 2020, compared to 18.4% in the same prior-year period, due to a higher SG&A rate and, to a lesser extent, lower gross margins. The higher SG&A rate was due primarily to overall deleveraging of expenses resulting from lower wholesale shipments. The lower gross margins were driven primarily by the negative impacts from the COVID-19 pandemic which resulted in higher markdowns.

Earnings from operations from our Americas Wholesale segment decreased by $12.9 million, or 79.6%, to $3.3 million for the six months ended August 1, 2020, compared to $16.2 million in the same prior-year period. The decrease reflects the unfavorable impact on earnings from lower revenue.

Europe

Net revenue from our Europe segment decreased by $238.2 million, or 43.3%, to $312.3 million for the six months ended August 1, 2020, from $550.6 million in the same prior-year period. In constant currency, net revenue decreased by 42.5%, driven primarily by temporary store closures and lower store traffic resulting from the COVID-19 pandemic and, to a lesser extent, lower wholesale shipments resulting from lower demand. Currency translation fluctuations relating to our European operations unfavorably impacted net revenue by $4.0 million.

Operating margin decreased 14.0% to negative 7.6% for the six months ended August 1, 2020, from 6.4% in the same prior-year period, driven by a higher SG&A rate and, to a lesser extent, lower gross margins due primarily to overall deleveraging of expenses resulting from lower revenue.

Loss from operations from our Europe segment was $23.6 million for the six months ended August 1, 2020, compared to earnings from operations of $35.3 million in the same prior-year period. The deterioration was driven primarily by the unfavorable impact on earnings from lower revenue, partially offset by lower SG&A expenses and, to a lesser extent, lower occupancy costs. Currency translation fluctuations relating to our European operations favorably impacted loss from operations by $2.3 million.

Asia

Net revenue from our Asia segment decreased by $77.9 million, or 46.2%, to $90.6 million for the six months ended August 1, 2020, compared to $168.5 million in the same prior-year period. In constant currency, net revenue decreased by 44.7%, driven primarily by lower store traffic and temporary store closures resulting from the COVID-19 pandemic. Currency translation fluctuations relating to our Asian operations unfavorably impacted net revenue by $2.5 million.

Operating margin decreased 24.2% to negative 28.9% for the six months ended August 1, 2020, compared to negative 4.7% in the same prior-year period, driven primarily by lower gross margins and, to a lesser extent, a higher SG&A rate. The lower gross margins were due primarily to the negative impacts from the COVID-19 pandemic which resulted in higher inventory reserves and, to a lesser extent, overall deleveraging of occupancy costs and higher markdowns. The higher SG&A rate was driven primarily by overall deleveraging of expenses, partially offset by the favorable impact from business mix.

Loss from operations from our Asia segment deteriorated by $18.1 million, or 226.7%, to $26.1 million for the six months ended August 1, 2020, from $8.0 million in the same prior-year period. The deterioration was driven primarily by the unfavorable impact on earnings from lower revenue and, to a lesser extent, lower product margins, partially offset by lower SG&A expenses and, to a lesser extent, lower occupancy costs. Currency translation fluctuations relating to our Asian operations favorably impacted loss from operations by $1.0 million.

Licensing

Net royalty revenue from our Licensing segment decreased by $12.3 million, or 32.9%, to $25.1 million for the six months ended August 1, 2020, compared to $37.4 million in the same prior-year period, due primarily to lower demand resulting from the COVID-19 pandemic.

Earnings from operations from our Licensing segment decreased by $10.6 million, or 32.9%, to $21.6 million for the six months ended August 1, 2020, compared to $32.2 million in the same prior-year period. The decrease was driven primarily by the unfavorable impact to earnings from lower revenue.

Corporate Overhead

Unallocated corporate overhead decreased by $8.9 million to $46.1 million for the six months ended August 1, 2020, compared to $55.0 million in the same prior-year period, due primarily to lower performance-based compensation and, to a lesser extent, lower overall discretionary expenses.

Non-GAAP Measures

The Company's reported financial results are presented in accordance with GAAP. The reported net loss attributable to Guess?, Inc. and diluted loss per share for the three and six months ended August 1, 2020 reflect the impact of asset impairment charges, net gains on lease terminations, certain professional service and legal fees and related (credits) costs, certain separation charges, amortization of debt discount on the Company's convertible senior notes and the tax effects of these adjustments as well as certain discrete tax adjustments. The reported net earnings attributable to Guess?, Inc. and diluted earnings per share for the three and six months ended August 3, 2019 reflect the impact of asset impairment charges, certain professional service and legal fees and related costs, amortization of debt discount on the Company's convertible senior notes and the tax effects of these adjustments as well as adjustments to uncertain tax positions excluded from results in prior years. These items affect the comparability of the Company's reported results. The financial results are also presented on a non-GAAP basis, as defined in Section 10(e) of Regulation S-K of the SEC, to exclude the effect of these items. The Company believes that these items are not indicative of the underlying performance of its business and that the "non-GAAP" or "adjusted" information provided is useful for investors to evaluate the comparability of the Company's operating results and its future outlook when reviewed in conjunction with the Company's GAAP financial statements. The non-GAAP measures are provided in addition to, and not as alternatives for, the Company's reported GAAP results.

The adjusted measures for the three months ended August 1, 2020 exclude the impact of $12.0 million of asset impairment charges; $0.9 million of net gains on lease terminations; a net credit of $0.2 million of certain professional services and legal fees and related costs; $2.5 million of separation charges; $2.6 million of amortization of debt discount on the Company's convertible senior notes and $8.1 million in additional tax expense from certain discrete tax adjustments. The asset impairment charges related to the impairment of certain operating lease right-of-use assets and, to a lesser extent, impairment of property and equipment related to certain retail locations resulting from lower revenue and future cash flow projections from the ongoing effects of the COVID-19 pandemic. The net gains on lease terminations related primarily to the early termination of certain lease agreements. Certain professional service and legal fees and related (credits) costs were primarily due to amounts which the Company otherwise would not have incurred as part of its business operations. The separation-related charges mainly related to cash severance payments as a result of headcount reductions in response to the pandemic. During the three months ended August 1, 2020, the Company recorded a discrete tax expense of $7.9 million related to improved forecasts for the current fiscal year which changes the estimate of the net operating losses that the Company can carryback to tax years with a higher federal corporate tax rate as allowed under the CARES Act. These items resulted in a combined $19.7 million negative impact (after considering the related tax benefit of $4.4 million), or an unfavorable $0.30 per share impact during the three months ended August 1, 2020. Net loss attributable to Guess?, Inc. was $20.4 million and diluted loss was $0.31 per common share for the three months ended August 1, 2020. Excluding the impact of these items, adjusted net loss attributable to Guess?, Inc. was $0.6 million and adjusted diluted loss was $0.01 per common share for the three months ended August 1, 2020.

The adjusted measures for the six months ended August 1, 2020 exclude the impact of $64.9 million of asset impairment charges; $0.4 million of net gains on lease terminations; $0.1 million of certain professional services and legal fees and related costs; $2.7 million of separation charges; $5.2 million of amortization of debt discount related to the Company's convertible senior notes; and $0.2 million in additional tax expense from certain discrete tax adjustments. The asset impairment charges related to the impairment of certain operating lease right-of-use assets and, to a lesser extent, impairment of property and equipment related to certain retail locations resulting from lower revenue and future cash flow projections from the ongoing effects of the COVID-19 pandemic. The net gains on lease terminations related primarily to the early termination of certain lease agreements. The separation-related charges mainly related to certain cash severance payments, partially offset by adjustments to non-cash stock-based compensation expense related to our former Chief Executive Officer resulting from changes in expected performance conditions of certain previously granted stock awards that were no longer subject to service vesting requirements after his departure. During the six months ended August 1, 2020, the Company recognized a tax benefit of approximately $3.9 million from a tax rate change related to the ability to carryback net operating losses to tax years with a higher federal corporate tax rate as allowed under the CARES Act enacted in March 2020. This benefit was partially offset by a valuation allowance of $3.7 million resulting from jurisdictions where there have been cumulative net operating losses, limiting the Company's ability to consider other subjective evidence to continue to recognize the existing deferred tax assets. These items resulted in a combined $58.5 million negative impact (after considering the related tax benefit of $14.2 million), or an unfavorable $0.89 per share impact during the six months ended August 1, 2020. Net loss attributable to Guess?, Inc. was $178.0 million and diluted loss was $2.72 per common share for the six months ended August 1, 2020. Excluding the impact of these items, adjusted net loss attributable to Guess?, Inc. was $119.6 million and adjusted diluted loss was $1.83 per common share for the six months ended August 1, 2020.

The adjusted measures for the three months ended August 3, 2019 exclude the impact of $1.5 million of asset impairment charges; $0.4 million of certain professional services and legal fees and related costs and $2.4 million of amortization of debt discount on the Company's convertible senior notes. The asset impairment charges related primarily to the impairment of property and equipment related to certain retail locations resulting from under-performance and expected store closures. These items resulted in a combined $2.1 million negative impact (after considering the related tax benefit of $2.3 million), or an unfavorable $0.03 per share impact during the three months ended August 3, 2019. Net earnings attributable to Guess?, Inc. were $25.3 million and diluted earnings were $0.35 per common share for the three months ended August 3, 2019. Excluding the impact of these items, adjusted net earnings attributable to Guess?, Inc. were $27.4 million and adjusted diluted earnings were $0.38 per common share for the three months ended August 3, 2019.

The adjusted measures for the six months ended August 3, 2019 exclude the impact of $3.3 million of asset impairment charges; $0.7 million of certain professional services and legal fees and related costs and $2.7 million of amortization of debt discount on the Company's convertible senior notes. The asset impairment charges related primarily to the impairment of property and equipment related to certain retail locations resulting from under-performance and expected store closures. These items resulted in a combined $3.9 million negative impact (after considering the related tax benefit of $2.8 million), or an unfavorable $0.05 per share impact during the six months ended August 3, 2019. Net earnings attributable to Guess?, Inc. were $3.9 million and diluted earnings were $0.05 per common share for the six months ended August 3, 2019. Excluding the impact of these items, adjusted net earnings attributable to Guess?, Inc. were $7.8 million and adjusted diluted earnings were $0.10 per common share for the six months ended August 3, 2019.

Our discussion and analysis herein also includes certain constant currency financial information. Foreign currency exchange rate fluctuations affect the amount reported from translating the Company's foreign revenue, expenses and balance sheet amounts into U.S. dollars. These rate fluctuations can have a significant effect on reported operating results under GAAP. The Company provides constant currency information to enhance the visibility of underlying business trends, excluding the effects of changes in foreign currency translation rates. To calculate net revenue and earnings (loss) from operations on a constant currency basis, operating results for the current-year period are translated into U.S. dollars at the average exchange rates in effect during the comparable period of the prior year. To calculate balance sheet amounts on a constant currency basis, the current period balance sheet amount is translated into U.S. dollars at the exchange rate in effect at the comparable prior-year period end. The constant currency calculations do not adjust for the impact of revaluing specific transactions denominated in a currency that is different from the functional currency of that entity when exchange rates fluctuate. The constant currency information presented may not be comparable to similarly titled measures reported by other companies.

In calculating the estimated impact of currency fluctuations (including translational and transactional impacts) on other measures such as earnings (loss) per share, the Company estimates gross margin (including the impact of foreign exchange currency contracts designated as cash flow hedges for anticipated merchandise purchases) and expenses using the appropriate prior-year rates, translates the estimated foreign earnings (loss) at the comparable prior-year rates and excludes the year-over-year earnings impact of gains or losses arising from balance sheet remeasurement and foreign exchange currency contracts not designated as cash flow hedges for merchandise purchases.

Liquidity and Capital Resources

We need liquidity globally primarily to fund our working capital, occupancy costs, interest payments on our debt, remodeling and rationalization of our retail stores, shop-in-shop programs, concessions, systems, infrastructure, other existing operations, expansion plans, international growth and potential acquisitions and investments. In addition, in the U.S. we need liquidity to fund share repurchases and payment of dividends to our stockholders. Generally, our working capital needs are highest during the late summer and fall as our inventories increase before the holiday selling period. During the six months ended August 1, 2020, we relied primarily on trade credit, available cash, real estate and other operating leases, finance leases, proceeds from our credit facilities and term loans and internally generated funds to finance our operations. We anticipate that we will be able to satisfy our ongoing cash requirements during the next 12 months for working capital, capital expenditures, payments on our debt, finance leases and operating leases as well as lease termination payments, potential acquisitions and investments, and share repurchases and dividend payments to stockholders, primarily with cash flow from operations and existing cash balances as supplemented by borrowings under our existing Credit Facility in the U.S. and Canada as well as bank facilities in Europe and China and proceeds from our term loans, as needed. As further noted above under the "—COVID-19 Business Update" section, the Company has also implemented a number of other measures to help preserve liquidity in response to the COVID-19 pandemic. We expect to settle the principal amount of our outstanding convertible senior notes in 2024 in cash and any excess in shares. Such arrangements are described further in "Part I, Item 1. Financial Statements – Note 9 – Borrowings and Finance Lease Obligations" and "Part I, Item 1. Financial Statements – Note 10 – Convertible Senior Notes and Related Transactions" of this Form 10-Q. Due to the seasonality of our business and cash needs, we may increase borrowings under our established credit facilities from time-to-time during the next 12 months. If we experience a sustained decrease in consumer demand related to the COVID-19 pandemic, we may require access to additional credit, which may not be available to us on commercially acceptable terms or at all.

On March 27, 2020, the U.S. government enacted the CARES Act to provide economic relief from the COVID-19 pandemic. Among other provisions, the CARES Act allows for a full offset of taxable income in a five-year carryback period for net operating losses, which will reduce current period tax expense and may result in a refund of previously paid income tax amounts at higher historical tax rates. During the six months ended August 1, 2020, the Company recognized a tax benefit of approximately $3.9 million related to this provision.

In December 2017, the U.S. government enacted the Tax Reform, which significantly changed the U.S. corporate income tax laws, including moving from a global taxation regime to a territorial regime and lowering the U.S. federal corporate income tax rate from 35% to 21%. The Tax Reform also required a one-time mandatory transition tax on accumulated foreign earnings. Any income tax payable related to the transition tax is due over an eight-year period beginning in calendar 2018. The balance related to this transition tax included in other long-term liabilities was $19.9 million (excluding related interest) for each of the periods ended August 1, 2020 and February 1, 2020.

The Company has historically considered the undistributed earnings of its foreign subsidiaries to be indefinitely reinvested. As a result of the Tax Reform, the Company had a substantial amount of previously taxed earnings that could be distributed to the U.S. without additional U.S. taxation. The Company continues to evaluate its plans for reinvestment or repatriation of unremitted foreign earnings and regularly reviews its cash positions and determination of permanent reinvestment of foreign earnings. If the Company determines that all or a portion of such foreign earnings are no longer indefinitely reinvested, it may be subject to additional foreign withholding taxes and U.S. state income taxes, beyond the Tax Reform's one-time transition tax. The Company intends to indefinitely reinvest the remaining earnings from the Company's foreign subsidiaries for which a deferred tax liability has not already been recorded. As of August 1, 2020, the Company had cash and cash equivalents of $328.0 million, of which approximately $72.7 million was held in the U.S.

Excess cash and cash equivalents, which represent the majority of our outstanding cash and cash equivalents balance, are held primarily in overnight deposit and short-term time deposit accounts and money market accounts. Please see "—Important Factors Regarding Forward-Looking Statements" discussed above, "Part II, Item 1A. Risk Factors" in this Form 10-Q and "Part I, Item 1A. Risk Factors" contained in the Company's most recent Annual Report on Form 10-K for the fiscal year ended February 1, 2020 for a discussion of risk factors which could reasonably be likely to result in a decrease of internally generated funds available to finance capital expenditures and working capital requirements.

COVID-19 Impact on Liquidity

Refer to the "—COVID-19 Business Update" section above for a discussion of the impact from the COVID-19 pandemic on our financial performance and our liquidity.

