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 October 30, 2021

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 x No o

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 x No o

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. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

As of November 29, 2021, the registrant had 64,974,647 shares of Common Stock, $.01 par value per share, outstanding.

GUESS?, INC.
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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)

	Oct 30, 2021 (unaudited)	Jan 30, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 391,065	$ 469,110
Accounts receivable, net	321,296	314,147
Inventories	482,475	389,144
Other current assets	76,414	60,123
Total current assets	1,271,250	1,232,524
Property and equipment, net	212,126	216,196
Goodwill	35,539	36,736
Deferred tax assets	186,957	72,417
Restricted cash	224	235
Operating lease right-of-use assets	706,161	764,804
Other assets	150,184	142,956
	$ 2,562,441	$ 2,465,868
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of borrowings and finance lease obligations	$ 32,960	$ 38,710
Accounts payable	313,727	300,427
Accrued expenses and other current liabilities	248,879	200,602
Current portion of operating lease liabilities	209,072	222,800
Total current liabilities	804,638	762,539
Convertible senior notes, net	267,599	258,614
Long-term debt and finance lease obligations	67,456	68,554
Long-term operating lease liabilities	599,472	662,657
Other long-term liabilities	159,820	144,004
Total liabilities	1,898,985	1,896,368
Redeemable noncontrolling interests	9,751	3,920
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 142,788,502 and 142,793,679 shares, outstanding 64,974,647 and 64,230,162 shares, as of October 30, 2021 and January 30, 2021, respectively	650	642
Paid-in capital	562,177	553,111
Retained earnings	1,105,129	1,034,823
Accumulated other comprehensive loss	(127,200)	(120,675)
Treasury stock, 77,813,855 and 78,563,517 shares as of October 30, 2021 and January 30, 2021, respectively	(915,419)	(924,238)
Guess?, Inc. stockholders' equity	625,337	543,663
Nonredeemable noncontrolling interests	28,368	21,917
Total stockholders' equity	653,705	565,580
	$ 2,562,441	$ 2,465,868

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		Nine Months Ended	
	Oct 30, 2021	**Oct 31, 2020**	**Oct 30, 2021**	**Oct 31, 2020**
Product sales	$ 616,489	$ 549,851	$ 1,721,657	$ 1,183,560
Net royalties	26,581	19,433	70,039	44,514
Net revenue	643,070	569,284	1,791,696	1,228,074
Cost of product sales	349,466	329,764	992,448	807,297
Gross profit	293,604	239,520	799,248	420,777
Selling, general and administrative expenses	223,775	184,739	616,076	478,320
Asset impairment charges	1,152	10,335	3,094	75,276
Net (gains) losses on lease modifications	3,006	(21)	441	(450)
Earnings (loss) from operations	65,671	44,467	179,637	(132,369)
Other income (expense):				
Interest expense	(5,550)	(5,809)	(17,485)	(17,212)
Interest income	487	562	1,322	1,608
Other expense, net	(7,800)	(6,521)	(11,502)	(20,553)
Total other expense	(12,863)	(11,768)	(27,665)	(36,157)
Earnings (loss) before income tax expense (benefit)	52,808	32,699	151,972	(168,526)
Income tax expense (benefit)	20,441	5,145	43,588	(14,850)
Net earnings (loss)	32,367	27,554	108,384	(153,676)
Net earnings (loss) attributable to noncontrolling interests	2,487	1,178	5,436	(2,028)
Net earnings (loss) attributable to Guess?, Inc.	$ 29,880	$ 26,376	$ 102,948	$ (151,648)
Net earnings (loss) per common share attributable to common stockholders:				
Basic	$ 0.46	$ 0.41	$ 1.58	$ (2.35)
Diluted	$ 0.45	$ 0.41	$ 1.55	$ (2.35)
Weighted average common shares outstanding attributable to common stockholders:				
Basic	64,373	62,789	64,248	64,561
Diluted	65,852	63,579	65,893	64,561

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		Nine Months Ended	
	Oct 30, 2021	**Oct 31, 2020**	**Oct 30, 2021**	**Oct 31, 2020**
Net earnings (loss)	$ 32,367	$ 27,554	$ 108,384	$ (153,676)
Other comprehensive income (loss) (“OCI”):				
Foreign currency translation adjustment				
Gains (losses) arising during the period	(7,907)	(1,043)	(15,374)	13,260
Derivative financial instruments designated as cash flow hedges				
Gains (losses) arising during the period	3,072	1,465	6,486	(2,896)
Less income tax effect	(371)	(179)	(761)	350
Reclassification to net earnings (loss) for (gains) losses realized	1,342	(1,737)	2,764	(6,187)
Less income tax effect	(157)	184	(329)	667
Defined benefit plans				
Foreign currency and other adjustments	54	(5)	139	(241)
Less income tax effect	(6)	3	(14)	27
Net actuarial loss amortization	106	101	317	294
Prior service credit amortization	(16)	(17)	(50)	(49)
Less income tax effect	(13)	(10)	(36)	(29)
Total comprehensive income (loss)	28,471	26,316	101,526	(148,480)
Less comprehensive income (loss) attributable to noncontrolling interests:				
Net earnings (loss)	2,487	1,178	5,436	(2,028)
Foreign currency translation adjustment	(624)	1,166	(333)	(701)
Amounts attributable to noncontrolling interests	1,863	2,344	5,103	(2,729)
Comprehensive income (loss) attributable to Guess?, Inc.	$ 26,608	$ 23,972	$ 96,423	$ (145,751)

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	Oct 30, 2021	Oct 31, 2020
Cash flows from operating activities:		
Net earnings (loss)	$ 108,384	$ (153,676)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	41,613	48,009
Amortization of debt discount	8,343	7,796
Amortization of debt issuance costs	1,035	1,017
Share-based compensation expense	15,068	14,529
Forward contract (gains) losses	(766)	2,926
Deferred income taxes	(119,853)	912
Net loss from impairment and disposition of long-term assets	4,972	76,046
Other items, net	14,797	11,872
Changes in operating assets and liabilities:		
Accounts receivable	(22,301)	41,188
Inventories	(96,673)	3,591
Prepaid expenses and other assets	(23,045)	(10,174)
Operating lease assets and liabilities, net	(17,422)	34,323
Accounts payable and accrued expenses	72,360	21,157
Other long-term liabilities	18,069	(1,165)
Net cash provided by operating activities	4,581	98,351
Cash flows from investing activities:		
Purchases of property and equipment	(40,598)	(12,364)
Proceeds from sale of business and long-term assets	3,625	1,596
Net cash settlement of forward contracts	(740)	(743)
Purchases of investments	(2,045)	(2,344)
Other investing activities	(617)	(723)
Net cash used in investing activities	(40,375)	(14,578)
Cash flows from financing activities:		
Proceeds from borrowings	19,310	294,893
Repayments on borrowings and finance lease obligations	(25,077)	(249,727)
Dividends paid	(22,121)	(8,114)
Noncontrolling interest capital distribution	(3,452)	—
Issuance of common stock, net of income tax withholdings on vesting of stock awards	2,846	(2,724)
Purchase of treasury stock	—	(38,876)
Net cash used in financing activities	(28,494)	(4,548)
Effect of exchange rates on cash, cash equivalents and restricted cash	(13,768)	1,432
Net change in cash, cash equivalents and restricted cash	(78,056)	80,657
Cash, cash equivalents and restricted cash at the beginning of the year	469,345	284,828
Cash, cash equivalents and restricted cash at the end of the period	$ 391,289	$ 365,485
Supplemental cash flow data:		
Interest paid	$ 9,009	$ 9,265
Income taxes paid, net of refunds	$ 107,687	$ 6,326
Non-cash investing and financing activity:		
Assets acquired under finance lease obligations	$ 2,854	$ 6,803
Receivable and related adjustments from sale of retail locations	$ —	$ 574

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 nine months ended October 30, 2021								
	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 January 30, 2021	64,230,162	$ 642	$ 553,111	$ 1,034,823	$ (120,675)	78,563,517	$ (924,238)	$ 21,917	$ 565,580
Net earnings	—	—	—	12,006	—	—	—	864	12,870
Other comprehensive income (loss), net of income tax of ($190)	—	—	—	—	(227)	—	—	217	(10)
Issuance of common stock under stock compensation plans	689,653	7	(6,417)	—	—	(690,492)	8,123	—	1,713
Issuance of stock under Employee Stock Purchase Plan	12,798	—	81	—	—	(12,798)	151	—	232
Share-based compensation	—	—	4,056	4	—	—	—	—	4,060
Dividends, net of forfeitures on non-participating securities	—	—	—	(7,252)	—	—	—	—	(7,252)
Balance at May 1, 2021	64,932,613	$ 649	$ 550,831	$ 1,039,581	$ (120,902)	77,860,227	$ (915,964)	$ 22,998	$ 577,193
Net earnings	—	—	—	61,062	—	—	—	2,085	63,147
Other comprehensive income (loss), net of income tax of ($403)	—	—	—	—	(3,026)	—	—	74	(2,952)
Issuance of common stock under stock compensation plans	24,233	1	60	—	—	(27,409)	323	—	384
Issuance of stock under Employee Stock Purchase Plan	11,129	—	79	—	—	(11,129)	130	—	209
Share-based compensation	—	—	4,795	7	—	—	—	—	4,802
Dividends, net of forfeitures on non-participating securities	—	—	—	(7,308)	—	—	—	—	(7,308)
Noncontrolling interest capital distribution	—	—	—	—	—	—	—	(3,452)	(3,452)
Balance at July 31, 2021	64,967,975	$ 650	$ 555,765	$ 1,093,342	$ (123,928)	77,821,689	$ (915,511)	$ 21,705	$ 632,023
Net earnings	—	—	—	29,880	—	—	—	2,487	32,367
Other comprehensive loss, net of income tax of ($547)	—	—	—	—	(3,272)	—	—	(624)	(3,896)
Issuance of common stock under stock compensation plans	(1,137)	—	160	—	—	(25)	—	—	160
Issuance of stock under Employee Stock Purchase Plan	7,809	—	56	—	—	(7,809)	92	—	148
Share-based compensation	—	—	6,196	10	—	—	—	—	6,206
Dividends, net of forfeitures on non-participating securities	—	—	—	(7,649)	—	—	—	—	(7,649)
Redeemable noncontrolling interest redemption value adjustment	—	—	—	(10,454)	—	—	—	4,800	(5,654)
Balance at October 30, 2021	64,974,647	$ 650	$ 562,177	$ 1,105,129	$ (127,200)	77,813,855	$ (915,419)	$ 28,368	$ 653,705