In light of store closures and reduced traffic in stores, the Company has taken certain actions with respect to certain of its existing leases, including engaging with landlords to discuss rent deferrals as well as other rent concessions. Since April 2020, we have suspended rental payments and/or paid reduced rental amounts with respect to our retail stores that were closed or were experiencing drastically reduced customer traffic as a result of the COVID-19 pandemic. We are engaging in discussions with the affected landlords in an effort to achieve appropriate rent relief and other lease concessions and, in some cases, to terminate existing leases. However, there can be no assurances related to the outcome of such negotiations.

Six Months Ended August 1, 2020 and August 3, 2019

The Company has presented below the cash flow performance comparison of the six months ended August 1, 2020, compared to the six months ended August 3, 2019.

Operating Activities

Net cash provided by operating activities was $40.7 million for the six months ended August 1, 2020, compared to net cash used in operating activities of $23.0 million for the six months ended August 3, 2019, or an improvement of $63.6 million. This improvement was driven primarily by favorable changes in working capital, partially offset by lower cash flows generated from net earnings. The favorable changes in working capital were due primarily to the extension of vendor payment terms on our accounts payable balances and the suspension and/or reduction of our operating lease payments, which could be temporary, as well as overall lower expenditures. In addition, during the six months ended August 3, 2019, net cash used in operating activities included the payment of the European Commission fine of $45.6 million which was imposed and accrued in fiscal 2019.

Investing Activities

Net cash used in investing activities was $12.0 million for the six months ended August 1, 2020, compared to $33.9 million for the six months ended August 3, 2019. Net cash used in investing activities for the six months ended August 1, 2020 related primarily to capital expenditures incurred on investments in technology infrastructure and, to a lesser extent, existing store remodeling programs and international retail expansion. In addition, purchases of investments, settlements of forward exchange currency contracts and proceeds from the sale of long-term assets are also included in cash flows used in investing activities.

The decrease in cash used in investing activities was driven primarily by lower spending on retail expansion during the six months ended August 1, 2020 compared to the same prior-year period. During the six months ended

August 1, 2020, the Company opened seven directly-operated stores compared to 43 directly-operated stores that were opened in the same prior-year period.

Financing Activities

Net cash provided by financing activities was $13.6 million for the six months ended August 1, 2020, compared to net cash used in financing activities of $18.5 million for the six months ended August 3, 2019. Net cash provided by financing activities for the six months ended August 1, 2020 related primarily to net proceeds from borrowings. In addition, repurchases of shares of the Company's common stock, cash activity from the issuance of common stock under our equity plans, payment of dividends, payments related to finance lease obligations and net proceeds related to issuance of convertible senior notes and related warrants are also included in cash flows from financing activities.

The increase in cash provided by financing activities was driven primarily by the lower investments made in share repurchases and, to a lesser extent, higher net proceeds received from borrowings and lower payment of dividends during the six months ended August 1, 2020 compared to the same prior-year period. This was partially offset by net proceeds from the issuance of convertible senior notes and related warrants during the six months ended August 3, 2019.

Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash

During the six months ended August 1, 2020, changes in foreign currency translation rates increased our reported cash, cash equivalents and restricted cash balance by $1.1 million. This compares to a decrease of $4.0 million in cash, cash equivalents and restricted cash driven by changes in foreign currency translation rates during the six months ended August 3, 2019.

Working Capital

As of August 1, 2020, the Company had net working capital (including cash and cash equivalents) of $343.5 million, compared to $425.8 million at February 1, 2020 and $294.2 million at August 3, 2019.

The Company's primary working capital needs are for the current portion of lease liabilities, accounts receivable and inventory. The accounts receivable balance consists of trade receivables relating primarily to the Company's wholesale business in Europe and, to a lesser extent, to its wholesale businesses in the Americas and Asia, royalty receivables relating to its licensing operations, credit card and retail concession receivables related to its retail businesses and certain other receivables. Accounts receivable decreased by $46.5 million, or 15.9%, to $246.5 million as of August 1, 2020, from $293.0 million at August 3, 2019. On a constant currency basis, accounts receivable decreased by $54.9 million, or 18.7%, when compared to August 3, 2019, driven primarily by lower wholesale shipments compared to the same prior-year period. As of August 1, 2020, approximately 58% of our total net trade receivables and 68% of our European net trade receivables were subject to credit insurance coverage, certain bank guarantees or letters of credit for collection purposes. Our credit insurance coverage contains certain terms and conditions specifying deductibles and annual claim limits. Inventory decreased by $64.8 million, or 13.4%, to $419.4 million as of August 1, 2020, from $484.2 million at August 3, 2019. On a constant currency basis, inventory decreased by $72.6 million, or 15.0%, when compared to August 3, 2019, driven primarily by improved inventory management compared to the same prior-year period.

Capital Expenditures

Gross capital expenditures totaled $10.1 million, before deducting lease incentives of $0.5 million, for the six months ended August 1, 2020. This compares to gross capital expenditures of $34.6 million, before deducting lease incentives of $4.0 million for the six months ended August 3, 2019.

We will periodically evaluate strategic acquisitions and alliances and pursue those that we believe will support and contribute to our overall growth initiatives.

Dividends

During the first quarter of fiscal 2021, the Company announced that its Board of Directors had deferred the decision with respect to the payment of its quarterly cash dividend. The Board of Directors decided to continue to postpone its decision with respect to the payment of its quarterly cash dividend during the second quarter of fiscal 2021 in order to preserve the Company's cash position and provide continued financial flexibility in light of the uncertainties related to the COVID-19 pandemic.

On September 2, 2020, the Company announced that it was resuming its quarterly cash dividend program and declared a regular quarterly cash dividend of $0.1125 per share on the Company's common stock. The Company also decided not to declare any cash dividends for the first or second quarters of fiscal 2021. The cash dividend will be paid on October 2, 2020 to shareholders of record as of the close of business on September 16, 2020.

Decisions on whether, when and in what amounts to continue making any future dividend distributions will remain at all times entirely at the discretion of the Company's Board of Directors, which reserves the right to change or terminate the Company's dividend practices at any time and for any reason without prior notice. The payment of cash dividends in the future will be based upon a number of business, legal and other considerations, including our cash flow from operations, capital expenditures, debt service and covenant requirements, cash paid for income taxes, earnings, share repurchases, economic conditions and U.S. and global liquidity.

Share Repurchases

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. There were 4,000,000 shares repurchased at an aggregate cost of $38.8 million under the program during the three and six months ended August 1, 2020. During the six months ended August 3, 2019, the Company repurchased 11,013,304 shares under the program at an aggregate cost of $212.5 million, which is inclusive of the shares repurchased under the ASR Contract. The Company repurchased 10,264,052 shares at an aggregate cost of $201.5 million during the three months ended May 4, 2019 and an additional 749,252 shares at an aggregate cost of $11.0 million during the three months ended August 3, 2019. As of August 1, 2020, the Company had remaining authority under the program to purchase $47.8 million of its common stock.

Borrowings and Finance Lease Obligations and Convertible Senior Notes

See "Part I, Item 1. Financial Statements – Note 9 – Borrowings and Finance Lease Obligations" and "Part I, Item 1. Financial Statements – Note 10 – Convertible Senior Notes and Related Transactions" in this Form 10-Q for disclosures about our borrowings and finance lease obligations and convertible senior notes.

Supplemental Executive Retirement Plan

On August 23, 2005, the Board of Directors of the Company adopted a Supplemental Executive Retirement Plan ("SERP") which became effective January 1, 2006. The SERP provides select employees who satisfy certain eligibility requirements with certain benefits upon retirement, termination of employment, death, disability or a change in control of the Company, in certain prescribed circumstances.

As a non-qualified pension plan, no dedicated funding of the SERP is required; however, the Company has made periodic payments into insurance policies held in a rabbi trust to fund the expected obligations arising under the non-qualified SERP. The amount of any future payments into the insurance policies, if any, may vary depending on investment performance of the trust. The cash surrender values of the insurance policies were $68.8 million and $67.7 million as of August 1, 2020 and February 1, 2020, respectively, and were included in other assets in the Company's condensed consolidated balance sheets. As a result of changes in the value of the insurance policy investments, the Company recorded unrealized gains of $5.1 million and $2.0 million in other income and expense during the three and six months ended August 1, 2020, respectively, and unrealized gains (losses) of $(0.2) million and $3.0 million in other income and expense during the three and six months ended August 3, 2019, respectively. The projected benefit obligation was $51.7 million and $51.9 million as of August 1, 2020 and February 1, 2020, respectively, and was included in accrued expenses and other long-term liabilities in the Company's condensed consolidated balance sheets depending on the expected timing of payments. SERP benefit payments of $0.3 million and $0.8 million were made during the three and six months ended August 1, 2020, respectively. SERP benefit payments of $0.4 million and $0.8 million were made during the three and six months ended August 3, 2019, respectively.

Contractual Obligations and Commitments

During the six months ended August 1, 2020, the Company entered into certain term loans and drew down on certain of its credit facilities to ensure financial flexibility and maintain maximum liquidity in response to uncertainty surrounding the COVID-19 pandemic. See “Part I, Item 1. Financial Statements – Note 9 – Borrowings and Finance Lease Obligations” for further information on these arrangements. As of August 1, 2020, there were no other material changes to our contractual obligations and commitments outside the ordinary course of business compared to the disclosures included in our Form 10-K for the fiscal year ended February 1, 2020.

Wholesale Backlog

We generally receive orders for fashion apparel three to six months prior to the time the products are delivered to our customers' stores. 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 and may include orders for multiple seasons. 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. This is particularly true in light of recent events resulting from the COVID-19 pandemic, which we expect could continue to have a material impact on our wholesale orders and backlog.

U.S. and Canada Backlog. Our U.S. and Canadian wholesale backlog as of August 31, 2020, consisting primarily of orders for fashion apparel, was $32.3 million in constant currency, compared to $41.7 million at September 3, 2019, a decrease of 22.6%.

Europe Backlog. As of August 30, 2020, the European wholesale backlog was €305.7 million, compared to €281.7 million at September 2, 2019, an increase of 8.5%. The backlog as of August 30, 2020 is comprised primarily of sales orders for the Fall/Winter 2020 and Spring/Summer 2021 seasons.

Application of Critical Accounting Policies and Estimates

Our critical accounting policies reflecting our estimates and judgments are described in “Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations,” in our Annual Report on Form 10-K for the fiscal year ended February 1, 2020 filed with the SEC on April 1, 2020. There have been no significant changes to our critical accounting policies during the six months ended August 1, 2020.

Recently Issued Accounting Guidance

See “Part I, Item 1. Financial Statements – Note 1 – Basis of Presentation and New Accounting Guidance” for disclosures about recently issued accounting guidance.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Exchange Rate Risk

More than half of product sales and licensing revenue recorded for the six months ended August 1, 2020 were denominated in currencies other than the U.S. dollar. The Company's primary exchange rate risk relates to operations in Europe, Canada, South Korea, China, Hong Kong and Mexico. Changes in currencies affect our earnings in various ways. For further discussion on currency-related risk, please refer to our risk factors under “Part I, Item 1A. Risk Factors” contained in the Company's most recent Annual Report on Form 10-K for the fiscal year ended February 1, 2020.

Foreign Currency Translation Adjustment

The local selling currency is typically the functional currency for all of the Company's significant international operations. In accordance with authoritative guidance, assets and liabilities of the Company's foreign operations are translated from foreign currencies into U.S. dollars at period-end rates, while income and expenses are translated at the weighted average exchange rates for the period. The related translation adjustments are reflected as a foreign currency translation adjustment in accumulated other comprehensive income (loss) within stockholders' equity. In addition, the Company records foreign currency translation adjustments related to its noncontrolling interests within stockholders' equity. Accordingly, our reported other comprehensive income (loss) could be unfavorably impacted if the U.S. dollar strengthens, particularly against the British pound, Canadian dollar, Chinese yuan, euro, Japanese yen, Korean won, Mexican peso, Polish zloty, Russian rouble and Turkish lira. Alternatively, if the U.S. dollar weakens relative to those currencies, our reported other comprehensive income (loss) could be favorably impacted. Our foreign currency translation adjustments recorded in other comprehensive income (loss) are significantly impacted by net assets denominated in euros.

Periodically, the Company may also use foreign exchange currency contracts to hedge the translation and economic exposures related to its net investments in certain of its international subsidiaries (see below). Changes in the fair values of these foreign exchange currency contracts, designated as net investment hedges, are recorded in foreign currency translation adjustment as a component of accumulated other comprehensive income (loss) within stockholders' equity.

During the six months ended August 1, 2020, the total foreign currency translation adjustment increased stockholders' equity by $14.3 million, driven primarily by the weakening of the U.S. dollar against the euro.

Foreign Currency Transaction Gains and Losses

Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, including gains and losses on foreign exchange currency contracts (see below), are included in the condensed consolidated statements of income (loss). Net foreign currency transaction losses of $6.7 million and $2.1 million were included in the determination of net earnings (loss) for the six months ended August 1, 2020 and August 3, 2019, respectively.

Foreign Exchange Currency Contracts

The Company operates in foreign countries, which exposes it to market risk associated with foreign currency exchange rate fluctuations. Various transactions that occur primarily in Europe, Canada, South Korea, China, Hong Kong and Mexico are denominated in U.S. dollars, British pounds and Russian roubles and thus are exposed to earnings risk as a result of exchange rate fluctuations when converted to their functional currencies. These types of transactions include U.S. dollar-denominated purchases of merchandise and U.S. dollar- and British pound-denominated intercompany liabilities. In addition, certain operating expenses, tax liabilities and pension-related liabilities are denominated in Swiss francs and are exposed to earnings risk as a result of exchange rate fluctuations when converted to the functional currency. Further, there are certain real estate leases that are denominated in a currency other than the functional currency of the respective entity that entered into the agreement (primarily Swiss francs, Russian roubles and Polish zloty). As a result, the Company may be exposed to volatility related to unrealized gains or losses on the translation of present value of future lease payment obligations when translated at the exchange rate as of a reporting period-end. The Company is also subject to certain translation and economic exposures related to its net investment in certain of its international subsidiaries. The Company enters into derivative financial instruments to offset some, but not all, of its exchange risk. In addition, some of the derivative contracts in place will create volatility during the fiscal year as they are marked-to-market according to the accounting rules and may result in revaluation gains or losses in different periods from when the currency impact on the underlying transactions are realized.

Foreign Exchange Currency Contracts Designated as Cash Flow Hedges

During the six months ended August 1, 2020, the Company purchased U.S. dollar forward contracts in Europe totaling US$81.0 million that were designated as cash flow hedges. As of August 1, 2020, the Company had forward contracts outstanding for its European operations of US$139.5 million to hedge forecasted merchandise purchases, which are expected to mature over the next 17 months. The Company's foreign exchange currency contracts are recorded in its condensed consolidated balance sheet at fair value based on quoted market rates. Changes in the fair value of the U.S. dollar forward contracts, designated as cash flow hedges for forecasted merchandise purchases, are recorded as a component of accumulated other comprehensive income (loss) within stockholders' equity and are recognized in cost of product sales in the period that approximates the time the hedged merchandise inventory is sold. Changes in the fair value of the U.S. dollar forward contracts, designated as cash flow hedges for forecasted intercompany royalties, are recorded as a component of accumulated other comprehensive income (loss) within stockholders' equity and are recognized in other income (expense) in the period in which the royalty expense is incurred.

As of August 1, 2020, accumulated other comprehensive income (loss) related to foreign exchange currency contracts included a net unrealized loss of approximately $0.4 million net of tax, of which a net gain of $0.8 million will be recognized in cost of product sales over the following 12 months, at the then current values on a pre-tax basis, which can be different than the current quarter-end values.

As of August 1, 2020, the net unrealized loss of the remaining open forward contracts recorded in the Company's condensed consolidated balance sheet was approximately $4.1 million.

At February 1, 2020, the Company had forward contracts outstanding for its European operations of US$148.6 million that were designated as cash flow hedges. At February 1, 2020, the net unrealized gain of these open forward contracts recorded in the Company's condensed consolidated balance sheet was approximately $4.0 million.

Foreign Exchange Currency Contracts Not Designated as Hedging Instruments

The Company has also foreign exchange currency contracts that are not designated as hedging instruments for accounting purposes. Changes in fair value of foreign exchange currency contracts not designated as hedging instruments are reported in net earnings (loss) as part of other income (expense). For the six months ended August 1, 2020, the Company recorded a net loss of $3.6 million for its euro dollar foreign exchange currency contracts not designated as hedges, which has been included in other income (expense). As of August 1, 2020, the Company had euro foreign exchange currency contracts to purchase US$62.5 million expected to mature over the next ten months. As of August 1, 2020, the net unrealized loss of these open forward contracts recorded in the Company's condensed consolidated balance sheet was approximately $1.8 million.

At February 1, 2020, the Company had euro foreign exchange currency contracts to purchase US$46.1 million. At February 1, 2020, the net unrealized gain of these open forward contracts recorded in the Company's condensed consolidated balance sheet was approximately $0.9 million.

Sensitivity Analysis

As of August 1, 2020, a sensitivity analysis of changes in foreign currencies when measured against the U.S. dollar indicates that, if the U.S. dollar had uniformly weakened by 10% against all of the U.S. dollar denominated foreign exchange derivatives totaling US$202.0 million, the fair value of the instruments would have decreased by $22.4 million. Conversely, if the U.S. dollar uniformly strengthened by 10% against all of the U.S. dollar denominated foreign exchange derivatives, the fair value of these instruments would have increased by $18.4 million. Any resulting changes in the fair value of the hedged instruments may be partially offset by changes in the fair value of certain balance sheet positions (primarily U.S. dollar denominated liabilities in our foreign operations) impacted by the change in the foreign currency rate. The ability to reduce the exposure of currencies on earnings depends on the magnitude of the derivatives compared to the balance sheet positions during each reporting cycle.

Interest Rate Risk

The Company is exposed to interest rate risk on its floating-rate debt. The Company has entered into interest rate swap agreements for certain of these agreements to effectively convert its floating-rate debt to a fixed-rate basis. The principal objective of these contracts is to eliminate or reduce the variability of the cash flows in interest payments associated with the Company's floating-rate debt, thus reducing the impact of interest rate changes on future interest payment cash flows. The Company has elected to apply the hedge accounting rules in accordance with authoritative guidance for certain of these contracts.

In April 2019, the Company issued $300 million principal amount of convertible senior notes in a private offering. The fair value of the convertible senior notes is subject to interest rate risk, market risk and other factors due to its conversion feature. The fair value of the convertible senior notes will generally increase as our common stock price increases and will generally decrease as our common stock price declines. The interest and market value changes affect the fair value of the convertible senior notes but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligation. Additionally, we carry the convertible senior notes at face value, less any unamortized discount on our balance sheet and we present the fair value for disclosure purposes only.

Interest Rate Swap Agreement Designated as Cash Flow Hedge

During fiscal 2017, the Company entered into an interest rate swap agreement with a notional amount of $21.5 million, designated as a cash flow hedge, to hedge the variability of cash flows in interest payments associated with the Company's floating-rate real estate secured loan (the "Mortgage Debt"). This interest rate swap agreement matures in January 2026 and converts the nature of the Company's Mortgage Debt from LIBOR floating-rate debt to fixed-rate debt, resulting in a swap fixed rate of approximately 3.06%. The fair value of the interest rate swap agreement is based upon inputs corroborated by observable market data. Changes in the fair value of the interest rate swap agreement, designated as a cash flow hedge to hedge the variability of cash flows in interest payments associated with the Company's floating-rate Mortgage Debt, are recorded as a component of accumulated other comprehensive income (loss) within stockholders' equity and are amortized to interest expense over the term of the related debt.

As of August 1, 2020, accumulated other comprehensive income (loss) related to the interest rate swap agreement included a net unrealized loss of $1.0 million net of tax, which will be recognized in interest expense after the following 12 months, at the then current values on a pre-tax basis, which can be different than the current quarter-end values. As of August 1, 2020, the net unrealized loss of the interest rate swap recorded in the Company's condensed consolidated balance sheet was approximately $1.3 million. As of February 1, 2020, the net unrealized loss of the interest rate swap recorded in the Company's condensed consolidated balance sheet was approximately $0.3 million.

Sensitivity Analysis

As of August 1, 2020, the Company had borrowings under its credit facility arrangements of $19.2 million which are based on variable rates of interest. Accordingly, changes in interest rates would impact the Company's results of operations in future periods. A 100 basis point increase in interest rates would not have a significant effect on interest expense for the six months ended August 1, 2020.

As of August 1, 2020, the Company also had indebtedness related to term loans of $51.8 million, its Mortgage Debt of $18.8 million and finance lease obligations of $16.3 million. The term loans provide for annual interest rates ranging between 0.5% to 1.5%. The Mortgage Debt is covered by a separate interest rate swap agreement with a swap fixed interest rate of approximately 3.06% that matures in January 2026. The interest rate swap agreement is designated as a cash flow hedge and converts the nature of the Company's Mortgage Debt from LIBOR floating-rate debt to fixed-rate debt. The finance lease obligations are based on fixed interest rates derived from the respective agreements.

The fair values of the Company's debt instruments are based on the amount of future cash flows associated with each instrument discounted using the Company's incremental borrowing rate. As of August 1, 2020 and February 1, 2020, the carrying value was not materially different from fair value, as the interest rates on the Company's debt approximated rates currently available to the Company. The fair value of the Company's convertible senior notes is determined based on inputs that are observable in the market and have been classified as Level 2 in the fair value hierarchy.

ITEM 4. Controls and Procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the quarterly period covered by this report.

There was no change in our internal control over financial reporting during the second quarter of fiscal 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

See “Part I, Item 1. Financial Statements – Note 13 – Commitments and Contingencies – Legal and Other Proceedings” in this Form 10-Q for disclosures about our legal and other proceedings.

ITEM 1A. Risk Factors.

Other than the risk factor noted below, there have not been any material changes from the Risk Factors as previously disclosed in our Annual Report on Form 10-K for the year ended February 1, 2020, filed with the SEC on April 1, 2020.

Our inability to successfully negotiate rent deferrals or other rent concessions with respect to retail stores that were closed or significantly impacted by the COVID-19 pandemic could result in financial damages, unwanted store closures or other consequences that could negatively impact our financial position, results of operations and cash flows.

Since April 2020, we have suspended rental payments and/or paid reduced rental amounts with respect to our retail stores that were closed or were experiencing drastically reduced customer traffic as a result of the COVID-19 pandemic. We are engaging in discussions with the affected landlords in an effort to achieve appropriate rent relief and other lease concessions and, in some cases, to terminate existing leases. However, there can be no assurances that those discussions will result in satisfactory agreements between the parties. Some landlords of these existing leases have alleged, and others in the future may allege (through notices, lawsuits or other legal actions), that the Company is in default, seeking financial damages, eviction, termination, acceleration of future rent payments or other remedies. While we believe that we have strong legal grounds to support our position for non-payment or partial payment of rent associated with the COVID-19 pandemic, there can be no assurances that such arguments will prevail or that we will be able to reach mutually agreeable terms with our landlords. In addition, any disputes that arise could be costly to litigate and may jeopardize our ability to continue operations at the impacted locations. If any of these scenarios occur and are significant they could negatively impact our future consolidated financial position, results of operations and cash flows.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Items (a) and (b) are not applicable.

Item (c). Issuer Purchases of Equity Securities

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
May 3, 2020 to May 30, 2020				
Repurchase program[1]	—	—	—	$ 86,650,889
Employee transactions[2]	—	—	—	
May 31, 2020 to July 4, 2020				
Repurchase program[1]	3,000,000	$ 9.83	3,000,000	$ 57,166,265
Employee transactions[2]	1,529	$ 12.06	—	
July 5, 2020 to August 1, 2020				
Repurchase program[1]	1,000,000	$ 9.33	1,000,000	$ 47,834,956
Employee transactions[2]	—	—	—	
Total				
Repurchase program[1]	4,000,000	$ 9.70	4,000,000	
Employee transactions[2]	1,529	$ 12.06	—	

Notes:

1 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.

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/units granted under the Company's 2004 Equity Incentive Plan, as amended.

ITEM 6. Exhibits.

Exhibit Number	Description
3.1.	Restated Certificate of Incorporation of the Registrant (incorporated by reference from Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-4419) filed July 30, 1996).
3.2.	Third Amended and Restated Bylaws of the Registrant (incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 3, 2018).
4.1.	Specimen Stock Certificate (incorporated by reference from Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-4419) filed July 30, 1996).
4.2.	Indenture, dated as of April 26, 2019, between the Registrant and U.S. Bank National Association, as trustee (including form of 2.00% Convertible Senior Notes due 2024) (incorporated by reference from the Registrant's Current Report on Form 8-K filed April 29, 2019).
*†10.1.	Non-Qualified Stock Option Agreement dated as of June 11, 2020 between the Registrant and Carlos Alberini.
*†10.2.	Non-Qualified Stock Option Agreement dated as of June 11, 2020 between the Registrant and Paul Marciano.
*†10.3.	Non-Qualified Stock Option Agreement dated as of June 11, 2020 between the Registrant and Kathryn Anderson.
*†10.4.	Performance Share Award Agreement (licensing and company earnings from operations) dated as of June 29, 2020 between the Registrant and Paul Marciano.
*†10.5.	Performance Share Award Agreement (total shareholder return) dated as of June 29, 2020 for Carlos Alberini and Kathryn Anderson.
*†10.6.	Letter Agreement dated July 9, 2020 regarding amendment to Employment Agreement between the Registrant and Carlos Alberini.
*†10.7.	Letter Agreement dated July 9, 2020 regarding amendment to Offer Letter between the Registrant and Kathryn Anderson.
†31.1.	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
†31.2.	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
††32.1.	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
††32.2.	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
†101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
†101.SCH	XBRL Taxonomy Extension Schema Document
†101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
†101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
†101.LAB	XBRL Taxonomy Extension Label Linkbase Document
†101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
†104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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* Management Contract or Compensatory Plan

† Filed herewith

†† Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Guess?, Inc.

Date:	September 4, 2020	By:	/s/ CARLOS ALBERINI
			Carlos Alberini Chief Executive Officer
Date:	September 4, 2020	By:	/s/ KATHRYN ANDERSON
			Kathryn Anderson Chief Financial Officer (Principal Financial Officer)

Exhibit 10.1

GUESS?, INC.
2004 EQUITY INCENTIVE PLAN
NONQUALIFIED STOCK OPTION AGREEMENT

THIS NONQUALIFIED STOCK OPTION AGREEMENT (this "**Option Agreement**") dated **June 11, 2020** by and between Guess?, Inc., a Delaware corporation (the "**Company**"), and **Carlos Alberini** (the "**Grantee**") evidences the nonqualified stock option (the "**Option**") granted by the Company to the Grantee as to the number of shares of the Company's Common Stock first set forth below.

Number of Shares of Common Stock:(1)	348,157	**Award Date:** June 11, 2020
Exercise Price per Share:(1)	$8.64	**Expiration Date:**(1)(2) June 11, 2030
		Award Number: 00008839

Vesting(1)(2) The Option shall become vested in accordance with the vesting requirements set forth in Section 1 of the Terms and Conditions of Nonqualified Stock Option (the "**Terms**") attached to this Option Agreement incorporated herein by this reference).

The Option is granted under the Guess?, Inc. 2004 Equity Incentive Plan (as Amended and Restated as of May 19, 2017) (the "**Plan**") and subject to the Terms (incorporated herein by this reference) and to the Plan. The Option has been granted to the Grantee in addition to, and not in lieu of, any other form of compensation otherwise payable or to be paid to the Grantee. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan, except where a capitalized term is defined in the Executive Employment Agreement between the Company and the Grantee, dated January 27, 2019 (the "**Employment Agreement**"), and this Option Agreement indicates the definition used in the Employment Agreement shall apply for purposes of this Option Agreement as well. The parties agree to the terms of the Option set forth herein. The Grantee acknowledges receipt of a copy of the Terms, the Plan and the Prospectus for the Plan.

"GRANTEE"

/s/ Carlos Alberini
Signature

Carlos Alberini
Print Name

GUESS?, INC.
a Delaware corporation

By: /s/ Jason T. Miller

Print Name: Jason T. Miller

Title: General Counsel and Secretary

CONSENT OF SPOUSE

In consideration of the Company's execution of this Option Agreement, the undersigned spouse of the Grantee agrees to be bound by all of the terms and provisions hereof and of the Plan.

__________________________________ __________________

Signature of Spouse *Date*

(1) Subject to adjustment under Section 16 of the Plan.

(2) Subject to early termination if the Grantee's employment terminates or pursuant to Section 17 of the Plan.

TERMS AND CONDITIONS OF NONQUALIFIED STOCK OPTION

1. Vesting.

A. Vesting in General. Except as otherwise expressly provided in this Section 1 and in Sections 5 and 8, the Option shall become vested as to one-third (1/3) of the total number of shares of Common Stock subject to the Option (subject to adjustment under Section 16 of the Plan) on each of the first, second and third anniversaries of the Award Date (each such date is referred to herein as a "**Vesting Date**"), provided that the Grantee has been continuously in Service with the Company from the Award Date through each applicable Vesting Date. As used herein, the term "**Service**" means employment by the Company or a Subsidiary (the date that the Grantee's Service with the Company terminates is referred to as the "**Severance Date**").

B. Disability or Death. Notwithstanding anything contained herein or in the Plan to the contrary, in the event of the Grantee's "Disability" (as defined in the Employment Agreement) or death while in Service before the third anniversary of the Award Date, the Option shall become vested as to a pro-rata portion of the then outstanding and otherwise unvested portion of the Option that was otherwise scheduled to vest on the next regularly scheduled Vesting Date under Section 1(A) after the Grantee's Severance Date determined by multiplying (1) the total number of such shares subject to the Option that were otherwise scheduled to vest on the next regularly scheduled Vesting Date under Section 1(A) after the Severance Date by (2) the Pro-Rata Fraction. As used herein, the "**Pro-Rata Fraction**" means the fraction obtained by dividing (i) the total number of days the Grantee was in Service with the Company following the last regularly scheduled Vesting Date under Section 1(A) (or, if there is no prior Vesting Date in the circumstances, following the Award Date) that occurred prior to the Grantee's Severance Date through and including the Severance Date, by (ii) the total number of calendar days following the last regularly scheduled Vesting Date under Section 1(A) (or, if there is no prior Vesting Date in the circumstances, following the Award Date) through and including the Vesting Date that was next scheduled to occur after the Grantee's Severance Date. Notwithstanding the foregoing, this Section 1(B) shall not apply to the Option if the Grantee's Severance Date occurs on a Vesting Date. Any shares subject to the Option hereto as of the Severance Date that are not vested after giving effect to the foregoing provisions of this Section 1(B) shall terminate and be cancelled as of the Severance Date.

C. Termination without Cause or for Good Reason not in Connection with a Change in Control. Notwithstanding anything contained herein or in the Plan to the contrary, in the event that the Grantee's employment by the Company is terminated (a) by the Company without "Cause" (as defined in the Employment Agreement), (b) by the Grantee for "Good Reason" (as defined in the Employment Agreement), or (c) upon expiration of the "Employment Term" (as defined in the Employment Agreement) then in effect by reason of the Company's delivery of a non-renewal notice pursuant to Section 2 of the Employment Agreement if the Company did not have Cause to deliver such non-renewal notice, in any case before the third anniversary of the Award Date and outside the Change in Control Window described in Section 1(D) below (such termination of employment under (a), (b) or (c) above, a "**Qualifying Termination**"), the Option shall become vested as to a pro-rata portion of the then outstanding and otherwise unvested portion of the Option that was otherwise scheduled to vest on the next regularly scheduled Vesting Date under Section 1(A) after the Grantee's Severance Date determined by multiplying (1) the total number of such shares subject to the Option that were otherwise scheduled to vest on the next regularly scheduled Vesting Date under Section 1(A) after the Severance Date by (2) the Pro-Rata Fraction, subject to Section 1(E) below. Notwithstanding the foregoing, this Section 1(C) shall not apply to the Option if the Grantee's Severance Date occurs on a Vesting Date. Any shares subject to the Option hereto as of the Severance Date that are not vested after giving effect to the foregoing provisions of this Section 1(C) shall terminate and be cancelled as of the Severance Date.