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 nine months ended October 31, 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	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	(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
Net earnings	—	—	—	26,376	—	—	—	1,178	27,554
Other comprehensive income (loss), net of income tax of ($2)	—	—	—	—	(2,404)	—	—	1,166	(1,238)
Issuance of common stock under stock compensation plans	(5,229)	—	92	—	—	4,183	(49)	—	43
Issuance of stock under Employee Stock Purchase Plan	17,289	—	(63)	—	—	(17,289)	204	—	141
Share-based compensation	—	—	4,738	2	—	—	—	—	4,740
Dividends, net of forfeitures on non-participating securities	—	—	—	(7,361)	—	—	—	—	(7,361)
Balance at October 31, 2020	63,626,809	$ 636	$ 553,369	$ 971,724	$ (134,013)	79,215,984	$ (931,913)	$ 18,904	$ 478,707

See accompanying notes to condensed consolidated financial statements.

GUESS?, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
October 30, 2021
(unaudited)

(1) Basis of Presentation

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.

Interim Financial Statements

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 October 30, 2021 and January 30, 2021, the condensed consolidated statements of income (loss), comprehensive income (loss), cash flows and stockholders' equity for the three and nine months ended October 30, 2021 and October 31, 2020. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("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 and cash flows for the three and nine months ended October 30, 2021 are not necessarily indicative of the results of operations to be expected for the full fiscal year.

These financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended January 30, 2021.

Fiscal Periods

The three and nine months ended October 30, 2021 had the same number of days as the three and nine months ended October 31, 2020. All references herein to "fiscal 2022," "fiscal 2021" and "fiscal 2020" represent the results of the 52-week fiscal years ending January 29, 2022, January 30, 2021 and February 1, 2020, respectively.

COVID-19 Business Update

The coronavirus ("COVID-19") pandemic is continuing to negatively impact the Company's businesses. Although the Company achieved slightly higher net revenue during the third quarter of fiscal 2022 compared to the third quarter of fiscal 2020, the Company remained challenged by lower traffic and capacity restrictions. In addition, while the Company began the third quarter of fiscal 2022 with almost all its directly operated stores open for business, the Company started to incur a new round of government-mandated temporary store closures toward the end of the quarter. This resulted in the closure of a limited number of its directly operated stores as of October 30, 2021, mostly in Europe, the impact of which was minimal to its third quarter results.

The COVID-19 crisis has also contributed to disruptions in the overall global supply chain, leading to industry-wide product delays and higher freight costs. The Company has been working actively to mitigate these headwinds to the extent possible through a number of global supply chain initiatives.

In light of the fluid nature of the pandemic, the Company continues to carefully monitor global and regional developments, such as the recent spread of the Omicron variant, and respond appropriately. The Company also continues to strategically manage expenses in order to protect profitability and to mitigate, to the extent possible, the effect of the supply chain disruptions.

Summary of Significant Accounting Policies

The accounting policies of the Company are set forth in further detail in Note 1 to the Company's Consolidated Financial Statements contained in the Company’s fiscal 2021 Annual Report on Form 10-K. The Company includes herein certain updates to those policies.

Reclassifications

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

The COVID-19 pandemic has materially impacted the Company’s results during the three and nine months ended October 30, 2021 and October 31, 2020. The Company’s operations could continue to be impacted in ways the Company is not able to predict today due to the evolving 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.

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 15 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 October 30, 2021, the Company had $5.0 million and $13.7 million of deferred royalties related to these upfront payments included in accrued expenses and other current liabilities and other long-term liabilities, respectively. This compares to $6.6 million and $17.1 million of deferred royalties related to these upfront payments included in accrued expenses and other current liabilities and other long-term liabilities, respectively, at January 30, 2021. During the three and nine months ended October 30, 2021, the Company recognized $3.5 million and $10.6 million in net royalties related to the amortization of the deferred royalties, respectively. During the three and nine months ended October 31, 2020, the Company recognized $3.1 million and $9.8 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

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, 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 October 30, 2021, approximately 45% of the Company's total net trade accounts receivable and 59% 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.

Recently Issued Accounting Guidance

In March 2020, the Financial Accounting Standards Board ("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 the Secured Financial Oversight Rate ("SOFR"). This guidance may be adopted up to 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 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 was 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.

In May 2021, the FASB issued authoritative guidance to clarify and reduce diversity in accounting for modifications or exchanges of freestanding equity-classified written call options that remain equity classified after modifications or exchanges based on the substance of the transactions. This guidance is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years, which will be the Company's first quarter of fiscal 2023. 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 28%, 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 32%.

In addition to the amounts as disclosed below, the Company has estimated additional operating lease commitments of approximately $20.3 million for leases where the Company has not yet taken possession of the underlying asset as of October 30, 2021. 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 October 30, 2021.

The components of leases are (in thousands):

		Oct 30, 2021	Jan 30, 2021
Assets	**Balance Sheet Location**		
Operating	Operating lease right-of-use assets	$ 706,161	$ 764,804
Finance	Property and equipment, net	18,425	20,595
Total lease assets		$ 724,586	$ 785,399
Liabilities	**Balance Sheet Location**		
Current:			
Operating	Current portion of operating lease liabilities	$ 209,072	$ 222,800
Finance	Current portion of borrowings and finance lease obligations	4,939	4,698
Noncurrent:			
Operating	Long-term operating lease liabilities	599,472	662,657
Finance	Long-term debt and finance lease obligations	15,122	17,365
Total lease liabilities		$ 828,605	$ 907,520

The components of lease costs are (in thousands):

	Income Statement Location	Three Months Ended Oct 30, 2021	Three Months Ended Oct 31, 2020	Nine Months Ended Oct 30, 2021	Nine Months Ended Oct 31, 2020
Operating lease costs	Cost of product sales	$ 44,729	$ 50,684	$ 137,189	$ 156,058
Operating lease costs	Selling, general and administrative expenses	6,300	5,191	18,846	15,722
Operating lease costs[1]	Net (gains) losses on lease modifications	3,006	(21)	441	(450)
Finance lease costs					
Amortization of leased assets[2]	Cost of product sales	5	5	33	37
Amortization of leased assets[2]	Selling, general and administrative expenses	1,233	1,185	4,000	2,523
Interest on lease liabilities	Interest expense	474	353	1,103	843
Variable lease costs[3]	Cost of product sales	19,321	14,755	51,700	42,312
Variable lease costs[3]	Selling, general and administrative expenses	552	33	1,571	1,250
Short-term lease costs	Cost of product sales	99	142	330	562
Short-term lease costs	Selling, general and administrative expenses	1,341	2,407	3,635	4,366
Total lease costs		$ 77,060	$ 74,734	$ 218,848	$ 223,223

Notes:

1 During the three and nine months ended October 30, 2021 and October 31, 2020, net (gains) losses on lease modifications related primarily to the early termination of lease agreements for certain of the Company’s retail locations. Operating lease costs for these retail locations prior to the early termination were included in cost of product sales.

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 nine months ended October 30, 2021, variable lease costs included certain rent concessions of approximately $2.6 million and $14.5 million, respectively, received by the Company, primarily in Europe, related to the COVID-19 pandemic. During the three and nine months ended October 31, 2020, variable lease costs included certain rent concessions of approximately $8.0 million and $18.4 million, respectively, received by the Company, primarily in Europe, related to the COVID-19 pandemic.

Maturities of the Company's operating and finance lease liabilities as of October 30, 2021 are (in thousands):

Maturity of Lease Liabilities	Operating Leases: Non-Related Parties	Operating Leases: Related Parties	Finance Leases	Total
2022[1]	$ 82,693	$ 2,235	$ 1,607	$ 86,535
2023	185,312	7,695	5,911	198,918
2024	154,744	7,916	5,796	168,456
2025	112,165	7,284	3,864	123,313
2026	81,444	6,892	2,959	91,295
After 2026	201,303	36,265	2,995	240,563
Total lease payments	817,661	68,287	23,132	909,080
Less: Interest	66,551	10,853	3,071	80,475
Present value of lease liabilities	$ 751,110	$ 57,434	$ 20,061	$ 828,605

Notes:

1 Represents the maturity of lease liabilities for the remainder of fiscal 2022 and also includes rent payments that have been deferred due to the COVID-19 pandemic. This amount does not include payments made during the nine months ended October 30, 2021.