D. Termination without Cause or for Good Reason in Connection with a Change in Control. Notwithstanding anything contained herein or in the Plan to the contrary, in the event that the Grantee's employment by the Company is terminated in a Qualifying Termination that occurs before the third anniversary of the Award Date and within twelve (12) months before, upon, or within two (2) years after a Change in Control (such period, the "**Change in Control Window**"), the then outstanding and otherwise unvested portion of the Option shall become vested and exercisable as of the Qualifying Termination subject to Section 1(E) below.

E. Release of Claims. Notwithstanding the foregoing, the accelerated vesting provisions of Sections 1(C) and 1(D) are subject to the Grantee's satisfaction of the Release requirement of Section 9(e) of the Employment Agreement in connection with the termination of his Service and, if such requirement is not timely satisfied, Section 5 shall apply.

2. Limits on Exercise; Incentive Stock Option Status.

The Option may be exercised only to the extent the Option is vested and exercisable.

- Cumulative Exercisability. To the extent that the Option is vested and exercisable, the Grantee has the right to exercise the Option (to the extent not previously exercised), and such right shall continue, until the expiration or earlier termination of the Option.

- No Fractional Shares. Fractional share interests shall be disregarded but may be cumulated.

- Minimum Exercise. No fewer than 100 shares of Common Stock (subject to adjustment under Section 16 of the Plan) may be purchased at any one time, unless the number purchased is the total number at the time exercisable under the Option.

- Nonqualified Stock Option. The Option is a nonqualified stock option and is not, and shall not be, an incentive stock option within the meaning of Section 422 of the Code.

3. Continuance of Employment Required; No Employment/Service Commitment.

Except as expressly provided in Section 1 of this Option Agreement, the vesting schedule requires continued Service through each applicable vesting date as a condition to the vesting of the applicable installment of the Option and the rights and benefits under this Option Agreement.

Service for only a portion of the vesting period, even if a substantial portion, will not (except as expressly provided in Section 1) entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of Services as provided in Section 5 below or under the Plan.

Nothing contained in this Option Agreement or the Plan constitutes a continued employment or service commitment by the Company or any of its Subsidiaries, affects the Grantee's status, if he is an employee, as an employee at will who is subject to termination without cause, confers upon the Grantee any right to remain employed by or in service to the Company or any Subsidiary, interferes in any way with the right of the Company or any Subsidiary at any time to terminate such employment or service, or affects the right of the Company or any Subsidiary to increase or decrease the Grantee's other compensation. Nothing in this Option Agreement, however, is intended to adversely affect any independent contractual right of the Grantee without his consent thereto.

4. Method of Exercise of Option.

The Option shall be exercisable by the delivery to the Secretary of the Company (or such other person as the Committee may require pursuant to such administrative exercise procedures as the Committee may implement from time to time) of:

- a written notice stating the number of shares of Common Stock to be purchased pursuant to the Option or by the completion of such other administrative exercise procedures as the Committee may require from time to time;

- payment in full for the Exercise Price of the shares to be purchased (a) in cash, cashier's or bank check, or electronic funds transfer to the Company, or (b) (subject to compliance with all applicable laws, rules, regulations and listing requirements and further subject to such rules as the Committee may adopt as to any non-cash payment) in shares of Common Stock already owned by the Grantee, valued at their Fair Market Value on the exercise date, or (c) through a "cashless exercise" procedure by notice and third party payment in such manner as may be authorized by the Committee pursuant to Section 8(f) of the Plan;

- any written statements or agreements required pursuant to Section 19(g) of the Plan; and

- satisfaction of the tax withholding provisions of Section 19(a) of the Plan.

5. Termination of Option upon a Termination of Grantee's Employment.

Subject to earlier termination on the Expiration Date of the Option and subject to Section 1 above, if the Grantee's Service terminates, the following rules shall apply:

- if the Grantee's Service terminates due to his death, Disability, Retirement or a Qualifying Termination, then (a) the Grantee, his personal representative or beneficiary will have twelve (12) months from the Severance Date to exercise the Option (or any portion thereof) to the extent that it was exercisable on the Severance Date; provided that if the Grantee's employment terminates as a result of Disability or Retirement and he dies during such 12-month period, his beneficiary will have one year from the date of the Grantee's death to exercise the Option (or any portion thereof) to the extent it was vested on the Grantee's Severance Date, (b) the Option, to the extent not exercisable on the Severance Date (after giving effect to any accelerated vesting provided for in Sections 1(B), 1(C) or 1(D) in the circumstances), shall terminate on the Severance Date, and (c) the Option, to the extent exercisable for the 12-month period following the Severance Date (or, if applicable, the 12-month period following the Grantee's subsequent death) and not exercised during such period, shall terminate at the close of business on the last day of such 12-month period.

- if the Grantee's Service terminates for any reason other than his death, Disability, Retirement or a Qualifying Termination, then (a) the Grantee will have sixty (60) days from the Severance Date to exercise the Option (or portion thereof) to the extent that it was exercisable on the Grantee's Severance Date, (b) the Option, to the extent not exercisable on the Severance Date, shall terminate on the Severance Date, and (c) the Option, to the extent exercisable for the sixty (60) day period following the Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the 60-day period.

In all events the Option is subject to earlier termination on the Expiration Date of the Option. The Committee shall be the sole judge of whether the Grantee continues to render Service for purposes of this Option Agreement.

6. Non-Transferability.

The Option and any other rights of the Grantee under this Option Agreement or the Plan are nontransferable and exercisable only by the Grantee, except as set forth in Section 15 of the Plan.

7. Adjustments Upon Specified Events.

Upon the occurrence of certain events relating to the Company's Common Stock contemplated by Section 16(b) of the Plan, the Committee will make adjustments, if appropriate, in the number of shares subject to the Option, the Exercise Price, and the number and kind of securities subject to the Option.

8. Change in Control.

Notwithstanding anything to the contrary in Sections 1 or 5 of this Agreement or any provision of the Plan, the following provisions shall apply upon a Change in Control:

A. The Company may terminate the Option effective upon (or, as necessary to give effect to such termination, immediately prior to, a Change in Control), or may provide in connection with a Change in Control for any then-outstanding portion of the Option to be assumed or converted into an option to acquire common stock of any surviving or successor entity to the Company or a parent thereof (the "**Successor Entity**" and any such assumed Option a "**Substitute Option**"). If a Change in Control occurs and the then-outstanding portion of the Option is to be terminated and not assumed by a Successor Entity as a Substitute Option: (i) the Option, to the extent then outstanding and unvested, shall be deemed to be fully vested upon (or, as necessary to give effect to such acceleration, immediately prior to) the Change in Control, and (ii) the Grantee shall, if the Option is not to be settled in the transaction, be given a reasonable opportunity to exercise such Option before it terminates, with any such exercise prior to the Change in Control to be contingent upon and effective as of but subject to the actual occurrence of the Change in Control or immediately prior to the Change in Control.

B. Any Substitute Option will have substantially the same terms and conditions as the Predecessor Option, with appropriate adjustments as to the number and kind of shares and exercise price subject thereto.

9. Compliance.

The Grantee hereby agrees to cooperate with the Company, regardless of the Grantee's employment status with the Company, to the extent necessary for the Company to comply with applicable state and federal laws and regulations relating to the Option.

10. Notices.

Any notice required or permitted under this Option Agreement shall be deemed given when personally delivered, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, to the Grantee either at the address on record with the Company or such other address as may be designated by Grantee in writing to the Company; or to the Company, Attention: Stock Plan Administration, 1444 South Alameda Street, Los Angeles, California 90021, or such other address as the Company may designate in writing to the Grantee.

11. Failure to Enforce Not a Waiver.

The failure of the Company or the Grantee to enforce at any time any provision of this Option Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

12. Plan.

The Option and all rights of the Grantee under this Option Agreement are subject to, and the Grantee agrees to be bound by, all of the terms and conditions of the Plan, incorporated herein by this reference. In the event of a conflict or inconsistency between the terms and conditions of this Option Agreement and of the Plan, the terms and conditions of the Plan shall govern. The Grantee agrees to be bound by the terms of the Plan and this Option Agreement (including these Terms). The Grantee acknowledges having read and understood the Plan, the Prospectus for the Plan, and this Option Agreement. Unless otherwise expressly provided in other sections of this Option Agreement, provisions of the Plan that confer discretionary authority on the Board or the Committee do not and shall not be deemed to create any rights in the Grantee unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Committee so conferred by appropriate action of the Board or the Committee under the Plan after the date hereof.

13. Entire Agreement.

This Option Agreement (including these Terms) and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Option Agreement may be amended pursuant to Section 18 of the Plan. Such amendment must be in writing and signed by the Company. The Company may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Grantee hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

14. Governing Law.

This Option Agreement shall be governed by and construed according to the laws of the State of Delaware, without regard to Delaware or other laws that might cause other law to govern under applicable principles of conflicts of law. For purposes of litigating any dispute that arises under this Option Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation shall be conducted in the courts of Los Angeles County, or the federal courts for the United States for the Central District of California, and no other courts, where this Option Agreement is made and/or to be performed.

15. Electronic Delivery.

The Company may, in its sole discretion, decide to deliver any documents related to the Option awarded under the Plan or future stock options that may be awarded under the Plan by electronic means or request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

16. Effect of this Agreement.

This Option Agreement shall be assumed by, be binding upon and inure to the benefit of any successor or successors to all or substantially all of the business or assets of the Company.

17. Counterparts.

This Option Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

18. Committee's Powers.

No provision contained in this Option Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee or, to the extent delegated, in its delegate pursuant to the terms of the Plan or resolutions adopted in furtherance of the Plan, including, without limitation, the right to make certain determinations and elections with respect to the Options.

19. Section Headings.

The section headings of this Option Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

20. Clawback Policy.

The Option is subject to the terms of the Company's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require forfeiture of the Option and repayment or forfeiture of any shares of Common Stock or other cash or property received with respect to the Option (including any value received from a disposition of the shares acquired upon exercise of the Option).

21. No Advice Regarding Grant.

The Grantee is hereby advised to consult with his own tax, legal and/or investment advisors with respect to any advice the Grantee may determine is needed or appropriate with respect to the Option (including, without limitation, to determine the foreign, state, local, estate and/or gift tax consequences with respect to the Option and any shares that may be acquired upon exercise of the Option). Neither the Company nor any of its officers, directors, affiliates or advisors makes any representation (except for the terms and conditions expressly set forth in this Option Agreement) or recommendation with respect to the Option. Except for the withholding rights contemplated by Section 19(a) of the Plan, the Grantee is solely responsible for any and all tax liability that may arise with respect to the Option and any shares that may be acquired upon exercise of the Option.

Exhibit 10.2

GUESS?, INC.
2004 EQUITY INCENTIVE PLAN
NONQUALIFIED STOCK OPTION AGREEMENT

THIS NONQUALIFIED STOCK OPTION AGREEMENT (this "**Option Agreement**") dated **June 11, 2020** by and between Guess?, Inc., a Delaware corporation (the "**Company**"), and **Paul Marciano** (the "**Grantee**") evidences the nonqualified stock option (the "**Option**") granted by the Company to the Grantee as to the number of shares of the Company's Common Stock first set forth below.

Number of Shares of Common Stock:[1]	348,157	**Award Date:** June 11, 2020
Exercise Price per Share:[1]	$8.64	**Expiration Date:**[1][2] June 11, 2030
		Award Number: 00008840

Vesting[1][2] The Option shall become vested as to one-third (1/3) of the total number of shares of Common Stock subject to the Option on each of the first, second, and third anniversaries of the Award Date, provided that the Grantee has been continuously in Service with the Company from the Award Date through each applicable vesting date. As used herein, the term "**Service**" means employment by the Company or service to the Company as a member of the Board.

The Option is granted under the Guess?, Inc. 2004 Equity Incentive Plan (as Amended and Restated as of May 19, 2017) (the "**Plan**") and subject to the Terms and Conditions of Nonqualified Stock Option (the "**Terms**") attached to this Option Agreement (incorporated herein by this reference) and to the Plan. The Option has been granted to the Grantee in addition to, and not in lieu of, any other form of compensation otherwise payable or to be paid to the Grantee. Capitalized terms are defined in the Plan if not defined herein. The parties agree to the terms of the Option set forth herein. The Grantee acknowledges receipt of a copy of the Terms, the Plan and the Prospectus for the Plan.

"GRANTEE"	GUESS?, INC. a Delaware corporation	
/s/ Paul Marciano *Signature*	By:	/s/ Jason T. Miller
Paul Marciano *Print Name*	Print Name:	Jason T. Miller
	Title:	General Counsel and Secretary

CONSENT OF SPOUSE

In consideration of the Company's execution of this Option Agreement, the undersigned spouse of the Grantee agrees to be bound by all of the terms and provisions hereof and of the Plan.

______________________________________ ______________________
Signature of Spouse *Date*

(1) Subject to adjustment under Section 16 of the Plan.
(2) Subject to early termination if the Grantee's Service terminates or pursuant to Section 17 of the Plan.

TERMS AND CONDITIONS OF NONQUALIFIED STOCK OPTION

1. **Vesting; Limits on Exercise; Incentive Stock Option Status.**

The Option shall vest and become exercisable in percentage installments of the aggregate number of shares subject to the Option as set forth on the cover page of this Option Agreement. The Option may be exercised only to the extent the Option is vested and exercisable.

- Cumulative Exercisability. To the extent that the Option is vested and exercisable, the Grantee has the right to exercise the Option (to the extent not previously exercised), and such right shall continue, until the expiration or earlier termination of the Option.

- No Fractional Shares. Fractional share interests shall be disregarded, but may be cumulated.

- Minimum Exercise. No fewer than 100 shares of Common Stock (subject to adjustment under Section 16 of the Plan) may be purchased at any one time, unless the number purchased is the total number at the time exercisable under the Option.

- Nonqualified Stock Option. The Option is a nonqualified stock option and is not, and shall not be, an incentive stock option within the meaning of Section 422 of the Code.

2. **Continuance of Employment/Service Required; No Employment/Service Commitment**.

The vesting schedule requires continued Service through each applicable vesting date as a condition to the vesting of the applicable installment of the Option and the rights and benefits under this Option Agreement. Service for only a portion of the vesting period, even if a substantial portion, will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of Services as provided in Section 4 below or under the Plan.

Nothing contained in this Option Agreement or the Plan constitutes a continued employment or service commitment by the Company or any of its Subsidiaries, affects the Grantee's status, if he is an employee, as an employee at will who is subject to termination without cause, confers upon the Grantee any right to remain employed by or in service to the Company or any Subsidiary, interferes in any way with the right of the Company or any Subsidiary at any time to terminate such employment or service, or affects the right of the Company or any Subsidiary to increase or decrease the Grantee's other compensation. Nothing in this Option Agreement, however, is intended to adversely affect any independent contractual right of the Grantee without his consent thereto.

3. Method of Exercise of Option.

The Option shall be exercisable by the delivery to the Secretary of the Company (or such other person as the Committee may require pursuant to such administrative exercise procedures as the Committee may implement from time to time) of:

- a written notice stating the number of shares of Common Stock to be purchased pursuant to the Option or by the completion of such other administrative exercise procedures as the Committee may require from time to time;

- payment in full for the Exercise Price of the shares to be purchased (a) in cash, cashier's or bank check, or electronic funds transfer to the Company; (b) (subject to compliance with all applicable laws, rules, regulations and listing requirements and further subject to such rules as the Committee may adopt as to any non-cash payment) in shares of Common Stock already owned by the Grantee, valued at their Fair Market Value on the exercise date; or (c) through a "cashless exercise" procedure by notice and third party payment in such manner as may be authorized by the Committee pursuant to Section 8(f) of the Plan;

- any written statements or agreements required pursuant to Section 19(g) of the Plan; and

- satisfaction of the tax withholding provisions of Section 19(a) of the Plan.

4. Termination of Option upon a Termination of Grantee's Employment.

Subject to earlier termination on the Expiration Date of the Option and subject to any applicable provision of a valid employment agreement between the Company and Grantee, if the Grantee's Service terminates, the following rules shall apply (the last day that the Grantee provides Services to the Company is referred to as the Grantee's "**Severance Date**"):

- if the Grantee's Service terminates due to his death, Disability or Retirement, then (a) the Grantee, his personal representative or beneficiary will have twelve (12) months from the Severance Date to exercise the Option (or any portion thereof) to the extent that it was exercisable on the Severance Date; provided that if the Grantee's employment terminates as a result of Disability or Retirement and he dies during such 12-month period, his beneficiary will have one year from the date of the Grantee's death to exercise the Option (or any portion thereof) to the extent it was vested on the Grantee's Severance Date, (b) the Option, to the extent not exercisable on the Severance Date, shall terminate on the Severance Date, and (c) the Option, to the extent exercisable for the 12-month period following the Severance Date (or, if applicable, the 12-month period following the Grantee's subsequent death) and not exercised during such period, shall terminate at the close of business on the last day of such 12-month period.

- if the Grantee's Service terminates for any reason other than his death, Retirement or Disability, then (a) the Grantee will have sixty (60) days from the Severance Date to exercise the Option (or portion thereof) to the extent that it was exercisable on the Grantee's Severance Date (b) the Option, to the extent not exercisable on the Severance Date, shall terminate on the Severance Date, and (c) the Option, to the extent exercisable for the sixty (60) day period following the Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the 60-day period.

In all events the Option is subject to earlier termination on the Expiration Date of the Option. The Committee shall be the sole judge of whether the Grantee continues to render Service for purposes of this Option Agreement.

5. <u>Non-Transferability</u>.

The Option and any other rights of the Grantee under this Option Agreement or the Plan are nontransferable and exercisable only by the Grantee, except as set forth in Section 15 of the Plan.

6. <u>Adjustments Upon Specified Events</u>.

Upon the occurrence of certain events relating to the Company's Common Stock contemplated by Section 16(b) of the Plan, the Committee will make adjustments, if appropriate, in the number of shares subject to the Option, the Exercise Price, and the number and kind of securities subject to the Option.

7. <u>Change in Control</u>.

Notwithstanding anything to the contrary in Sections 1 or 4 of this Agreement or any provision of the Plan, the following provisions shall apply upon a Change in Control:

A. The Company may terminate the Option effective upon (or, as necessary to give effect to such termination, immediately prior to, a Change in Control), or may provide in connection with a Change in Control for any then-outstanding portion of the Option to be assumed or converted into an option to acquire common stock of any surviving or successor entity to the Company or a parent thereof (the "**Successor Entity**" and any such assumed Option a "**Substitute Option**"). If a Change in Control occurs and the then-outstanding portion of the Option is to be terminated and not assumed by a Successor Entity as a Substitute Option: (i) the Option, to the extent then outstanding and unvested, shall be deemed to be fully vested upon (or, as necessary to give effect to such acceleration, immediately prior to) the Change in Control, and (ii) the Grantee shall, if the Option is not to be settled in the transaction, be given a reasonable opportunity to exercise such Option before it terminates, with any such exercise prior to the Change in Control to be contingent upon and effective as of but subject to the actual occurrence of the Change in Control or immediately prior to the Change in Control.

B. Any Substitute Option will have substantially the same terms and conditions as the Predecessor Option, with appropriate adjustments as to the number and kind of shares and exercise price subject thereto.

8. Compliance.

The Grantee hereby agrees to cooperate with the Company, regardless of the Grantee's employment status with the Company, to the extent necessary for the Company to comply with applicable state and federal laws and regulations relating to the Option.

9. Notices.

Any notice required or permitted under this Option Agreement shall be deemed given when personally delivered, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, to the Grantee either at the address on record with the Company or such other address as may be designated by Grantee in writing to the Company; or to the Company, Attention: Stock Plan Administration, 1444 South Alameda Street, Los Angeles, California 90021, or such other address as the Company may designate in writing to the Grantee.

10. Failure to Enforce Not a Waiver.

The failure of the Company or the Grantee to enforce at any time any provision of this Option Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

11. Plan.

The Option and all rights of the Grantee under this Option Agreement are subject to, and the Grantee agrees to be bound by, all of the terms and conditions of the Plan, incorporated herein by this reference. In the event of a conflict or inconsistency between the terms and conditions of this Option Agreement and of the Plan, the terms and conditions of the Plan shall govern. The Grantee agrees to be bound by the terms of the Plan and this Option Agreement (including these Terms). The Grantee acknowledges having read and understood the Plan, the Prospectus for the Plan, and this Option Agreement. Unless otherwise expressly provided in other sections of this Option Agreement, provisions of the Plan that confer discretionary authority on the Board or the Committee do not and shall not be deemed to create any rights in the Grantee unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Committee so conferred by appropriate action of the Board or the Committee under the Plan after the date hereof.

12. Entire Agreement.

This Option Agreement (including these Terms) and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Option Agreement may be amended pursuant to Section 18 of the Plan. Such amendment must be in writing and signed by the Company. The Company may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Grantee hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

13. Governing Law.

This Option Agreement shall be governed by and construed according to the laws of the State of Delaware, without regard to Delaware or other laws that might cause other law to govern under applicable principles of conflicts of law. For purposes of litigating any dispute that arises under this Option Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation shall be conducted in the courts of Los Angeles County, or the federal courts for the United States for the Central District of California, and no other courts, where this Option Agreement is made and/or to be performed.

14. Electronic Delivery.

The Company may, in its sole discretion, decide to deliver any documents related to the Option awarded under the Plan or future stock options that may be awarded under the Plan by electronic means or request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

15. Effect of this Agreement.

This Option Agreement shall be assumed by, be binding upon and inure to the benefit of any successor or successors to all or substantially all of the business or assets of the Company.

16. Counterparts.

This Option Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

17. Committee's Powers.

No provision contained in this Option Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee or, to the extent delegated, in its delegate pursuant to the terms of the Plan or resolutions adopted in furtherance of the Plan, including, without limitation, the right to make certain determinations and elections with respect to the Options.

18. Section Headings.

The section headings of this Option Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

19. Clawback Policy.

The Option is subject to the terms of the Company's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require forfeiture of the Option and repayment or forfeiture of any shares of Common Stock or other cash or property received with respect to the Option (including any value received from a disposition of the shares acquired upon exercise of the Option).

20. No Advice Regarding Grant.

The Grantee is hereby advised to consult with his own tax, legal and/or investment advisors with respect to any advice the Grantee may determine is needed or appropriate with respect to the Option (including, without limitation, to determine the foreign, state, local, estate and/or gift tax consequences with respect to the Option and any shares that may be acquired upon exercise of the Option). Neither the Company nor any of its officers, directors, affiliates or advisors makes any representation (except for the terms and conditions expressly set forth in this Option Agreement) or recommendation with respect to the Option. Except for the withholding rights contemplated by Section 19(a) of the Plan, the Grantee is solely responsible for any and all tax liability that may arise with respect to the Option and any shares that may be acquired upon exercise of the Option.

Exhibit 10.3

GUESS?, INC.
2004 EQUITY INCENTIVE PLAN
NONQUALIFIED STOCK OPTION AGREEMENT

THIS NONQUALIFIED STOCK OPTION AGREEMENT (this "**Option Agreement**") dated June 11, 2020 by and between Guess?, Inc., a Delaware corporation (the "**Company**"), and Kathryn Anderson (the "**Grantee**") evidences the nonqualified stock option (the "**Option**") granted by the Company to the Grantee as to the number of shares of the Company's Common Stock first set forth below.

Number of Shares of Common Stock:(1)	95,743	**Award Date:** June 11, 2020
Exercise Price per Share:(1)	$8.64	**Expiration Date:**(1)(2) June 11, 2030
		Award Number: 00008841

Vesting(1)(2) The Option shall become vested as to 25% of the total number of shares of Common Stock subject to the Option on each of the first, second, third and fourth anniversaries of the Award Date, provided that the Grantee has been continuously in Service with the Company from the Award Date through each applicable vesting date. As used herein, the term "**Service**" means employment by the Company or a Subsidiary.

The Option is granted under the Guess?, Inc. 2004 Equity Incentive Plan (as Amended and Restated as of May 19, 2017) (the "**Plan**") and subject to the Terms and Conditions of Nonqualified Stock Option (the "**Terms**") attached to this Option Agreement (incorporated herein by this reference) and to the Plan. The Option has been granted to the Grantee in addition to, and not in lieu of, any other form of compensation otherwise payable or to be paid to the Grantee. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan, except where a capitalized term is defined in the Offer Letter between the Company and the Grantee, dated October 23, 2019 (the "**Offer Letter**"), and this Option Agreement indicates the definition used in the Offer Letter shall apply for purposes of this Option Agreement as well. The parties agree to the terms of the Option set forth herein. The Grantee acknowledges receipt of a copy of the Terms, the Plan and the Prospectus for the Plan.

"GRANTEE"

/s/ Kathryn Anderson
Signature

Kathryn Anderson
Print Name

GUESS?, INC.
a Delaware corporation

By: /s/ Jason T. Miller

Print Name: Jason T. Miller

Title: General Counsel and Secretary

CONSENT OF SPOUSE

In consideration of the Company's execution of this Option Agreement, the undersigned spouse of the Grantee agrees to be bound by all of the terms and provisions hereof and of the Plan.

/s/ Brian Michael Anderson	7/23/2020
Signature of Spouse	*Date*

[1] Subject to adjustment under Section 16 of the Plan.
[2] Subject to early termination if the Grantee's employment terminates or pursuant to Section 17 of the Plan.

TERMS AND CONDITIONS OF NONQUALIFIED STOCK OPTION

1. <u>Vesting; Limits on Exercise; Incentive Stock Option Status</u>.

The Option shall vest and become exercisable in percentage installments of the aggregate number of shares subject to the Option as set forth on the cover page of this Option Agreement. The Option may be exercised only to the extent the Option is vested and exercisable.

- <u>Cumulative Exercisability</u>. To the extent that the Option is vested and exercisable, the Grantee has the right to exercise the Option (to the extent not previously exercised), and such right shall continue, until the expiration or earlier termination of the Option.

- <u>No Fractional Shares</u>. Fractional share interests shall be disregarded, but may be cumulated.

- <u>Minimum Exercise</u>. No fewer than 100 shares of Common Stock (subject to adjustment under Section 16 of the Plan) may be purchased at any one time, unless the number purchased is the total number at the time exercisable under the Option.

- <u>Nonqualified Stock Option</u>. The Option is a nonqualified stock option and is not, and shall not be, an incentive stock option within the meaning of Section 422 of the Code.

2. <u>Continuance of Employment Required; No Employment/Service Commitment</u>.

The vesting schedule requires continued Service through each applicable vesting date as a condition to the vesting of the applicable installment of the Option and the rights and benefits under this Option Agreement. Service for only a portion of the vesting period, even if a substantial portion, will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of Services as provided in Section 4 below or under the Plan.

Nothing contained in this Option Agreement or the Plan constitutes a continued employment or service commitment by the Company or any of its Subsidiaries, affects the Grantee’s status, if she is an employee, as an employee at will who is subject to termination without cause, confers upon the Grantee any right to remain employed by or in service to the Company or any Subsidiary, interferes in any way with the right of the Company or any Subsidiary at any time to terminate such employment or service, or affects the right of the Company or any Subsidiary to increase or decrease the Grantee’s other compensation. Nothing in this Option Agreement, however, is intended to adversely affect any independent contractual right of the Grantee without her consent thereto.

3. Method of Exercise of Option.

The Option shall be exercisable by the delivery to the Secretary of the Company (or such other person as the Committee may require pursuant to such administrative exercise procedures as the Committee may implement from time to time) of:

- a written notice stating the number of shares of Common Stock to be purchased pursuant to the Option or by the completion of such other administrative exercise procedures as the Committee may require from time to time;

- payment in full for the Exercise Price of the shares to be purchased (a) in cash, cashier's or bank check, or electronic funds transfer to the Company; (b) (subject to compliance with all applicable laws, rules, regulations and listing requirements and further subject to such rules as the Committee may adopt as to any non-cash payment) in shares of Common Stock already owned by the Grantee, valued at their Fair Market Value on the exercise date; or (c) through a "cashless exercise" procedure by notice and third party payment in such manner as may be authorized by the Committee pursuant to Section 8(f) of the Plan;

- any written statements or agreements required pursuant to Section 19(g) of the Plan; and

- satisfaction of the tax withholding provisions of Section 19(a) of the Plan.

4. Termination of Option upon a Termination of Grantee's Employment.

Subject to earlier termination on the Expiration Date of the Option and subject to any applicable provision of a valid employment agreement or offer letter between the Company and Grantee, if the Grantee's Service terminates, the following rules shall apply (the last day that the Grantee provides Services to the Company or a Subsidiary is referred to as the Grantee's "**Severance Date**"):

- if the Grantee's Service terminates due to her death, Disability or Retirement, then (a) the Grantee, her personal representative or beneficiary will have twelve (12) months from the Severance Date to exercise the Option (or any portion thereof) to the extent that it was exercisable on the Severance Date; provided that if the Grantee's employment terminates as a result of Disability or Retirement and she dies during such 12-month period, her beneficiary will have one year from the date of the Grantee's death to exercise the Option (or any portion thereof) to the extent it was vested on the Grantee's Severance Date, (b) the Option, to the extent not exercisable on the Severance Date, shall terminate on the Severance Date, and (c) the Option, to the extent exercisable for the 12-month period following the Severance Date (or, if applicable, the 12-month period following the Grantee's subsequent death) and not exercised during such period, shall terminate at the close of business on the last day of such 12-month period.

- if the Grantee's Service terminates for any reason other than her death, Retirement or Disability, then (a) the Grantee will have sixty (60) days from the Severance Date to exercise the Option (or portion thereof) to the extent that it was exercisable on the Grantee's Severance Date (b) the Option, to the extent not exercisable on the Severance Date, shall terminate on the Severance Date, and (c) the Option, to the extent exercisable for the sixty (60) day period following the Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the 60-day period.

In all events the Option is subject to earlier termination on the Expiration Date of the Option. The Committee shall be the sole judge of whether the Grantee continues to render Service for purposes of this Option Agreement.

5. <u>Non-Transferability</u>.

The Option and any other rights of the Grantee under this Option Agreement or the Plan are nontransferable and exercisable only by the Grantee, except as set forth in Section 15 of the Plan.

6. <u>Adjustments Upon Specified Events</u>.

Upon the occurrence of certain events relating to the Company's Common Stock contemplated by Section 16(b) of the Plan, the Committee will make adjustments, if appropriate, in the number of shares subject to the Option, the Exercise Price, and the number and kind of securities subject to the Option.

7. <u>Change in Control</u>.

Notwithstanding anything to the contrary in Sections 1 or 4 of this Agreement or any provision of the Plan, the following provisions shall apply upon a Change in Control:

A. The Company may terminate the Option effective upon (or, as necessary to give effect to such termination, immediately prior to, a Change in Control), or may provide in connection with a Change in Control for any then-outstanding portion of the Option to be assumed or converted into an option to acquire common stock of any surviving or successor entity to the Company or a parent thereof (the "**Successor Entity**" and any such assumed Option a "**Substitute Option**"). If a Change in Control occurs and the then-outstanding portion of the Option is to be terminated and not assumed by a Successor Entity as a Substitute Option: (i) the Option, to the extent then outstanding and unvested, shall be deemed to be fully vested upon (or, as necessary to give effect to such acceleration, immediately prior to) the Change in Control, and (ii) the Grantee shall, if the Option is not to be settled in the transaction, be given a reasonable opportunity to exercise such Option before it terminates, with any such exercise prior to the Change in Control to be contingent upon and effective as of but subject to the actual occurrence of the Change in Control or immediately prior to the Change in Control.

B. Any Substitute Option will have substantially the same terms and conditions as the Predecessor Option, with appropriate adjustments as to the number and kind of shares and exercise price subject thereto.

8. Compliance.

The Grantee hereby agrees to cooperate with the Company, regardless of the Grantee's employment status with the Company, to the extent necessary for the Company to comply with applicable state and federal laws and regulations relating to the Option.

9. Notices.

Any notice required or permitted under this Option Agreement shall be deemed given when personally delivered, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, to the Grantee either at the address on record with the Company or such other address as may be designated by Grantee in writing to the Company; or to the Company, Attention: Stock Plan Administration, 1444 South Alameda Street, Los Angeles, California 90021, or such other address as the Company may designate in writing to the Grantee.