Other supplemental information is (dollars in thousands):

Lease Term and Discount Rate	Oct 30, 2021
Weighted-average remaining lease term	
Operating leases	6.1 years
Finance leases	4.4 years
Weighted-average discount rate	
Operating leases	3.4%
Finance leases	6.8%

Supplemental Cash Flow Information	Nine Months Ended Oct 30, 2021	Nine Months Ended Oct 31, 2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 167,444	$ 133,776
New operating ROU assets obtained in exchange for lease liabilities	$ 99,603	$ 49,810

Impairment

During the three and nine months ended October 30, 2021, there were $0.7 million ROU asset impairment charges recorded primarily in Europe. During the three and nine months ended October 31, 2020, the Company recorded ROU asset impairment charges of $5.6 million and $42.1 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. Refer to Note 15 for more information on the Company's impairment testing.

(3) Earnings (Loss) per Share

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 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 (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	Oct 30, 2021	Oct 31, 2020	Oct 30, 2021	Oct 31, 2020
Net earnings (loss) attributable to Guess?, Inc.	$ 29,880	$ 26,376	$ 102,948	$ (151,648)
Less net earnings attributable to nonvested restricted stockholders	336	340	1,116	93
Net earnings (loss) attributable to common stockholders	$ 29,544	$ 26,036	$ 101,832	$ (151,741)
Weighted average common shares used in basic computations	64,373	62,789	64,248	64,561
Effect of dilutive securities: Stock options, convertible senior notes and restricted stock units[1]	1,479	790	1,645	—
Weighted average common shares used in diluted computations	65,852	63,579	65,893	64,561
Net earnings (loss) per common share attributable to common stockholders:				
Basic	$ 0.46	$ 0.41	$ 1.58	$ (2.35)
Diluted	$ 0.45	$ 0.41	$ 1.55	$ (2.35)

Notes:

1 For the nine months ended October 31, 2020, there were 397,099 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.

During the three months ended October 30, 2021 and October 31, 2020, equity awards granted for 1,341,973 and 3,610,026, respectively, of the Company’s common shares and for the nine months ended October 30, 2021 and October 31, 2020, equity awards granted for 475,584 and 3,792,552, 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 nine months ended October 30, 2021, there were 465,590 nonvested stock units which are subject to the achievement of market-based vesting conditions that were excluded from the computation of diluted weighted average common shares and common equivalent shares outstanding as the respective conditions were not achieved as of October 30, 2021. For the three and nine months ended October 31, 2020, the Company excluded 525,875 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 October 31, 2020.

The conversion spread on the Company’s convertible senior notes has 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 initial conversion price of $25.78 per share of common stock, subject to adjustment upon the occurrence of certain events.

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 October 30, 2021 and October 31, 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 nine months ended October 30, 2021 and October 31, 2020.

(4) Stockholders' Equity

Share Repurchase Program

On August 23, 2021, the Company's Board of Directors terminated the previously authorized 2012 share repurchase program (which had $47.8 million capacity remaining) and authorized a new program (the "2021 Share Repurchase Program") to repurchase, from time-to-time and as market and business conditions warrant, up to $200 million of the Company's common stock. Repurchases may be made on the open market or in privately negotiated transactions, pursuant to Rule 10b5-1 trading plans or other available means. There is no minimum or maximum number of shares to be repurchased under the program and the program may be discontinued at any time, without prior notice.

During the three and nine months ended October 30, 2021, there were no shares repurchased under the Company's 2021 or 2012 Share Repurchase Program. There were 4,000,000 shares repurchased at an aggregate cost of $38.8 million under the 2012 program during the nine months ended October 31, 2020. The shares were repurchased during the three months ended August 1, 2020. As of October 30, 2021, the Company had remaining authority under the 2021 Share Repurchase Program to purchase $200 million of its common stock.

Dividends

The following sets forth the cash dividend declared per share:

	Three Months Ended		Nine Months Ended	
	Oct 30, 2021	Oct 31, 2020	Oct 30, 2021	Oct 31, 2020
Cash dividend declared per share	$ 0.1125	$ 0.1125	$ 0.3375	$ 0.1125

On November 23, 2021, the Company announced an increase to its regular quarterly cash dividend from $0.1125 to $0.225 per share on the Company's common stock. In connection with the increase to the quarterly cash dividend, the Company will adjust the conversion rate (which is expected to increase) and the conversion price (which is expected to decrease) of the convertible senior notes in accordance with the terms of the indenture governing the convertible senior notes, to be effective as of December 7, 2021. Refer to Note 17 for more information.

During the first and second quarters 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, in light of the uncertainties related to the COVID-19 pandemic. The Company resumed 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.

For each of the periods presented, dividends paid also included the impact from vesting of restricted stock units that are considered non-participating securities and are only entitled to dividend payments once the respective awards vest.

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 the Company's 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, are (in thousands):

	Foreign Currency Translation Adjustment	Derivative Financial Instruments Designated as Cash Flow Hedges	Defined Benefit Plans	Total
		Three Months Ended Oct 30, 2021		
Balance at July 31, 2021	$ (113,728)	$ (602)	$ (9,598)	$ (123,928)
Gains (losses) arising during the period	(7,283)	2,701	48	(4,534)
Reclassification to net earnings for losses realized	—	1,185	77	1,262
Net other comprehensive income (loss)	(7,283)	3,886	125	(3,272)
Balance at October 30, 2021	$ (121,011)	$ 3,284	$ (9,473)	$ (127,200)
		Nine Months Ended Oct 30, 2021		
Balance at January 30, 2021	$ (105,970)	$ (4,876)	$ (9,829)	$ (120,675)
Gains (losses) arising during the period	(15,041)	5,725	125	(9,191)
Reclassification to net earnings for losses realized	—	2,435	231	2,666
Net other comprehensive income (loss)	(15,041)	8,160	356	(6,525)
Balance at October 30, 2021	$ (121,011)	$ 3,284	$ (9,473)	$ (127,200)
		Three Months Ended Oct 31, 2020		
Balance at August 1, 2020	$ (121,119)	$ (1,499)	$ (8,991)	$ (131,609)
Gains (losses) arising during the period	(2,209)	1,286	(2)	(925)
Reclassification to net earnings for (gains) losses realized	—	(1,553)	74	(1,479)
Net other comprehensive income (loss)	(2,209)	(267)	72	(2,404)
Balance at October 31, 2020	$ (123,328)	$ (1,766)	$ (8,919)	$ (134,013)
		Nine Months Ended Oct 31, 2020		
Balance at February 1, 2020	$ (137,289)	$ 6,300	$ (8,921)	$ (139,910)
Gains (losses) arising during the period	13,961	(2,546)	(214)	11,201
Reclassification to net loss for (gains) losses realized	—	(5,520)	216	(5,304)
Net other comprehensive income (loss)	13,961	(8,066)	2	5,897
Balance at October 31, 2020	$ (123,328)	$ (1,766)	$ (8,919)	$ (134,013)

Details on reclassifications out of accumulated other comprehensive income (loss) to net earnings (loss) are (in thousands):

	Three Months Ended		Nine Months Ended		Location of (Gain) Loss Reclassified from Accumulated OCI into Earnings (Loss)
	Oct 30, 2021	Oct 31, 2020	Oct 30, 2021	Oct 31, 2020	
Derivative financial instruments designated as cash flow hedges:					
Foreign exchange currency contracts	$ 1,270	$ (1,804)	$ 2,561	$ (6,299)	Cost of product sales
Interest rate swap	72	67	203	112	Interest expense
Less income tax effect	(157)	184	(329)	667	Income tax expense (benefit)
	1,185	(1,553)	2,435	(5,520)	
Defined benefit plans:					
Net actuarial loss amortization	106	101	317	294	Other income (expense)
Prior service credit amortization	(16)	(17)	(50)	(49)	Other income (expense)
Less income tax effect	(13)	(10)	(36)	(29)	Income tax expense (benefit)
	77	74	231	216	
Total reclassifications during the period	$ 1,262	$ (1,479)	$ 2,666	$ (5,304)	

(5) Accounts Receivable

Accounts receivable is summarized as follows (in thousands):

	Oct 30, 2021	Jan 30, 2021
Trade	$ 290,758	$ 288,782
Royalty	33,414	20,565
Other	9,341	19,000
	333,513	328,347
Less allowances	12,217	14,200
	$ 321,296	$ 314,147

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):

	Oct 30, 2021	Jan 30, 2021
Raw materials	$ 440	$ 53
Work in progress	—	43
Finished goods	482,035	389,048
	$ 482,475	$ 389,144

The balances include an allowance to write down inventories to the lower of cost or net realizable value of $33.5 million and $35.5 million as of October 30, 2021 and January 30, 2021, respectively.