10. Failure to Enforce Not a Waiver.

The failure of the Company or the Grantee to enforce at any time any provision of this Option Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

11. Plan.

The Option and all rights of the Grantee under this Option Agreement are subject to, and the Grantee agrees to be bound by, all of the terms and conditions of the Plan, incorporated herein by this reference. In the event of a conflict or inconsistency between the terms and conditions of this Option Agreement and of the Plan, the terms and conditions of the Plan shall govern. The Grantee agrees to be bound by the terms of the Plan and this Option Agreement (including these Terms). The Grantee acknowledges having read and understood the Plan, the Prospectus for the Plan, and this Option Agreement. Unless otherwise expressly provided in other sections of this Option Agreement, provisions of the Plan that confer discretionary authority on the Board or the Committee do not and shall not be deemed to create any rights in the Grantee unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Committee so conferred by appropriate action of the Board or the Committee under the Plan after the date hereof.

12. Entire Agreement.

This Option Agreement (including these Terms) and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Option Agreement may be amended pursuant to Section 18 of the Plan. Such amendment must be in writing and signed by the Company. The Company may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Grantee hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

13. Governing Law.

This Option Agreement shall be governed by and construed according to the laws of the State of Delaware, without regard to Delaware or other laws that might cause other law to govern under applicable principles of conflicts of law. For purposes of litigating any dispute that arises under this Option Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation shall be conducted in the courts of Los Angeles County, or the federal courts for the United States for the Central District of California, and no other courts, where this Option Agreement is made and/or to be performed.

14. Electronic Delivery.

The Company may, in its sole discretion, decide to deliver any documents related to the Option awarded under the Plan or future stock options that may be awarded under the Plan by electronic means or request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

15. Effect of this Agreement.

This Option Agreement shall be assumed by, be binding upon and inure to the benefit of any successor or successors to all or substantially all of the business or assets of the Company.

16. Counterparts.

This Option Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

17. Committee's Powers.

No provision contained in this Option Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee or, to the extent delegated, in its delegate pursuant to the terms of the Plan or resolutions adopted in furtherance of the Plan, including, without limitation, the right to make certain determinations and elections with respect to the Options.

18. Section Headings.

The section headings of this Option Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

19. Clawback Policy.

The Option is subject to the terms of the Company's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require forfeiture of the Option and repayment or forfeiture of any shares of Common Stock or other cash or property received with respect to the Option (including any value received from a disposition of the shares acquired upon exercise of the Option).

20. No Advice Regarding Grant.

The Grantee is hereby advised to consult with her own tax, legal and/or investment advisors with respect to any advice the Grantee may determine is needed or appropriate with respect to the Option (including, without limitation, to determine the foreign, state, local, estate and/or gift tax consequences with respect to the Option and any shares that may be acquired upon exercise of the Option). Neither the Company nor any of its officers, directors, affiliates or advisors makes any representation (except for the terms and conditions expressly set forth in this Option Agreement) or recommendation with respect to the Option. Except for the withholding rights contemplated by Section 19(a) of the Plan, the Grantee is solely responsible for any and all tax liability that may arise with respect to the Option and any shares that may be acquired upon exercise of the Option.

Exhibit 10.4

RESTRICTED STOCK UNIT AGREEMENT

This **RESTRICTED STOCK UNIT AGREEMENT** (this "Agreement"), dated as of **June 29, 2020** (the "Date of Grant"), is entered into by and between GUESS?, INC., a Delaware corporation (the "Company"), and **Paul Marciano** (the "Grantee").

RECITALS

WHEREAS, the Company maintains the Guess?, Inc. 2004 Equity Incentive Plan (as Amended and Restated as of May 19, 2017) (the "Plan").

WHEREAS, the Compensation Committee of the Company's Board (the "Committee") has determined to grant a restricted stock unit award (this "Award") to the Grantee under the Plan in order to increase Grantee's participation in the success of the Company;

NOW, THEREFORE, the parties hereto agree as follows:

1. Definitions; Incorporation of Plan Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan. This Award and all rights of the Grantee under this Agreement are subject to, and the Grantee agrees to be bound by, all of the terms and conditions of the Plan, incorporated herein by this reference. Except as specifically provided in this Agreement, in the event of any conflict or inconsistency between the Plan and this Agreement, the Plan shall govern.

2. Grant of Restricted Stock Units. The Company hereby grants to the Grantee as of the Date of Grant (set forth above) a right to receive **310,881** shares of the Company's common stock subject to the terms, conditions, and restrictions set forth herein (the "Restricted Stock Units"). As used herein, the term "Restricted Stock Unit" shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of the Company's common stock, par value $0.01 per share (the "Common Stock") solely for purposes of the Plan and this Agreement. The Restricted Stock Units shall be used solely as a device for the determination of the number of shares of Common Stock to eventually be delivered to the Grantee if such Restricted Stock Units vest pursuant to this Agreement. The Restricted Stock Units shall not be treated as property or as a trust fund of any kind. The Grantee shall have no rights as a shareholder of the Company, no dividend rights (except as expressly provided in Section 4 with respect to Dividend Equivalent Rights) and no voting rights with respect to the Restricted Stock Units and any shares of Common Stock underlying or issuable in respect of such Restricted Stock Units ("Award Shares") until such shares of Common Stock are actually issued to and held of record by the Grantee. This Award, together with the other equity award previously granted to Grantee on June 11, 2020, is in complete satisfaction of the Grantee's right, if any, to receive equity-based awards from the Company with respect to the Company's 2021 fiscal year.

3. Vesting.

A. If both the Licensing Segment Earnings from Operations Threshold and the Earnings from Operations Threshold (each as determined pursuant to Section 3(B)) are achieved for the Performance Period then, except as otherwise expressly provided in Sections 7 and 8 herein, this Award shall vest as to (i) one-third of the Restricted Stock Units on January 30, 2021 (the "First Tranche"), (ii) one-third of the Restricted Stock Units on January 30, 2022 (the "Second Tranche"), and (iii) one-third of the Restricted Stock Units on January 30, 2023 (the "Third Tranche"); provided that Grantee has been continuously in Service with the Company from the Date of Grant through each applicable vesting date. If either (but not both) the Licensing Segment Earnings from Operations Threshold or the Earnings from Operations Threshold (each as determined pursuant to Section 3(B)) is achieved for the Performance Period then, except as otherwise expressly provided in Sections 7 and 8 herein, this Award shall vest as to (i) one-sixth of the Restricted Stock Units on January 30, 2021 (the "First Tranche"), (ii) one-sixth of the Restricted Stock Units on January 30, 2022 (the "Second Tranche"), and (iii) one-sixth of the Restricted Stock Units on January 30, 2023 (the "Third Tranche"); provided that Grantee has been continuously in Service with the Company from the Date of Grant through each applicable vesting date. Except as specifically provided herein, employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Grantee to any proportionate vesting. As used herein, the term "Service" means employment by the Company or service to the Company as a member of the Board.

B. No portion of this Award shall vest notwithstanding satisfaction of the continued Service requirement for vesting described in Section 3(A) above unless the Committee certifies, following the end of the Company's 2021 fiscal year, that the Company achieved (i) Licensing Segment Earnings from Operations (as defined below) for the Company's 2021 fiscal year (the "Performance Period") equal to or above the level established by the Committee with respect to the Award in connection with the grant of the Award (the "Licensing Segment Earnings from Operations Threshold") or (ii) Earnings from Operations (as defined below) for the Performance Period equal to or above the level established by the Committee with respect to the Award in connection with the grant of the Award (the "Earnings from Operations Threshold").

C. If either a Change in Control or the death or Disability (as defined below) of the Grantee occurs before the last day of the Performance Period, the performance-based requirements of Sections 3(A) and 3(B) shall be deemed met as of the date of such event.

D. If both the Licensing Segment Earnings from Operations Threshold and the Earnings from Operations Threshold are not met for the Performance Period (and Section 3(C) does not apply), this Award and the Restricted Stock Units subject hereto shall terminate and be cancelled as of the last day of the Performance Period. If either (but not both) the Licensing Segment Earnings from Operations Threshold or the Earnings from Operations Threshold is not met for the Performance Period (and

Section 3(C) does not apply), fifty percent (50%) of the total number of Restricted Stock Units subject to this Award (rounded to the nearest whole number) shall terminate and be cancelled as of the last day of the Performance Period.

E. For purposes of this Award, "Disabled" and "Disability" shall (i) have the meaning defined under the Company's then-current long-term disability insurance plan, policy, program or contract as entitles the Grantee to payment of disability benefits thereunder, or (ii) if there shall be no such plan, policy, program or contract, mean permanent and total disability as defined in Section 22(e)(3) of the Code.

For purposes of this Award, "Licensing Segment Earnings from Operations" means: the Company's earnings from operations derived from the Company's Licensing Segment for the Performance Period as calculated in accordance with generally accepted accounting principles ("GAAP"), but adjusted (without duplication and to the extent that the particular item would have otherwise impacted Licensing Segment Earnings from Operations for such period) to exclude the financial statement impact of the following items: (a) $12.3 million of inventory charge accrued for China during the first quarter of fiscal year 2021, (b) any positive or negative charges or accruals incurred for the Performance Period for litigation matters, but only where such charges or accruals for any particular matter exceed $500,000 for the Performance Period, (c) any professional service and legal fees and related costs excluded from the Company's adjusted results for the Performance Period, as reflected in the Company's press release financials for such period, (d) reorganization charges incurred for the Performance Period, including employee severance related costs, store and other real estate closure related costs and professional fees, (e) impairment charges (including, but not limited to stores, ROU, goodwill and other assets), (f) changes in accounting standards or methods that are implemented during the Performance Period in accordance with GAAP (to the extent not taken into account by the Committee when it established the goals), and (g) acquisitions, costs associated with such acquisitions, and the costs incurred in connection with potential acquisitions that are required to be expensed under GAAP, in each case for the Performance Period.

For purposes of this Award, "Earnings from Operations" means: total Company earnings from operations for the Performance Period as calculated in accordance with GAAP, but adjusted (without duplication and to the extent that the particular item would have otherwise impacted Earnings from Operations for such period) to exclude the financial statement impact of the following items: (a) $12.3 million of inventory charge accrued for China during the first quarter of fiscal year 2021, (b) any positive or negative charges or accruals incurred for the Performance Period for litigation matters, but only where such charges or accruals for any particular matter exceed $500,000 for the Performance Period, (c) any professional service and legal fees and related costs excluded from the Company's adjusted results for the Performance Period, as reflected in the Company's press release financials for such period, (d) reorganization charges incurred for the Performance Period, including employee severance related costs, store and other real estate closure related costs and professional fees, (e) impairment charges (including, but not limited to stores, ROU, goodwill and other assets), (f) changes in accounting standards or methods that are implemented during the Performance Period in accordance with GAAP (to the extent not taken into account by the Committee when it established the goals), and (g) acquisitions, costs associated with such acquisitions, and the costs incurred in connection with potential acquisitions that are required to be expensed under GAAP, in each case for the Performance Period.

4. Dividend Equivalents. If a cash dividend is paid with respect to the Common Stock while any Restricted Stock Units subject to the Award are outstanding, the Grantee shall be credited with an amount in cash equal to the dividends the Grantee would have received if he had been the owner of the shares of Common Stock subject to such outstanding Restricted Stock Units; provided, however, that no amount shall be credited with respect to shares that have been delivered to the Grantee as of the applicable dividend record date. Any amounts credited under this Section 4 ("Dividend Equivalents") shall be subject to the same terms and conditions as the Restricted Stock Units to which they relate and shall vest and be paid (or, if applicable, be forfeited) at the same time as the Restricted Stock Units to which they relate.

5. Delivery of Shares. Except as otherwise provided in Section 8 below with respect to a Change in Control, the Company shall deliver or cause to be delivered to the Grantee the number of Award Shares subject to the First Tranche that vest pursuant to the terms hereof within ten days following certification by the Committee of the satisfaction of the performance criteria set forth in Section 3(B) (and in no event later than 74 days following the end of the Performance Period), the number of Award Shares subject to the Second Tranche that vest pursuant to the terms hereof on (or within three business days following) January 30, 2022 and the number of Award Shares subject to the Third Tranche that vest pursuant to the terms hereof on (or within three business days following) January 30, 2023. Any Dividend Equivalents described in Section 4 above related to such Award Shares shall be paid in cash at the same time as the delivery of the Award Shares under this Section 5. Notwithstanding the foregoing, in the event of the Grantee's death or Disability (as such term is defined for purposes of Section 409A of the Code), then such shares shall be settled as soon as administratively practicable after (and in all events within 90 days after) such event.

6. Adjustments Upon Specified Events. Upon the occurrence of certain events relating to the Company's Common Stock contemplated by Section 16(b) of the Plan, the Committee will make adjustments, if appropriate, in the number of Restricted Stock Units and the number and kind of securities subject to the Award.

7. Effect of Certain Cessations of Service. The continued Service vesting requirement set forth under Section 3(A) of this Award shall be deemed to be satisfied, and any then-outstanding Restricted Stock Units shall be deemed vested, in the event of the Grantee's Disability or death while in Service. For purposes of clarity, any Restricted Stock Units that vest pursuant to the preceding sentence shall still be paid at the applicable time set forth in Section 5. If the Grantee's Service terminates for any other reason, this Award and the Restricted Stock Units subject hereto, to the extent outstanding and unvested as of the date of such termination

of Service, shall terminate and be cancelled as of the date of such termination of Service. Sections 14(a) and 14(b) of the Plan shall not apply to the Award.

8. Change in Control. Notwithstanding anything to the contrary in Section 3, Section 5 or Section 7 of this Agreement or any provision of the Plan, the following provisions shall apply upon a Change in Control:

A. If a Change in Control occurs and the then-outstanding and unvested portion of this Award is not continued following such event or assumed or converted into restricted stock units of any successor entity to the Company or a parent thereof (the "Successor Entity"), the continued Service vesting requirement set forth under Section 3(A) of this Award shall be deemed to be satisfied, the outstanding Restricted Stock Units subject to such portion shall be deemed vested, and such Restricted Stock Units shall be settled at the time(s) otherwise provided in Section 5; provided that if such Change in Control constitutes a "change in the ownership or effective control" of the Company, or a change "in the ownership of a substantial portion of the assets" of the Company within the meaning of Section 409A of the Code (a "Section 409A Change in Control"), outstanding and vested Restricted Stock Units (including any that vest pursuant to the foregoing provisions of this sentence) and related Dividend Equivalents shall be settled upon or as soon as practicable after the date of such Change in Control to the extent such acceleration of payment can be made in accordance with Treas. Reg. §1.409A-3(j)(4)(ix) (or other exemption from the general prohibitions on accelerations of payments under Section 409A of the Code) and not result in any tax, penalty or interest under Section 409A of the Code. In connection with any such Change in Control where payment of outstanding Restricted Stock Units subject to the Award will not be made in connection with the Change in Control, the Committee may make provision for such Restricted Stock Units to become payable in cash based on the Fair Market Value of a share of Common Stock at the time of such Change in Control (with interest for the period from the date of such Change in Control to the applicable payment date at such rate as determined by the Committee based on the interest earned by interest bearing, FDIC insured deposits) as opposed to being payable in securities.

B. If the then-outstanding and unvested portion of this Award is continued following such event or is assumed or converted into restricted stock units of any Successor Entity, the continued Service requirement set forth in Section 3(A) above (and the accelerated vesting provisions set forth in Section 7 above) shall continue to apply following such Change in Control, and any portion of the Award that vests pursuant to such provisions shall be settled as provided in Section 5 of this Agreement.

Section 17 of the Plan shall not apply with respect to the Award.

9. Restrictions on Transfer. The Grantee may not sell, assign, transfer, pledge, encumber or otherwise alienate, hypothecate or dispose of this Award or the Grantee's right hereunder to receive Award Shares, except as otherwise provided in the Committee's sole discretion consistent with the Plan and applicable securities laws.

10. Taxes.

A. The settlement of this Award is conditioned on the Grantee making arrangements reasonably satisfactory to the Company for the withholding of all applicable federal, state, local or foreign taxes as may be required under applicable law.

B. It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) ("Code Section 409A") so as not to subject the Grantee to payment of any additional tax, penalty or interest imposed under Code Section 409A. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefit payable to the Grantee.

C. If the Grantee is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Grantee's "separation from service" (as such term is defined for purposes of Code Section 409A), the Grantee shall not be entitled to any payment or benefit pursuant to this Award until the earlier of (i) the date which is six (6) months after the Grantee's separation from service for any reason other than death, or (ii) the date of the Grantee's death. The provisions of this Section 10(C) shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A. Any amounts otherwise payable to the Grantee upon or in the six (6) month period following the Grantee's separation from service that are not so paid by reason of this Section 10(C) shall be paid (without interest, except as otherwise provided for in Section 8(A)) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the Grantee's separation from service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the Grantee's death). For avoidance of doubt, Dividend Equivalents under Section 4 shall continue to be credited during the period of such six-month delay until the vested Restricted Stock Units are actually settled.

11. Compliance. The Grantee hereby agrees to cooperate with the Company, regardless of Grantee's employment status with the Company, to the extent necessary for the Company to comply with applicable state and federal laws and regulations relating to the Restricted Stock Units.

12. Notices. Any notice required or permitted under this Agreement shall be deemed given when personally delivered, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, to the Grantee either at the address on record with the Company or such other address as may be designated by Grantee in writing to the Company; or to the Company, Attention: Stock Plan Administration, 1444 South Alameda Street, Los Angeles, California 90021, or such other address as the Company may designate in writing to the Grantee.

13. Failure to Enforce Not a Waiver. The failure of the Company or the Grantee to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

14. Governing Law. This Agreement shall be governed by and construed according to the laws of the State of Delaware, without regard to Delaware or other laws that might cause other law to govern under applicable principles of conflicts of law. For purposes of litigating any dispute that arises under this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation shall be conducted in the courts of Los Angeles County, or the federal courts for the United States for the Central District of California, and no other courts, where this Agreement is made and/or to be performed.

15. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to the Restricted Stock Units awarded under the Plan or future restricted stock or restricted stock units that may be awarded under the Plan by electronic means or request Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

16. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

17. Amendments. This Agreement may be amended or modified at any time by an instrument in writing signed by both parties.

18. Agreement Not a Contract of Employment. Neither the grant of the Restricted Stock Units, this Agreement nor any other action taken in connection herewith shall constitute or be evidence of any agreement or understanding, express or implied, that the Grantee is an employee of the Company or any subsidiary of the Company.

19. Committee's Powers. No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee or, to the extent delegated, in its delegate pursuant to the terms of the Plan or resolutions adopted in furtherance of the Plan, including, without limitation, the right to make certain determinations and elections with respect to the Restricted Stock Units.

20. Termination of this Agreement. Upon termination of this Agreement, all rights of the Grantee hereunder shall cease.

21. Clawback Policy. This Award is subject to the terms of the Company's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of the Award or any shares of Common Stock or other cash or property received with respect to the Award (including any value received from a disposition of the shares acquired in respect of the Award).

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by a duly authorized officer and the Grantee has hereunto set his or her hand as of the date and year first above written.

GUESS?, INC.,
a Delaware corporation

By: /s/ Jason T. Miller

Print Name: Jason T. Miller

Its: General Counsel and Secretary

GRANTEE

/s/ Paul Marciano
Signature

Paul Marciano
Print Name

Employee ID

MARITAL STATUS

☐ **I AM NOT MARRIED**.

☐ **I AM MARRIED AND HAVE INFORMED MY SPOUSE OF THIS EQUITY GRANT.** (P*lease have your spouse sign the Consent of Spouse section below.)*

GRANTEE

____
Signature

____
Print Name

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Restricted Stock Unit Agreement by Guess?, Inc., a Delaware corporation, I, ______________________________, the spouse of the Grantee therein named, do hereby join with my spouse in executing the foregoing Restricted Stock Unit Agreement and do hereby agree to be bound by all of the terms and provisions thereof and of the Plan.

Dated: ______________________________

____
Signature of Spouse

____
Print Name

Exhibit 10.5

PERFORMANCE SHARE AWARD AGREEMENT (TSR)

This **PERFORMANCE SHARE AWARD AGREEMENT** (this "Agreement"), dated as of **June 29, 2020** (the "Date of Grant"), is entered into by and between GUESS?, INC., a Delaware corporation (the "Company"), and **[Carlos Alberini / Kathryn Anderson]** (the "Grantee").

RECITALS

WHEREAS, the Company maintains the Guess?, Inc. 2004 Equity Incentive Plan (as Amended and Restated as of May 19, 2017) (the "Plan").

WHEREAS, the Compensation Committee of the Company's Board (the "Committee") has determined to grant performance-based restricted stock units (this "Award") to the Grantee under the Plan in order to increase Grantee's participation in the success of the Company;

NOW, THEREFORE, the parties hereto agree as follows:

1. Definitions; Incorporation of Plan Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan, except where a capitalized term is defined in the Executive Employment Agreement between the Company and the Grantee, entered into **[for Carlos Alberini January 27, 2019 / for Kathryn Anderson dated October 23, 2019]** (the "Employment Agreement"), and this Agreement indicates the definition used in the Employment Agreement shall apply for purposes of this Agreement as well. This Award and all rights of the Grantee under this Agreement are subject to, and the Grantee agrees to be bound by, all of the terms and conditions of the Plan, incorporated herein by this reference. Except as specifically provided in this Agreement, in the event of any conflict or inconsistency between the Plan and this Agreement, the Plan shall govern.

2. Grant of Restricted Stock Units. The Company hereby grants to the Grantee as of the Date of Grant (set forth above) a right to receive a "target" of **[for Carlos Alberini 360,491 shares / for Kathryn Anderson 64,654 shares]** of the Company's common stock subject to the terms, conditions, and restrictions set forth herein (the "Restricted Stock Units," and such target number of Restricted Stock Units, the "Target Number of Restricted Stock Units"). As used herein, the term "Restricted Stock Unit" shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of the Company's common stock, par value $0.01 per share (the "Common Stock"), solely for purposes of the Plan and this Agreement. The Restricted Stock Units shall be used solely as a device for the determination of the number of shares of Common Stock to eventually be delivered to the Grantee if such Restricted Stock Units vest pursuant to this Agreement. The Restricted Stock Units shall not be treated as property or as a trust fund of any kind. The Grantee shall have no rights as a shareholder of the Company, no dividend rights (except as expressly provided in Section 4 with respect to Dividend Equivalent rights) and no voting rights with respect to the Restricted Stock Units and any shares of Common Stock underlying or issuable in respect of such Restricted Stock Units ("Award Shares") until such shares of Common Stock are actually issued to and held of record by the Grantee.

This Award, together with the other equity awards granted by the Company to the Grantee on or about June 11, 2020, is in complete satisfaction of the Grantee's right to receive stock options or other equity-based awards from the Company with respect to the Company's 2021 fiscal year.

3. Vesting.

A. Subject to Section 3(B) below and except as otherwise expressly provided in Sections 7 and 8 herein, this Award shall vest and become nonforfeitable on the last day of the Performance Period (as defined below) (the "Vesting Date"); provided that the Grantee has been continuously in Service with the Company from the Date of Grant through the Vesting Date. Except as specifically provided herein, Service for only a portion of the vesting period, even if a substantial portion, will not entitle the Grantee to any proportionate vesting. The number of Restricted Stock Units subject to this Award that vest will be equal to the Target Number of Restricted Stock Units multiplied by a "Vesting Percentage" determined based on the Company's TSR Percentile (as defined below) for the Performance Period in accordance with the following table:

TSR Percentile for the Performance Period	Vesting Percentage
Below 25th TSR Percentile	0%
25th TSR Percentile	25%
50th TSR Percentile	100%
75th TSR Percentile and Above	150%

If the Company's TSR Percentile for the Performance Period is between two points in the preceding table, the Vesting Percentage will be determined by linear interpolation between the Vesting Percentages for those two levels. In no event will the Vesting Percentage be greater than one hundred fifty percent (150%).

Not later than seventy four (74) days after the end of the Performance Period, the Committee will certify, by resolution or other appropriate action in writing, the Vesting Percentage that has been achieved and the number of Restricted Stock Units that vest pursuant to this Section 3(A) (or Sections 7 and 8, as applicable) based on the satisfaction of the performance criteria above. Such number of Restricted Stock Units that vest will be rounded to the nearest whole unit and are referred to herein as the "Vested Restricted Stock Units." Restricted Stock Units that are not Vested Restricted Stock Units, after giving effect to the foregoing provisions and Section 3(B), as of the last day of the Performance Period shall immediately terminate and be cancelled. As used herein, the term "Service" means employment by the Company or a Subsidiary.

B. Notwithstanding anything to the contrary in this Agreement, the number of Restricted Stock Units subject to this Award that become Vested Restricted Stock Units shall not exceed the number of Restricted Stock Units determined by dividing **[for Carlos Alberini $11,500,000 / for Kathryn Anderson $2,062,500]** by the Fair Market Value of a share of Common Stock on the applicable vesting date. In the event that such limit is exceeded, the number of Restricted Stock Units that would otherwise be Vested Restricted Stock Units pursuant to Section 3(A) shall be reduced to the extent necessary such that the actual number of Vested Restricted Stock Units does not exceed such limit.

C. For purposes of this Award, the following definitions shall apply:

i. "Performance Period" means the period of time beginning with the Date of Grant and ending with the last day of the Company's fiscal year 2023.

ii. "TSR Percentile" means the percentile ranking of the Company's TSR among the TSRs for the Company Peer Group members for the Performance Period.

iii. "TSR" means total shareholder return and shall be determined with respect to the Company and any other Company Peer Group member by dividing: (a) the sum of (1) the difference obtained by subtracting the applicable Beginning Price from the applicable Ending Price plus (2) all dividends and other distributions as to which the ex-dividend date occurs during the Performance Period (for purposes of clarity, without duplicating any dividends and other distributions as to which the ex-dividend date occurs during the period of twenty (20) consecutive trading days ending on the last trading day of the Performance Period that are taken into account in the determination of Ending Price) by (b) the Beginning Price. Any non-cash distributions shall be ascribed such dollar value as may be determined by or at the direction of the Committee. For the purpose of determining TSR, the value of dividends and other distributions shall be determined by treating them as reinvested in additional shares of stock at the closing market price on the corresponding ex-dividend date.

iv. "Beginning Price" means, with respect to the Company and any other Company Peer Group member, the average of the closing market prices of such company's common stock on the principal exchange on which such stock is traded for the twenty (20) consecutive trading days beginning with the Date of Grant. For the purpose of determining Beginning Price, the value of dividends and other distributions shall be determined by treating them as reinvested in additional shares of stock at the closing market price on the corresponding ex-dividend date.

v. "Ending Price" means, with respect to the Company and any other Company Peer Group member, the average of the closing market prices of such company's common stock on the principal exchange on which such stock is traded for the twenty (20) consecutive trading days ending on the last trading day of the Performance Period. For the purpose of determining Ending Price, the value of dividends and other distributions shall be determined by treating them as reinvested in additional shares of stock at the closing market price on the corresponding ex-dividend date.

vi. “Company Peer Group” means the Company and each of the following companies:

Abercrombie & Fitch Co.	Fossil Group, Inc.
American Eagle Outfitters, Inc.	The Gap, Inc.
Capri Holdings	Levi Straus and Co.
Chico’s FAS, Inc.	lululemon athletica inc.
The Children’s Place, Inc.	PVH Corp.
Columbia Sportswear Company	Ralph Lauren Corporation
Deckers Outdoor Corporation	Tapestry, Inc.
Express, Inc.	Urban Outfitters, Inc.

The Company Peer Group shall be subject to adjustment by the Committee for changes that occur prior to the end of the Performance Period as follows: In the event of a merger or other business combination of a Company Peer Group member (including, without limitation, the acquisition of a Company Peer Group member, or all or substantially all of its assets, by a separate entity), such Company Peer Group member shall be excluded from the Company Peer Group; provided, however, that in the event of a merger or other business combination of two Company Peer Group members (including, without limitation, the acquisition of one Company Peer Group member, or all or substantially all of its assets, by another Company Peer Group member), the surviving, resulting or successor entity, as the case may be, shall continue to be treated as a member of the Company Peer Group, provided that the common stock (or similar equity security) of such entity is listed or traded on a national securities exchange as of the end of the Performance Period. In the event a member of the Company Peer Group files for bankruptcy or liquidates, such company shall continue to be treated as a Company Peer Group member; provided that such company’s Ending Price will be treated as $0 if the company is no longer listed or traded on a national securities exchange as of the end of the Performance Period. Other than as provided above, in the event that the common stock (or similar equity security) of a Company Peer Group member is otherwise not listed or traded on a national securities exchange at the end of the Performance Period, such entity shall be excluded from the Company Peer Group.

With respect to the computation of TSR, Beginning Price, and Ending Price, there shall also be an equitable and proportionate adjustment to the extent (if any) necessary to preserve the intended incentives of this Award and mitigate the impact of any stock split, stock dividend or reverse stock split occurring during the Performance Period (or during the applicable 20-day period in determining Beginning Price or Ending Price, as the case may be). The Committee’s determination of whether such an adjustment is required (and the extent of any such adjustment) shall be final and binding.

4. Dividend Equivalents. If a cash dividend is paid with respect to the Common Stock during the Performance Period and while any Restricted Stock Units subject to this Award are outstanding, the Grantee shall be credited with an amount in cash equal to the dividends the

Grantee would have received if he had been the owner of the shares of Common Stock subject to the outstanding Target Number of Restricted Stock Units; provided, however, that no amount shall be credited with respect to shares that have been delivered to the Grantee as of the applicable dividend record date. Any amounts credited under this Section 4 ("Dividend Equivalents") shall be subject to the same terms and conditions as the Restricted Stock Units to which they relate (including, without limitation, application of the applicable Vesting Percentage) and shall vest and be paid (or, if applicable, be forfeited) at the same time as the Restricted Stock Units to which they relate.

5. Delivery of Shares. Except as otherwise provided in Section 8 below with respect to a Change in Control, the Company shall deliver or cause to be delivered to the Grantee the number of Award Shares subject to any Restricted Stock Units that vest pursuant to the terms hereof as soon as administratively practicable after (and in no event later than 74 days following) the Vesting Date. Any Dividend Equivalents described in Section 4 above related to such Award Shares shall be paid in cash at the same time as the delivery of the Award Shares under this Section 5. Notwithstanding the foregoing, in the event of the Grantee's "separation from service" (as such term is defined for purposes of Code Section 409A) upon or within two years following a Section 409A Change in Control (as such term is defined in Section 8(A)), then such shares shall be settled as soon as administratively possible after (and in all events within ten days after) such event (subject to Section 10(C).

6. Adjustments Upon Specified Events. Upon the occurrence of certain events relating to the Company's Common Stock contemplated by Section 16(b) of the Plan, the Committee will make adjustments, if appropriate, in the number of Restricted Stock Units and the number and kind of securities subject to this Award.

7. Effect of Certain Cessations of Service.

   A. If, at any time prior to the Vesting Date, the Grantee's Service is terminated by the Company without "Cause" (as defined in the Employment Agreement), by the Grantee for "Good Reason" (as defined in the Employment Agreement), or upon expiration of the "Employment Term" (as defined in the Employment Agreement) then in effect by reason of the Company's delivery of a non-renewal notice pursuant to Section 2 of the Employment Agreement if the Company did not have Cause to deliver such non-renewal notice (such termination of employment, a "Qualifying Termination"), and such a Qualifying Termination occurs outside the Change in Control Window described in Section 7(B) below, the Target Number of Restricted Stock Units shall be pro-rated by multiplying the Target Number of Restricted Stock Units by the "Equity Award Pro-Rata Fraction." For purposes of this Award, the "Equity Award Pro-Rata Fraction" means the fraction obtained by dividing (i) the total number of days the Grantee was employed by the Company between the first day of the Performance Period and the date of the termination of the Grantee's employment, by (ii) the total number of days in the Performance Period. Such pro-rated number of Target Number of Restricted Stock Units shall remain outstanding and eligible to vest on the Vesting Date based on the Vesting Percentage determined under Section 3(A) as though the Grantee's employment had not been terminated. If a Change in Control occurs during the Performance Period, Section 8(A) shall apply to the Award, and the pro-rata vesting provision of this Section 7(A) shall be given effect in calculating the number of Restricted Stock Units that vest.