(7) Income Taxes

Intra-Entity Transaction

During the quarter ended October 30, 2021, the Company completed an intra-entity transfer of intellectual property rights from a U.S. entity to a wholly-owned Swiss subsidiary, more closely aligning the Company's intellectual property rights with its business operations. This transaction resulted in a taxable gain in the U.S. The U.S. taxable gain generated by this intercompany transfer of intellectual property was primarily offset by the recognition of a deferred income tax asset in the Swiss subsidiary.

Effective Tax Rate

Income tax expense for the interim periods was computed using the income tax rate estimated to be applicable for the full fiscal year, adjusted for discrete items. The Company's effective income tax rate was an expense of 28.7% for the nine months ended October 30, 2021, compared to a benefit of 8.8% for the nine months ended October 31, 2020. The change in the effective income tax rate was primarily due to: (1) earnings for the nine months ended October 30, 2021 compared to losses for the same prior-year period; (2) a shift in the distribution of earnings among the Company's tax jurisdictions compared to the same prior-year period; (3) an income tax benefit recorded in fiscal 2021 resulting from a change in income tax rates related to the ability to carryback net operating losses to income tax years with a higher federal corporate tax rate, partially offset by a valuation allowance for cumulative net operating losses limiting the Company's ability to recognize deferred tax assets; and (4) the net impact of the intra-entity transfer of intellectual property rights.

The intra-entity transfer of intellectual property rights occurring during the quarter ended October 30, 2021 resulted in a U.S. income tax expense of approximately $105 million. The U.S. tax expense generated by this intercompany transfer of intellectual property was substantially offset by the recognition of a deferred income tax asset in the Swiss subsidiary of approximately $102 million. The net impact to the Company's income tax expense for the quarter ended October 30, 2021 for this transaction was approximately $3 million.

For the intra-entity transfer of the intellectual property rights, the Company made a U.S. income tax payment of $80.4 million in the quarter ended October 30, 2021, with a remaining estimated $27 million currently expected to be paid in January 2022. The Company estimates it will take between 5 and 10 years to amortize the Swiss deferred income tax asset.

Unrecognized Tax Benefit

From time-to-time, the Company is subject to routine income and other income tax audits on various income tax matters around the world in the ordinary course of business. As of October 30, 2021, several income tax audits were ongoing for various periods in multiple jurisdictions. These audits could conclude with an assessment of additional income 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 income tax liability which the Company, more likely than not, will incur as a result of the ultimate resolution of income tax audits ("uncertain income tax positions").

The Company had aggregate gross accruals for uncertain income tax positions, including penalties and interest, of $62.2 million and $40.0 million as of October 30, 2021 and January 30, 2021, respectively. This includes an accrual of $19.9 million for the estimated transition tax (excluding interest) related to the 2017 Tax Cuts and Jobs Act (the "Tax Reform") and $20.6 million for the intra-entity transfer of intellectual property rights, substantially offset by the related deferred income tax benefit, from a U.S. entity to a wholly-owned Swiss subsidiary. The Company reviews and updates the estimates used in the accrual for uncertain income tax positions, as appropriate, as more definitive information or interpretations become available from income taxing authorities, and on the completion of income tax audits, the receipt of assessments, expiration of statutes of limitations, or occurrence of other events.

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

Permanent Reinvestment Assertion

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. As of October 30, 2021, the Company determined that approximately $7.0 million of such foreign earnings are no longer indefinitely reinvested. The incremental tax cost to repatriate these earnings to the U.S. is immaterial. 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. It is not practicable to estimate the amount of tax that might be payable if these earnings were repatriated due to the complexities associated with the hypothetical calculation.

(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 modifications, 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.

Net revenue and earnings (loss) from operations are summarized (in thousands):

	Three Months Ended		Nine Months Ended	
	Oct 30, 2021	Oct 31, 2020	Oct 30, 2021	Oct 31, 2020
Net revenue:				
Americas Retail	$ 169,617	$ 130,328	$ 511,449	$ 314,977
Americas Wholesale	58,999	35,971	154,287	82,131
Europe	330,736	321,574	895,311	633,898
Asia	57,137	61,978	160,610	152,554
Licensing	26,581	19,433	70,039	44,514
Total net revenue	$ 643,070	$ 569,284	$ 1,791,696	$ 1,228,074
Earnings (loss) from operations:				
Americas Retail	$ 24,070	$ 473	$ 82,260	$ (40,904)
Americas Wholesale	17,316	8,247	41,815	11,559
Europe	44,509	51,476	100,124	27,865
Asia	(2,399)	1,415	(9,054)	(24,729)
Licensing	24,402	18,228	63,987	39,833
Total segment earnings from operations	107,898	79,839	279,132	13,624
Corporate overhead	(38,069)	(25,058)	(95,960)	(71,167)
Asset impairment charges[1]	(1,152)	(10,335)	(3,094)	(75,276)
Net gains (losses) on lease modifications[2]	(3,006)	21	(441)	450
Total earnings (loss) from operations	$ 65,671	$ 44,467	$ 179,637	$ (132,369)

Notes:

1. During the three and nine months ended October 30, 2021 and October 31, 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 and expected store closures. Refer to Note 2 and Note 15 for more information regarding these asset impairment charges.
2. During the three and nine months ended October 30, 2021 and October 31, 2020, amounts recorded represent net gains (losses) on lease modifications related primarily to the early termination of certain lease agreements.

The 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		Nine Months Ended	
	Oct 30, 2021	Oct 31, 2020	Oct 30, 2021	Oct 31, 2020
Net revenue:				
U.S.	$ 165,077	$ 116,205	$ 502,408	$ 282,872
Italy	62,835	77,050	175,191	133,073
Germany	46,314	43,321	133,196	88,059
Canada	41,447	31,691	102,512	72,542
Spain	34,000	30,217	91,244	63,594
South Korea	35,383	32,681	89,994	82,997
Other foreign countries	231,433	218,686	627,112	460,423
Total product sales	616,489	549,851	1,721,657	1,183,560
Net royalties	26,581	19,433	70,039	44,514
Net revenue	$ 643,070	$ 569,284	$ 1,791,696	$ 1,228,074

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 (in thousands):

	Oct 30, 2021	Jan 30, 2021
Term loans	$ 52,316	$ 56,765
Finance lease obligations	20,061	22,063
Mortgage debt	18,021	18,507
Borrowings under credit facilities	7,116	7,332
Other	2,902	2,597
	100,416	107,264
Less current installments	32,960	38,710
Long-term debt and finance lease obligations	$ 67,456	$ 68,554

Term Loans

As a precautionary measure to ensure financial flexibility and maintain maximum liquidity in response to the COVID-19 pandemic, the Company entered into term loans with certain banks primarily in Europe during the fiscal year ended January 30, 2021. These loans are primarily unsecured, have terms ranging from one-to-five years and provide annual interest rates ranging between 0.8% to 2.2%. As of October 30, 2021 and January 30, 2021, the Company had outstanding borrowings of $52.3 million and $56.8 million under these borrowing arrangements, 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%. During fiscal 2021, the Company also entered into finance leases for equipment used in its European distribution centers located in Italy. These finance lease obligations totaled $17.9 million and $18.4 million as of October 30, 2021 and January 30, 2021, respectively.

The Company also has smaller finance leases related primarily to computer hardware and software. As of October 30, 2021 and January 30, 2021, these finance lease obligations totaled $2.2 million and $3.7 million, respectively.

Mortgage Debt

During fiscal 2017, the Company entered into a ten-year $21.5 million real estate secured loan (the “Mortgage Debt”) which is secured by the Company’s U.S. distribution center based in Louisville, Kentucky. 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.

Credit Facilities

During fiscal 2021, the Company entered into an amendment of its senior secured asset-based revolving credit facility with Bank of America, N.A. and other lenders (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 October 30, 2021, the Company could have borrowed up to $118 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. As of October 30, 2021, 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 borrowing agreements, primarily for working capital purposes, with various banks in Europe. Some of these agreements include certain equity-based financial covenants. As of October 30, 2021, the Company had no outstanding borrowings, no outstanding documentary letters of credit and $131.9 million available for future borrowings under these agreements. The agreements are denominated primarily in euros and provide for annual interest rates ranging from 0.9% to 1.1%.

The Company, through its China subsidiary, maintains a short-term uncommitted bank borrowing agreement that provides for a borrowing capacity up to $30 million, primarily for working capital purposes. The Company had $7.1 million in outstanding borrowings under this agreement as of October 30, 2021 and $7.3 million in outstanding borrowings under this agreement as of January 30, 2021.

The Company, through its Japan subsidiary, maintains a short-term uncommitted bank borrowing agreement that provides for a borrowing capacity up to $4.4 million, primarily for working capital purposes. The Company had no outstanding borrowings under this agreement as of October 30, 2021 and January 30, 2021.

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. 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. In connection with the increase to the quarterly cash dividend announced on November 23, 2021, the Company will adjust the conversion rate (which is expected to increase) and the conversion price (which is expected to decrease) of the convertible senior notes in accordance with the terms of the indenture governing the convertible senior notes, to be effective as of December 7, 2021. 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. As of October 30, 2021, none of the conditions allowing holders of the Notes to convert had been met. The Company expects to settle the principal amount of the Notes in 2024 in cash and any excess in shares.

The Company separated the Notes into liability and equity components. The liability component was recorded at fair value. The equity component represented the difference between the proceeds from the issuance of the Notes and the fair value of the liability component. The excess of the liability component over its carrying amount (“debt discount”) is being amortized to interest expense over the term of the Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification.

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. 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 being amortized to interest expense over the term of the Notes.

During the three and nine months ended October 30, 2021, the Company recorded $2.8 million and $8.3 million, respectively, of interest expense related to the amortization of the debt discount. During the three and nine months ended October 31, 2020, the Company recorded approximately $2.6 million and $7.8 million, respectively, of interest expense related to the amortization of the debt discount.

The Notes consist of the following (in thousands):

	Oct 30, 2021	Jan 30, 2021
Liability component:		
Principal	$ 300,000	$ 300,000
Unamortized debt discount	(30,280)	(38,623)
Unamortized issuance costs	(2,121)	(2,763)
Net carrying amount	$ 267,599	$ 258,614
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 October 30, 2021 and January 30, 2021, the fair value, net of unamortized debt discount and issuance costs, of the Notes was approximately $298.5 million and $303.5 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. In connection with the increase to the quarterly cash dividend announced on November 23, 2021, an adjustment is expected to be made to the strike prices with respect to the convertible note hedges and the warrants, each of which will be decreased in accordance with the terms of the convertible note hedge confirmations and warrant confirmations, respectively. 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. 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 $8.8 million in connection with the debt discount associated with the Notes and a deferred tax asset of $9.7 million in connection with the convertible note hedge transactions for each of the periods ended October 30, 2021 and January 30, 2021. 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 summarizes the share-based compensation expense recognized under all of the Company's stock plans (in thousands):

	Three Months Ended		Nine Months Ended	
	Oct 30, 2021	Oct 31, 2020	Oct 30, 2021	Oct 31, 2020
Stock options	$ 862	$ 1,006	$ 2,676	$ 2,521
Stock awards/units	5,311	3,693	12,221	11,754
Employee Stock Purchase Plan	33	41	171	254
Total share-based compensation expense	$ 6,206	$ 4,740	$ 15,068	$ 14,529

Unrecognized compensation cost related to nonvested stock options and nonvested stock awards/units totaled approximately $5.2 million and $29.5 million, respectively, as of October 30, 2021. This cost is expected to be recognized over a weighted average period of 1.7 years.

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 following summarizes the activity for nonvested performance-based units during the nine months ended October 30, 2021:

	Number of Units	Weighted Average Grant Date Fair Value
Nonvested at January 30, 2021	769,632	$ 16.15
Granted	242,898	26.40
Vested	(166,761)	14.07
Forfeited	(201,956)	21.83
Nonvested at October 30, 2021	643,813	$ 18.78

Market-Based Awards

The Company has granted certain nonvested stock units subject to market-based vesting conditions to select executive officers. These market-based awards include (i) units where 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 and (ii) units scheduled to vest based on the attainment of certain absolute stock price levels over a four-year period. Vesting is also subject to continued service requirements through the vesting date.

The following summarizes the activity for nonvested market-based units during the nine months ended October 30, 2021:

	Number of Units	Weighted Average Grant Date Fair Value
Nonvested at January 30, 2021	509,012	$ 8.67
Granted[1]	494,623	21.48
Vested[1]	(125,822)	20.28
Nonvested at October 30, 2021	877,813	$ 14.22

Notes:

1 As a result of the achievement of certain market-based vesting conditions, there were 41,955 shares that vested in addition to the original target number of shares granted in fiscal 2019.

(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 owned by, affiliated with, or 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 Entities").

Leases

The Company leases warehouse and administrative facilities, including the Company's corporate headquarters in Los Angeles, California, from partnerships affiliated with the Marciano Entities and certain of their affiliates. There were four of these leases in effect as of October 30, 2021 with expiration or option exercise dates ranging from calendar years 2023 to 2030.

Aggregate lease costs recorded under these four related party leases were approximately $6.4 million and $4.1 million for the nine months ended October 30, 2021 and October 31, 2020, respectively. The Company believes the terms of the related party leases have not been significantly affected by the fact the Company and the lessors are related.

Aircraft Arrangements

The Company periodically charters aircraft owned by the Marciano Entities through informal arrangements with the Marciano Entities and independent third-party management companies contracted by such Marciano Entities to manage their aircraft. The total fees paid under these arrangements for the nine months ended October 30, 2021 and October 31, 2020 were approximately $2.8 million and $2.0 million, respectively.

Minority Investment

The Company owns a 30% interest in a privately held men's footwear company (the "Footwear Company") in which the Marciano Entities also own a 45% interest. In December 2020, the Company provided the Footwear Company with a revolving credit facility for $2.0 million, which provides for an annual interest rate of 2.75% and matures in November 2023. As of both October 30, 2021 and January 30, 2021, the Company had a note receivable of $0.2 million included in other assets in its condensed consolidated balance sheets related to outstanding borrowings by the Footwear Company under this revolving credit facility.

(13) Commitments and Contingencies

Investment Commitments

As of October 30, 2021, the Company had an unfunded commitment to invest €1.0 million ($1.2 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, the Company 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 ($11.3 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 ($11.2 million) of these favorable MFDTC judgments with the Appeals Court. To date, €8.5 million ($9.8 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 has appealed 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.

On January 19, 2021, a former model for the Company filed an action against Mr. Paul Marciano and the Company in the California Superior Court in Los Angeles (Jane Doe v. Paul Marciano, et al.). The complaint asserts several claims based on allegations that the former model was treated improperly by Mr. Marciano and retaliated against by the Company. The complaint seeks an unspecified amount of general damages, medical expenses, lost earnings, punitive damages and attorneys' fees. The case has been moved to arbitration and is still at an early stage. Mr. Marciano and the Company dispute these claims fully and intend to contest them vigorously. In March and April 2021, the Company received separate communications from two other individuals containing similar allegations against Mr. Marciano and the Company. Each individual who contacted the Company in March and April is represented by the same attorney who represents the plaintiff in the January action. Though no complaint was filed with respect to the allegations in the March letter and Mr. Marciano and the Company disputed each of those allegations fully, in order to avoid the cost of litigation and without admitting liability or fault, the Company and Mr. Marciano entered into a settlement agreement with the individual who sent the March letter, resolving the claims for an aggregate total amount of $300,000 in July 2021.

On October 22, 2021, the individual who sent the April letter filed an action against Mr. Marciano and the Company in the United States District Court for the Central District of California (Jane Doe 3 v. Paul Marciano, et al.). The complaint asserts a claim under the Trafficking Victims Protection Act based on allegations that the individual was treated improperly by Mr. Marciano. The complaint seeks an unspecified amount of compensatory damages, punitive damages and attorneys' fees. Mr. Marciano and the Company also dispute these claims fully and intend to contest them vigorously.

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"). 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 $0.4 million and $0.9 million as of October 30, 2021 and January 30, 2021, 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 $9.4 million and $3.0 million as of October 30, 2021 and January 30, 2021, respectively.

The redeemable noncontrolling interests of Guess Brazil and Guess CIS put arrangements are recorded at the greater of their carrying values, adjusted for their share of the allocation of income or loss, dividends and foreign currency translation adjustments, or redemption values. As of October 30, 2021, the redeemable noncontrolling interest redemption value adjustment was $5.7 million.

A reconciliation of the total carrying amount of redeemable noncontrolling interests is (in thousands):

	Nine Months Ended	
	Oct 30, 2021	Oct 31, 2020
Beginning balance	$ 3,920	$ 4,731
Redeemable noncontrolling interest redemption value adjustment	5,654	—
Foreign currency translation adjustment	177	(991)
Ending balance	$ 9,751	$ 3,740

(14) Defined Benefit Plans

Supplemental Executive Retirement Plan

The Company's Supplemental Executive Retirement Plan ("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 cash surrender values of the insurance policies were $73.0 million and $72.1 million as of October 30, 2021 and January 30, 2021, 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 $0.1 million and $2.3 million in other income (expense) during the three and nine months ended October 30, 2021, respectively, and unrealized gains (losses) of $(0.3) million and $1.7 million in other income (expense) during the three and nine months ended October 31, 2020, respectively. The projected benefit obligation was $51.7 million and $52.3 million as of October 30, 2021 and January 30, 2021, 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 $0.5 million and $1.4 million were made during the three and nine months ended October 30, 2021, respectively. SERP benefit payments of $0.4 million and $1.3 million were made during the three and nine months ended October 31, 2020, 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. 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 October 30, 2021 and January 30, 2021, the foreign pension plans had a total projected benefit obligation of $40.4 million and $41.5 million, respectively, and plan assets held in independent investment fiduciaries of $34.1 million and $35.0 million, respectively. The net liability of $6.3 million and $6.4 million was included in other long-term liabilities in the Company's condensed consolidated balance sheets as of October 30, 2021 and January 30, 2021, respectively.