B. If, at any time prior to the Vesting Date, the Grantee's Service is terminated in a Qualifying Termination that occurs within twelve (12) months before, upon, or within two (2) years after a Change in Control (such period, the "Change in Control Window"), Section 8(C) below shall apply to the Award.

C. If, at any time prior to the Vesting Date, the Grantee's Service is terminated due to the Grantee's death or "Disability" (as such term is defined in the Employment Agreement), the Target Number of Restricted Stock Units shall be pro-rated by multiplying the Target Number of Restricted Stock Units by the Equity Award Pro-Rata Fraction. Such pro-rated number of Target Number of Restricted Stock Units shall remain outstanding and eligible to vest on the Vesting Date based on the Vesting Percentage determined under Section 3(A) as though the Grantee's employment had not been terminated. If a Change in Control occurs during the Performance Period, Section 8(A) or 8(B) shall apply to the Award, as applicable, and the pro-rata vesting provision of this Section 7(C) shall be given effect in calculating the number of Restricted Stock Units that vest.

D. If the Grantee's Service terminates for any other reason, this Award and the Restricted Stock Units subject hereto, to the extent outstanding and unvested as of the date of such termination of Service, shall terminate and be cancelled as of the date of such termination of Service. Sections 14(a) and 14(b) of the Plan shall not apply to this Award.

E. For purposes of clarity, any Restricted Stock Units that vest pursuant to this Section 7 (and any Dividend Equivalents related thereto) shall still be paid at the applicable time set forth in Section 5.

8. Change in Control. Notwithstanding anything to the contrary in Section 3, Section 5 or Section 7 of this Agreement or any provision of the Plan, the following provisions shall apply upon a Change in Control:

A. If a Change in Control occurs and this Award (to the extent outstanding) is not continued following such event or assumed or converted into restricted stock units of any successor entity to the Company or a parent thereof (the "Successor Entity"), this Award will vest as of the date of such Change in Control with respect to a number of Restricted Stock Units determined as follows:

i. If the Change in Control occurs during the Company's 2021 fiscal year, this Award shall be become vested as to the Target Number of Restricted Stock Units.

ii. If the Change in Control occurs during the Company's 2022 fiscal year or 2023 fiscal year, the number of Restricted Stock Units subject to this Award that vest in accordance with this Section 8(A)(ii) shall be determined as though the Performance Period ended as of the date of the Change in Control, and the Vesting Percentage under Section 3(A) shall be determined based on actual TSR performance for such shortened performance period.

Any such Restricted Stock Units (and any related Dividend Equivalents) that become vested pursuant to this Section 8(A) shall be paid at the time(s) otherwise provided in Section 5; provided that if such Change in Control constitutes a "change in the ownership or effective control" of the Company, or a change "in the ownership of a substantial portion of the assets" of the Company within the meaning of Section 409A of the Code (a "Section 409A Change in Control"), the outstanding vested Restricted Stock Units subject to this Award and any related Dividend Equivalents shall be paid upon or as soon as practicable after the date of such Change in Control to the extent such acceleration of payment can be made in accordance with Treas. Reg. §1.409A-3(j)(4)(ix) (or other exemption from the general prohibitions on accelerations of payments under Section 409A of the Code) and not result in any tax, penalty or interest under Section 409A of the Code. In connection with any such Change in Control where payment of such Restricted Stock Units subject to this Award will not be made in connection with the Change in Control, the Committee may make provision for such Restricted Stock Units to become payable in cash based on the Fair Market Value of a share of Common Stock at the time of such Change in Control (with interest for the period from the date of such Change in Control to the applicable payment date at such rate as determined by the Committee based on the interest earned by interest bearing, FDIC insured deposits) as opposed to being payable in securities. The foregoing provisions do not supersede Section 7(D) to the extent the Grantee's Service to the Company terminates and such provision is triggered prior to a Change in Control.

B. If this Award (to the extent then outstanding) is continued following a Change in Control or is assumed or converted into restricted stock units of any Successor Entity, the number of Restricted Stock Units subject to this Award shall be adjusted as provided in the next sentence, and such adjusted number of Restricted Stock Units shall remain eligible to vest on the Vesting Date in accordance with this Section 8(B). In such circumstances, the number of Restricted Stock Units subject to this Award shall be adjusted in connection with the Change in Control as follows:

i. If the Change in Control occurs during the Company's 2021 fiscal year, the number of Restricted Stock Units subject to this Award that shall remain eligible to vest in accordance with this Section 8(B) shall be equal to the Target Number of Restricted Stock Units.

ii. If the Change in Control occurs during the Company's 2022 fiscal year or 2023 fiscal year, the number of Restricted Stock Units subject to this Award that shall remain eligible to vest in accordance with this Section 8(B) shall be determined as though the Performance Period ended as of the date of the Change in Control, and the Vesting Percentage under Section 3(A) shall be determined based on actual TSR performance for such shortened performance period.

In such circumstances, the performance-based vesting conditions of Section 3(A) shall no longer apply to this Award (except as expressly provided above to the extent applicable in making the adjustment provided for in Section 8(B)(ii) above, if applicable), and the number of Restricted Stock Units subject to this Award (as so adjusted pursuant to Section 8(B)(i) or (ii) above, as applicable) shall remain eligible to vest on the original Vesting Date (without such date being modified due to the occurrence of the Change in Control), subject to the Grantee remaining continuously in Service with the Company following such Change in Control through the Vesting

Date (subject to the accelerated vesting provisions set forth in Section 7(A) above). Any Restricted Stock Units (and any related Dividend Equivalents) that vest pursuant to this Section 8(B) shall be paid at the time(s) otherwise provided in Section 5.

C. If the Grantee's Service is terminated in a Qualifying Termination that occurs within the Change in Control Window, the Award shall vest (or shall be deemed to have vested) on the date of the Change in Control as follows:

i. If the Change in Control occurs after the end of the Performance Period, an additional number of Restricted Stock Units subject to this Award shall vest, with the number of Restricted Stock Units vesting equal to the number necessary to cause the total number of Restricted Stock Units subject to this Award that vest (including Restricted Stock Units subject to this Award that previously vested) equal to the number of Restricted Stock Units subject to this Award that would have vested had the pro-ration provision of Section 7(A) not applied.

ii. If the Change in Control occurs on or before the last day of the Performance Period, the Award shall be treated as provided in Section 8(A) as though it was not continued following such event or assumed or converted into restricted stock units of any Successor Entity and the pro-ration provision of Section 7(A) shall not apply.

Section 17 of the Plan shall not apply with respect to this Award.

9. Restrictions on Transfer. The Grantee may not sell, assign, transfer, pledge, encumber or otherwise alienate, hypothecate or dispose of this Award or the Grantee's right hereunder to receive Award Shares, except as otherwise provided in the Committee's sole discretion consistent with the Plan and applicable securities laws.

10. Taxes.

A. Subject to the Company's ability to comply with applicable laws, rules, and regulations, and unless the Grantee has provided in advance of the applicable withholding event sufficient cash to cover the applicable withholding obligations, upon any distribution of shares of Common Stock in respect of the Award, the Company shall automatically reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of whole shares, valued at their then fair market value (at the time of such withholding, based on the last closing price (in regular trading) of a share of the Company's common stock on the New York Stock Exchange available at the time of such withholding) to satisfy any withholding obligations (including both income tax and the Grantee's portion of employment tax withholding obligations) of the Company or its Subsidiaries with respect to such distribution of shares. In the event that the Company cannot legally satisfy such withholding obligations by such reduction of shares, or in the event of a cash payment or any other withholding event in respect of the Award, the Company shall be entitled to require a cash payment by or on behalf of the Grantee and/or to deduct from other compensation payable to the Grantee any sums required by federal, state or local tax law to be withheld with respect to such distribution or payment.

B. It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) ("Code Section 409A") so as not to subject the Grantee to payment of any additional tax, penalty or interest imposed under Code Section 409A. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefit payable to the Grantee.

C. If the Grantee is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Grantee's "separation from service" (as such term is defined for purposes of Code Section 409A), the Grantee shall not be entitled to any payment or benefit pursuant to this Award until the earlier of (i) the date which is six (6) months after the Grantee's separation from service for any reason other than death, or (ii) the date of the Grantee's death. The provisions of this Section 10(C) shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A. Any amounts otherwise payable to the Grantee upon or in the six (6) month period following the Grantee's separation from service that are not so paid by reason of this Section 10(C) shall be paid (without interest) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the Grantee's separation from service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the Grantee's death).

11. Compliance. The Grantee hereby agrees to cooperate with the Company, regardless of Grantee's employment status with the Company, to the extent necessary for the Company to comply with applicable state and federal laws and regulations relating to the Restricted Stock Units.

12. Notices. Any notice required or permitted under this Agreement shall be deemed given when personally delivered, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, to the Grantee either at the address on record with the Company or such other address as may be designated by Grantee in writing to the Company; or to the Company, Attention: Stock Plan Administration, 1444 South Alameda Street, Los Angeles, California 90021, or such other address as the Company may designate in writing to the Grantee.

13. Failure to Enforce Not a Waiver. The failure of the Company or the Grantee to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

14. Governing Law. This Agreement shall be governed by and construed according to the laws of the State of Delaware, without regard to Delaware or other laws that might cause other law to govern under applicable principles of conflicts of law. For purposes of litigating any dispute that arises under this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation shall be conducted in the courts of Los Angeles County, or the federal courts for the United States for the Central District of California, and no other courts, where this Agreement is made and/or to be performed.

15. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to the Restricted Stock Units awarded under the Plan or future restricted stock or restricted stock units that may be awarded under the Plan by electronic means or request Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

16. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

17. Amendments. This Agreement may be amended or modified at any time by an instrument in writing signed by both parties.

18. Agreement Not a Contract of Employment. Neither the grant of the Restricted Stock Units, this Agreement nor any other action taken in connection herewith shall constitute or be evidence of any agreement or understanding, express or implied, that the Grantee is an employee of the Company or any subsidiary of the Company.

19. Committee's Powers. No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee or, to the extent delegated, in its delegate pursuant to the terms of the Plan or resolutions adopted in furtherance of the Plan, including, without limitation, the right to make certain determinations and elections with respect to the Restricted Stock Units.

20. Termination of this Agreement. Upon termination of this Agreement, all rights of the Grantee hereunder shall cease.

21. Clawback Policy. This Award is subject to the terms of the Company's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of this Award or any shares of Common Stock or other cash or property received with respect to this Award (including any value received from a disposition of the shares acquired in respect of this Award).

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by a duly authorized officer and the Grantee has hereunto set his or her hand as of the date and year first above written.

GUESS?, INC.,
a Delaware corporation

By: ______________________________

Print Name: Jason T. Miller

Its: General Counsel and Secretary

GRANTEE

____
Signature

____
Print Name

____
Employee ID

MARITAL STATUS

☐ **I AM NOT MARRIED**.

☐ **I AM MARRIED AND HAVE INFORMED MY SPOUSE OF THIS EQUITY GRANT**. (P*lease have your spouse sign the Consent of Spouse section below.)*

GRANTEE

____
Signature

____
Print Name

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Performance Restricted Stock Unit Agreement by Guess?, Inc., a Delaware corporation, I, ______________________________, the spouse of the Grantee therein named, do hereby join with my spouse in executing the foregoing Performance Restricted Stock Unit Agreement and do hereby agree to be bound by all of the terms and provisions thereof and of the Plan.

Dated: ____________________

____
Signature of Spouse

____
Print Name

Exhibit 10.6

GUESS?, INC.
July 9, 2020

Carlos Alberini

Re: ***<u>Fiscal 2021 Bonus Opportunity</u>***

Dear Carlos:

As you know, you are party to an employment agreement with Guess?, Inc., a Delaware corporation (the "**Company**"), dated January 27, 2019 (the "**Employment Agreement**"), which was modified by a letter agreement between you and the Company dated March 30, 2020 that provided for a temporary reduction of your base salary (the "**Letter Agreement**"). Notwithstanding anything to the contrary in the Employment Agreement or the Letter Agreement, you and the Company have agreed that your threshold, target and stretch annual incentive bonus opportunities for the Company's fiscal year ending January 30, 2021 (the "**2021 Bonus**") will be $360,000, $720,000 and $1,080,000, respectively. You have further agreed that the Company may pay all or any portion of any 2021 Bonus that you earn in fully vested shares of the Company's common stock instead of cash. In those circumstances, the number of shares that you will receive for the portion of your 2021 Bonus to be paid in Company common stock will be determined by dividing (x) such portion of your 2021 Bonus by (y) the closing price of a share of the Company's common stock on the applicable conversion date as established by the Compensation Committee of the Company's Board of Directors (or, if greater than such closing price, any "floor" value of a share of Company common stock established by the Compensation Committee in its sole discretion), with the result rounded down to the nearest whole share.

You hereby agree that the modification of your 2021 Bonus opportunity as provided for in this letter agreement will not constitute "Good Reason" within the meaning of your Employment Agreement and will not constitute a breach of your Employment Agreement.

Except for the changes to your 2021 Bonus opportunity described in this letter agreement, the provisions of your Employment Agreement and the Letter Agreement shall continue in full force and effect. This letter agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.

We appreciate your dedication to the Company.

GUESS?, INC.

/s/ Jason T. Miller
By: Jason T. Miller
Title: General Counsel

Acknowledged and Agreed:

By: /s/ Carlos Alberini
Carlos Alberini
Date: July 9, 2020

Exhibit 10.7

GUESS?, INC.
July 9, 2020

Kathryn Anderson

Re: ***<u>Fiscal 2021 Bonus Opportunity</u>***

Dear Katie:

As you know, you are party to an offer letter with Guess?, Inc., a Delaware corporation (the "**Company**"), dated October 23, 2019 (the "**Offer Letter**"), which was modified by a letter agreement between you and the Company dated March 30, 2020 that provided for a temporary reduction of your base salary (the "**Letter Agreement**"). Notwithstanding anything to the contrary in the Offer Letter or the Letter Agreement, you and the Company have agreed that your threshold, target and stretch annual incentive bonus opportunities for the Company's fiscal year ending January 30, 2021 (the "**2021 Bonus**") will be $144,375, $288,750, and $433,125, respectively. You have further agreed that the Company may pay all or any portion of any 2021 Bonus that you earn in fully vested shares of the Company's common stock instead of cash. In those circumstances, the number of shares that you will receive for the portion of your 2021 Bonus to be paid in Company common stock will be determined by dividing (x) such portion of your 2021 Bonus by (y) the closing price of a share of the Company's common stock on the applicable conversion date as established by the Compensation Committee of the Company's Board of Directors (or, if greater than such closing price, any "floor" value of a share of Company common stock established by the Compensation Committee in its sole discretion), with the result rounded down to the nearest whole share.

You hereby agree that the modification of your 2021 Bonus opportunity as provided for in this letter agreement will not constitute "Good Reason" within the meaning of your Offer Letter and will not constitute a breach of your Offer Letter.

Except for the changes to your 2021 Bonus opportunity described in this letter agreement, the provisions of your Offer Letter and the Letter Agreement shall continue in full force and effect. This letter agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.

We appreciate your dedication to the Company.

GUESS?, INC.

/s/ Carlos Alberini
By: Carlos Alberini
Title: CEO

Acknowledged and Agreed:

By: /s/ Kathryn Anderson
Kathryn Anderson

Date: July 9, 2020

Exhibit 31.1

I, Carlos Alberini, certify that:

1. I have reviewed this annual on Form 10-K of Guess?, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 4, 2020

By: /s/ CARLOS ALBERINI

Carlos Alberini
Chief Executive Officer

Exhibit 31.2

I, Kathryn Anderson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Guess?, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 4, 2020

By: /s/ KATHRYN ANDERSON

Kathryn Anderson
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Carlos Alberini, Chief Executive Officer of Guess?, Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the period ended August 1, 2020, as filed with the Securities and Exchange Commission (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 4, 2020

By: /s/ CARLOS ALBERINI
Carlos Alberini
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Kathryn Anderson, Chief Financial Officer of Guess?, Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the period ended August 1, 2020, as filed with the Securities and Exchange Commission (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 4, 2020

By: /s/ KATHRYN ANDERSON
Kathryn Anderson
Chief Financial Officer