The components of net periodic defined benefit pension cost related to the Company's defined benefit plans are (in thousands):

	SERP	Foreign Pension Plans	Total
	Three Months Ended Oct 30, 2021		
Service cost	$ —	$ 781	$ 781
Interest cost	289	18	307
Expected return on plan assets	—	(51)	(51)
Net amortization of unrecognized prior service credit	—	(16)	(16)
Net amortization of actuarial losses	21	85	106
Net periodic defined benefit pension cost	$ 310	$ 817	$ 1,127
	Nine Months Ended Oct 30, 2021		
Service cost	$ —	$ 2,364	$ 2,364
Interest cost	866	56	922
Expected return on plan assets	—	(155)	(155)
Net amortization of unrecognized prior service credit	—	(50)	(50)
Net amortization of actuarial losses	61	256	317
Net periodic defined benefit pension cost	$ 927	$ 2,471	$ 3,398
	Three Months Ended Oct 31, 2020		
Service cost	$ —	$ 809	$ 809
Interest cost	319	8	327
Expected return on plan assets	—	(48)	(48)
Net amortization of unrecognized prior service credit	—	(17)	(17)
Net amortization of actuarial losses	10	91	101
Net periodic defined benefit pension cost	$ 329	$ 843	$ 1,172
	Nine Months Ended Oct 31, 2020		
Service cost	$ —	$ 2,339	$ 2,339
Interest cost	958	23	981
Expected return on plan assets	—	(138)	(138)
Net amortization of unrecognized prior service credit	—	(49)	(49)
Net amortization of actuarial losses	30	264	294
Net periodic defined benefit pension cost	$ 988	$ 2,439	$ 3,427

(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 are based on the best information available, including the Company's own data.

The following presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis (in thousands):

	Fair Value Measurements at Oct 30, 2021				Fair Value Measurements at Jan 30, 2021			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:								
Foreign exchange currency contracts	$ —	$ 4,371	$ —	$ 4,371	$ —	$ —	$ —	$ —
Total	$ —	$ 4,371	$ —	$ 4,371	$ —	$ —	$ —	$ —
Liabilities:								
Foreign exchange currency contracts	$ —	$ —	$ —	$ —	$ —	$ 4,481	$ —	$ 4,481
Interest rate swap	—	399	—	399	—	999	—	999
Deferred compensation obligations	—	17,932	—	17,932	—	15,612	—	15,612
Total	$ —	$ 18,331	$ —	$ 18,331	$ —	$ 21,092	$ —	$ 21,092

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 €3.6 million ($4.2 million) and €2.4 million ($3.0 million) in other assets in the Company's condensed consolidated balance sheets related to its investment in a private equity fund for the periods ended October 30, 2021 and January 30, 2021, respectively. 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. As of October 30, 2021, the Company had an unfunded commitment to invest an additional €1.0 million ($1.2 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 October 30, 2021 and January 30, 2021, 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 Company also evaluates impairment risk for retail locations that are expected to be closed in the foreseeable future. The Company has flagship locations that 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 following: 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 nine months ended October 30, 2021 and October 31, 2020 and could continue to impact the Company's operations in ways the Company is not able to predict today due to the evolving 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 $1.2 million and $3.1 million during the three and nine months ended October 30, 2021, respectively. The Company recognized $0.7 million impairment on ROU assets primarily in Europe in the three and nine months ended October 30, 2021. The Company recognized $0.5 million and $2.4 million in impairment of property and equipment related to certain retail locations primarily in Europe and Asia during the three and nine months ended October 30, 2021, respectively. This compares to asset impairment charges of $10.3 million and $75.3 million during the three and nine months ended October 31, 2020, respectively. The Company recognized $5.6 million and $42.1 million in impairment of certain operating lease ROU assets primarily in North America and Europe during the three and nine months ended October 31, 2020, respectively. The Company recognized $4.7 million and $33.2 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 nine months ended October 31, 2020, 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 COVID-19 pandemic materially impacted the Company's businesses beginning in the first quarter of fiscal 2021. As a result, the Company concluded that a triggering event had occurred resulting in the need to perform quantitative interim impairment testing on the Company's goodwill and flagship assets as of May 2,

2020. The testing concluded that the fair values of the respective reporting units exceeded their carrying amounts as of May 2, 2020. Accordingly, the Company did not record any asset impairment charges on its goodwill or flagship assets. In performing its assessment, the Company believed it made reasonable accounting estimates based on the facts and circumstances that were available as of the testing date in light of the evolving 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.

The COVID-19 pandemic has continued to impact the Company's businesses during the first nine months of fiscal 2022. During the three months ended October 30, 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.

(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 October 30, 2021, 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 is (in thousands):

	Fair Value at Oct 30, 2021	Fair Value at Jan 30, 2021	Derivative Balance Sheet Location
ASSETS:			
Derivatives designated as hedging instruments:			
Cash flow hedges:			
Foreign exchange currency contracts	$ 3,825	$ —	Other current assets/ Other assets
Total derivatives designated as hedging instruments	3,825	—	
Derivatives not designated as hedging instruments:			
Foreign exchange currency contracts	546	—	Other current assets
Total	$ 4,371	$ —	
LIABILITIES:			
Derivatives designated as hedging instruments:			
Cash flow hedges:			
Foreign exchange currency contracts	$ —	$ 3,326	Accrued expenses/ Other long-term liabilities
Interest rate swap	399	999	Other long-term liabilities
Total derivatives designated as hedging instruments	399	4,325	
Derivatives not designated as hedging instruments:			
Foreign exchange currency contracts	—	1,155	Accrued expenses
Total	$ 399	$ 5,480	

Derivatives Designated as Hedging Instruments

Foreign Exchange Currency Contracts Designated as Cash Flow Hedges

During the nine months ended October 30, 2021, the Company purchased U.S. dollar forward contracts in Europe totaling US$132.0 million that were designated as cash flow hedges. As of October 30, 2021, the Company had forward contracts outstanding for its European operations of US$136.0 million to hedge forecasted merchandise purchases, which are expected to mature over the next 15 months.

As of October 30, 2021, accumulated other comprehensive income (loss) related to foreign exchange currency contracts included a $3.6 million net unrealized gain, net of tax, of which $2.8 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 January 30, 2021, the Company had forward contracts outstanding for its European operations of US$100.0 million that were designated as cash flow hedges.

Interest Rate Swap Agreement Designated as Cash Flow Hedge

As of October 30, 2021, accumulated other comprehensive income (loss) related to the interest rate swap agreement included a net unrealized loss of $0.3 million, net of tax, which will be recognized in interest expense 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.

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The following summarizes the gains (losses) before income taxes recognized on derivative instruments designated as cash flow hedges in OCI and net earnings (loss) (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)	
	Oct 30, 2021	Oct 31, 2020		Oct 30, 2021	Oct 31, 2020
			Three Months Ended		
Derivatives designated as cash flow hedges:					
Foreign exchange currency contracts	$ 2,797	$ 1,314	Cost of product sales	$ (1,270)	$ 1,804
Interest rate swap	275	151	Interest expense	(72)	(67)
			Nine Months Ended		
Derivatives designated as cash flow hedges:					
Foreign exchange currency contracts	$ 6,089	$ (2,034)	Cost of product sales	$ (2,561)	$ 6,299
Interest rate swap	397	(862)	Interest expense	(203)	(112)

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

	Three Months Ended		Nine Months Ended	
	Oct 30, 2021	Oct 31, 2020	Oct 30, 2021	Oct 31, 2020
Beginning balance gain (loss)	$ (602)	$ (1,499)	$ (4,876)	$ 6,300
Net gains (losses) from changes in cash flow hedges	2,701	1,286	5,725	(2,546)
Net (gains) losses reclassified into earnings (loss)	1,185	(1,553)	2,435	(5,520)
Ending balance gain (loss)	$ 3,284	$ (1,766)	$ 3,284	$ (1,766)

Foreign Exchange Currency Contracts Not Designated as Hedging Instruments

As of October 30, 2021, the Company had euro foreign exchange currency contracts to purchase US$14.0 million expected to mature over the next one month. As of January 30, 2021, the Company had euro foreign exchange currency contracts to purchase US$19.0 million.

The following summarizes the gains (losses) before income taxes recognized on derivative instruments not designated as hedging instruments in other income (expense) (in thousands):

	Location of Gain (Loss) Recognized in Earnings (Loss)	Gain (Loss) Recognized in Earnings (Loss)			
		Three Months Ended		Nine Months Ended	
		Oct 30, 2021	Oct 31, 2020	Oct 30, 2021	Oct 31, 2020
Foreign exchange currency contracts	Other income (expense)	$ 360	$ 506	$ 916	$ (3,112)

(17) Subsequent Events

Dividends

On November 23, 2021, the Company announced an increase to its regular quarterly cash dividend from $0.1125 to $0.225 per share on the Company’s common stock. The cash dividend will be paid on December 24, 2021 to shareholders of record as of the close of business on December 8, 2021. In connection with the increase to the quarterly cash dividend, the Company will adjust the conversion rate (which is expected to increase) and the conversion price (which is expected to decrease) of the convertible senior notes in accordance with the terms of the indenture governing the convertible senior notes, to be effective as of December 7, 2021. A corresponding adjustment is expected to be made to the strike prices with respect to the convertible note hedges and the warrants entered into by the Company in connection with the offering of the convertible senior notes, each of which will be decreased in accordance with the terms of the convertible note hedge confirmations and warrant confirmations, respectively.

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.

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 our other reports filed under the Securities Exchange Act of 1934, as amended, in our press releases and in other documents.

Except for historical information contained herein, certain matters discussed in this Quarterly Report, including statements concerning the potential actions and impacts related to the COVID-19 pandemic; statements concerning our future outlook; statements concerning our expectations, goals, future prospects, global cost reduction opportunities, profitability efforts, capital allocation plans, cash needs and current business strategies and strategic initiatives; and statements expressing optimism or pessimism about future operating results and growth opportunities are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements, which are frequently indicated by terms such as "expect," "could," "will," "should," "goal," "strategy," "believe," "estimate," "continue," "outlook," "plan," "create," "see," and similar terms, are only expectations, and involve known and unknown risks and uncertainties, which may cause actual results in future periods to differ materially from what is currently anticipated. 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 us and our partners; our ability to successfully negotiate rent relief or other lease-related terms with our landlords; our ability to maintain adequate levels of liquidity; changes to estimates related to impairments, inventory and other reserves, including the impact of the CARES Act, 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 successfully implement or update information technology systems, including enhancing our global omni-channel capabilities; 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, income tax and other regulatory proceedings; risks related to the income tax treatment of our third quarter fiscal 2022 intra-entity transfer of intellectual property rights from certain U.S. entities to a wholly-owned Swiss subsidiary; risks related to the complexity of the 2017 Tax Cuts and Jobs Act (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 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 income tax or tariff policy, including changes to tariffs on imports into the U.S.; accounting adjustments to our unaudited financial statements identified during the completion of our annual independent audit of financial statements and financial controls or from subsequent events arising after issuance of this release; 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 income tax rates and economic and market conditions in the various countries in which we operate. In addition to these factors, the economic, technological, managerial, and other risks identified in Part I, Item 1A. Risk Factors of our most recent Annual Report on Form 10-K, as such risk factors may be updated in our other filings with the Securities and Exchange Commission, could cause actual results to differ materially from current expectations. The current global economic climate, length and severity of the COVID-19 pandemic, and uncertainty surrounding potential changes in U.S. policies and regulations may amplify many of these risks. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

COVID-19 Business Update

The coronavirus (or "COVID-19") pandemic is continuing to negatively impact our businesses. Although we achieved slightly higher net revenue during the third quarter of fiscal 2022 compared to the third quarter of fiscal 2020, we remained challenged by lower traffic and capacity restrictions. In addition, while we began the third quarter of fiscal 2022 with 100% of our directly operated stores open for business, we started to incur a new round of government-mandated temporary store closures toward the end of the quarter. This resulted in the closure of less than 5% of our directly operated stores as of October 30, 2021, mostly in Europe, the impact of which was minimal to our third quarter results. As of November 29, 2021, approximately 1% of our directly operated stores were closed.

The COVID-19 crisis has also contributed to disruptions in the overall global supply chain, leading to industry-wide product delays and higher freight costs. We have been working actively to mitigate these headwinds to the extent possible through a number of global supply chain initiatives.

In light of the fluid nature of the pandemic, we continue to carefully monitor global and regional developments, such as the recent spread of the Omicron variant, and respond appropriately. We also continue to strategically manage expenses in order to protect profitability and to mitigate, to the extent possible, the effect of the supply chain disruptions.

Business Segments

Our businesses are grouped into five reportable segments for management and internal financial reporting purposes: Americas Retail, Americas Wholesale, Europe, Asia and Licensing. Our Americas Retail, Americas Wholesale, Europe and Licensing reportable segments are the same as their respective operating segments. Certain components of our 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 modifications, restructuring charges and certain non-recurring credits (charges), if any. We believe this segment reporting reflects how our business segments are managed and how each segment's performance is evaluated by our chief operating decision maker to assess performance and make resource allocation decisions. 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. 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.

In addition, 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, we may be exposed to volatility related to unrealized gains or losses on the translation of the present value of future lease payment obligations when translated at the exchange rate as of a reporting period-end.

During the first nine months of fiscal 2022, the average U.S. dollar rate was weaker against the euro, Canadian dollar, Chinese yuan, Mexican peso, Korean won and British pound and stronger against the Japanese yen, Russian rouble and Turkish lira compared to the average rate in the same prior-year period. This had an overall favorable impact on the translation of our international revenues and on earnings from operations for the nine months ended October 30, 2021 compared to the same prior-year period.

If the U.S. dollar strengthens in fiscal 2022 relative to the respective fiscal 2021 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 2022, particularly in Canada, Europe (primarily with respect to the euro, Turkish lira and Russian rouble) and Mexico. Alternatively, if the U.S. dollar weakens relative to the respective fiscal 2021 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 2022, particularly in these regions.

We enter 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 and updated in March 2021, Carlos Alberini, our 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 several years. These priorities are: (i) brand relevancy; (ii) product excellence; (iii) customer centricity; (iv) global footprint; 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 also plan to elevate our brand and improve the quality of our products, allowing us to realize more full-priced sales and rely less on promotional activity. We will continue to use unique go-to-market strategies and execute celebrity and influencer partnerships and collaborations as we believe that they are critical to engage more effectively with a younger and broader audience.

Product Excellence. We believe product is a key factor of success in our business. We strive to design and make great products and 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.

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.

Functional Capabilities. We expect to drive material operational improvements in the next three 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.

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 and logistics 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. In addition, we plan to continue to return value to shareholders through dividends and opportunistic share repurchases.

Comparable Store Sales

Except as described below in connection with the COVID-19 pandemic, we report 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 (including as a result of pandemic-related closures) 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 us may differ from similarly titled measures reported by other companies.

As a result of significant and varying temporary store closures and other various restrictions during the COVID-19 pandemic, we have not disclosed any comparable store sales measures when discussing the results of operations for the three and nine months ended October 30, 2021, compared to the three and nine months ended October 31, 2020. We believe that comparable store sales measures between these periods are not meaningful to the evaluation of our results due to such COVID-19 variations.

Other

We operate on a 52/53-week fiscal year calendar which ends on the Saturday nearest to January 31 of each year. The nine months ended October 30, 2021 had the same number of days as the nine months ended October 31, 2020.

Executive Summary

Overview

Given the significant impacts to our business that began in fiscal 2021 as a result of the COVID-19 pandemic, this Executive Summary includes highlights of our performance for the three and nine months ended October 30, 2021 compared to both (a) the three and nine months ended November 2, 2019 (the pre-COVID periods from two years prior) and (b) the three and nine months ended October 31, 2020 (the COVID-impacted periods from one year ago). Management believes the additional comparison to the two-year ago period is helpful to provide additional context to the current year results.

Net earnings attributable to Guess?, Inc. increased 140.5% to $29.9 million, or diluted earnings per share ("EPS") of $0.45, for the quarter ended October 30, 2021 compared to $12.4 million, or diluted EPS of $0.18 for the quarter ended November 2, 2019. Net earnings attributable to Guess?, Inc. increased 13.3% for the quarter ended October 30, 2021 compared to $26.4 million, or diluted earnings per share of $0.41 for the quarter ended October 31, 2020.

During the quarter ended October 30, 2021, we recognized $1.2 million of asset impairment charges; $3.0 million net losses on lease modifications; $0.6 million of certain professional service and legal fees and related (credits) costs; $2.8 million of amortization of debt discount related to our convertible senior notes; and $5.9 million in additional income tax expense from certain discrete income tax adjustments related primarily to an intra-entity transfer of intellectual property rights to a wholly-owned Swiss subsidiary (or a combined $11.7 million, or $0.17 per share, negative impact after considering the related income tax benefit of $1.7 million). Excluding the impact of these items, adjusted net earnings attributable to Guess?, Inc. were $41.6 million and adjusted diluted EPS was $0.62 for the quarter ended October 30, 2021. References to financial results excluding the impact of these items are non-GAAP measures and are addressed under "Non-GAAP Measures."

Third Quarter Fiscal 2022 Results Compared to Third Quarter Fiscal 2020

For the third quarter of fiscal 2022, we recorded net earnings attributable to Guess?, Inc. of $29.9 million, a 140.5% increase from $12.4 million for the third quarter of fiscal 2020. Diluted EPS increased 150.0% to $0.45 for the third quarter of fiscal 2022 compared to $0.18 for the third quarter of fiscal 2020. We estimate a net positive impact from our share buybacks and convertible notes transaction of $0.04 and a negative impact from currency of $0.12 on diluted EPS in the third quarter of fiscal 2022 when compared to the third quarter of fiscal 2020.

Net Revenue. Total net revenue for the third quarter of fiscal 2022 increased 4.4% to $643.1 million from $615.9 million in the third quarter of fiscal 2020. In constant currency, net revenue increased by 2.1%.

Earnings from Operations. Earnings from operations for the third quarter of fiscal 2022 increased 190.0% to $65.7 million (including $3.0 million net losses on lease modifications, $1.2 million non-cash impairment charges taken on certain long-lived store related assets and a $2.0 million unfavorable currency translation impact) from $22.6 million (including $1.8 million in non-cash impairment charges taken on certain long-lived store related assets) in the third quarter of fiscal 2020. Operating margin in the third quarter of fiscal 2022 increased 6.5% to 10.2%, from 3.7% in the third quarter of fiscal 2020, driven primarily by lower markdowns, higher initial markups, overall leveraging of expenses and lower occupancy costs, partially offset by higher performance-based compensation costs. The negative impact of currency on operating margin for the quarter was approximately 40 basis points.

Third Quarter Fiscal 2022 Results Compared to Third Quarter Fiscal 2021

For the third quarter of fiscal 2022, we recorded net earnings attributable to Guess?, Inc. of $29.9 million, a 13.3% increase from $26.4 million for the third quarter of fiscal 2021. Diluted EPS increased 9.8% to $0.45 for the third quarter of fiscal 2022, compared to $0.41 for the same prior-year quarter. We estimate a minimal impact from our share buybacks and convertible notes transaction and a positive impact from currency of $0.02 on diluted EPS in the third quarter of fiscal 2022 when compared to the same prior-year quarter.

Net Revenue. Total net revenue for the third quarter of fiscal 2022 increased 13.0% to $643.1 million, from $569.3 million in the same prior-year quarter. In constant currency, net revenue increased by 12.8%.

Earnings from Operations. Earnings from operations for the third quarter of fiscal 2022 increased 47.7% to $65.7 million (including $3.0 million net losses on lease modifications, $1.2 million non-cash impairment charges taken on certain long-lived store related assets and a $0.2 million favorable currency translation impact), from $44.5 million (including $10.3 million in non-cash impairment charges taken on certain long-lived store related assets and minimal net gains on lease modifications) in the same prior-year quarter. Operating margin in the third quarter of fiscal 2022 increased 2.4% to 10.2% from 7.8% in the same prior-year quarter, driven primarily by lower non-cash impairment charges, lower markdowns, higher initial markups and overall leveraging of expenses, partially offset by higher performance-based compensation costs. The positive impact of currency on operating margin for the quarter was approximately 60 basis points.

Nine-Month Period Fiscal 2022 Results Compared to Nine-Month Period Fiscal 2020

For the nine months ended October 30, 2021, we recorded net earnings of $102.9 million, compared to $16.4 million for the nine months ended November 2, 2019. Diluted EPS was $1.55 for the nine months ended October 30, 2021, compared to $0.22 for the nine months ended November 2, 2019. We estimate a net positive impact from our share buybacks and convertible notes transaction of $0.19 and a negative currency impact of $0.18 on diluted EPS for the nine months ended October 30, 2021 when compared to the nine months ended November 2, 2019.

Net Revenue. Total net revenue for the first nine months of fiscal 2022 decreased 2.4% to $1.79 billion from $1.84 billion for the nine months ended November 2, 2019. In constant currency, net revenue decreased by 4.8%.

Earnings from Operations. Earnings from operations for the first nine months of fiscal 2022 were $179.6 million (including $0.4 million net losses on lease modifications, $3.1 million non-cash impairment charges taken on certain long-lived store related assets and a $3.9 million unfavorable currency translation impact), compared to $44.2 million (including $5.1 million non-cash impairment charges taken on certain long-lived store related assets) for the nine months ended November 2, 2019. Operating margin for the first nine months of fiscal 2022 increased 7.6% to 10.0%, from 2.4% for the nine months ended November 2, 2019, driven primarily by higher initial markups, lower occupancy costs and lower markdowns. The negative impact of currency on operating margin for the first nine months of fiscal 2022 was approximately 50 basis points.

Nine-Month Period Fiscal 2022 Results Compared to Nine-Month Period Fiscal 2021

For the nine months ended October 30, 2021, we recorded net earnings of $102.9 million, compared to a net loss of $151.6 million for the nine months ended October 31, 2020. Diluted EPS was $1.55 for the nine months ended October 30, 2021, compared to diluted loss per share of $2.35 during the same prior-year period. We estimate a net positive impact from our share buybacks and convertible notes transaction and currency of $0.05 and $0.12, respectively, on diluted EPS for the nine months ended October 30, 2021 when compared to the same prior-year period.

Net Revenue. Total net revenue for the first nine months of fiscal 2022 increased 45.9% to $1.79 billion, from $1.23 billion in the same prior-year period. In constant currency, net revenue increased by 41.7%.

Earnings (Loss) from Operations. Earnings from operations for the first nine months of fiscal 2022 were $179.6 million (including $0.4 million net losses on lease modifications, $3.1 million non-cash impairment charges taken on certain long-lived store related assets and a $1.8 million favorable currency translation impact), compared to a loss from operations of $132.4 million (including $0.5 million net gains on lease modifications and $75.3 million non-cash impairment charges taken on certain long-lived store related assets) in the same prior-year period. Operating margin in the first nine months of fiscal 2022 increased 20.8% to 10.0%, from negative 10.8% in the same prior-year period, driven primarily by overall leveraging of expenses, lower non-cash impairment charges and lower markdowns. The positive impact of currency on operating margin for the nine months ended October 30, 2021 was approximately 20 basis points.

Key Balance Sheet Accounts

- We had $391.1 million in cash and cash equivalents and $0.2 million in restricted cash as of October 30, 2021 compared to $365.3 million in cash and cash equivalents and $0.2 million in restricted cash at October 31, 2020.
  - For the intra-entity transfer of the intellectual property rights, the Company made a U.S. income tax payment of $80.4 million in the quarter ended October 30, 2021.
  - As of October 30, 2021, we had $52.3 million in outstanding borrowings under our term loans and $7.1 million in outstanding borrowings under our credit facilities compared to $51.9 million in outstanding borrowings under our term loans and $9.2 million in outstanding borrowings under our credit facilities as of October 31, 2020.
  - There were no share repurchases during the nine months ended October 30, 2021. During the nine months ended October 31, 2020, we repurchased 4.0 million shares of our common stock for $38.8 million.
- Accounts receivable consists of trade receivables relating primarily to our wholesale business in Europe and, to a lesser extent, to our wholesale businesses in the Americas and Asia, royalty receivables relating to our licensing operations, credit card and retail concession receivables related to our retail businesses and certain other receivables. Accounts receivable increased by $20.9 million, or 6.9%, to $321.3 million as of October 30, 2021 compared to $300.4 million at October 31, 2020. On a constant currency basis, accounts receivable increased by $22.4 million, or 7.5%, when compared to October 31, 2020.
- Inventory increased by $89.3 million, or 22.7%, to $482.5 million as of October 30, 2021, from $393.2 million at October 31, 2020. On a constant currency basis, inventory increased by $86.8 million, or 22.1%, when compared to October 31, 2020.

Global Store Count

In the third quarter of fiscal 2022, together with our partners, we opened 40 new stores worldwide, consisting of 27 stores in Europe and the Middle East, and 13 stores in Asia and the Pacific. Together with our partners, we closed 27 stores worldwide, consisting of 13 stores in Asia and the Pacific, 12 stores in Europe and the Middle East, one store in the U.S. and one store in South America.

We ended the third quarter of fiscal 2022 with stores and concessions worldwide comprised as follows:

	Stores			Concessions		
Region	Total	Directly-Operated	Partner Operated	Total	Directly-Operated	Partner Operated
United States	244	243	1	1	—	1
Canada	74	74	—	—	—	—
Central and South America	105	70	35	29	29	—
Total Americas	423	387	36	30	29	1
Europe and the Middle East	760	540	220	46	46	—
Asia and the Pacific	427	125	302	268	103	165
Total	1,610	1,052	558	344	178	166

Of the total stores, 1,340 were GUESS? stores, 177 were GUESS? Accessories stores, 59 were G by GUESS (GbG) stores and 34 were MARCIANO stores.

Results of Operations

Three Months Ended October 30, 2021 and October 31, 2020

Consolidated Results

The following presents our condensed consolidated statements of income (in thousands, except per share data):

	Three Months Ended					
	Oct 30, 2021		Oct 31, 2020			
	$	%	$	%	$ change	% change
Net revenue	$ 643,070	100.0 %	$ 569,284	100.0 %	$ 73,786	13.0 %
Cost of product sales	349,466	54.3 %	329,764	57.9 %	19,702	6.0 %
Gross profit	293,604	45.7 %	239,520	42.1 %	54,084	22.6 %
Selling, general and administrative expenses	223,775	34.8 %	184,739	32.5 %	39,036	21.1 %
Asset impairment charges	1,152	0.2 %	10,335	1.8 %	(9,183)	(88.9 %)
Net (gains) losses on lease modifications	3,006	0.5 %	(21)	(0.0 %)	3,027	(14,414.3 %)
Earnings from operations	65,671	10.2 %	44,467	7.8 %	21,204	47.7 %
Interest expense, net	(5,063)	(0.8 %)	(5,247)	(0.9 %)	184	(3.5 %)
Other expense, net	(7,800)	(1.2 %)	(6,521)	(1.2 %)	(1,279)	19.6 %
Earnings before income tax expense	52,808	8.2 %	32,699	5.7 %	20,109	61.5 %
Income tax expense	20,441	3.2 %	5,145	0.9 %	15,296	297.3 %
Net earnings	32,367	5.0 %	27,554	4.8 %	4,813	17.5 %
Net earnings attributable to noncontrolling interests	2,487	0.4 %	1,178	0.2 %	1,309	111.1 %
Net earnings attributable to Guess?, Inc.	$ 29,880	4.6 %	$ 26,376	4.6 %	3,504	13.3 %
Net earnings per common share attributable to common stockholders:						
Basic	$ 0.46		$ 0.41		$ 0.05	
Diluted	$ 0.45		$ 0.41		$ 0.04	
Effective income tax rate	38.7 %		15.7 %			

Net Revenue. In constant currency, net revenue increased by 12.8%, driven by positive comparable sales resulting from increased store traffic and higher average unit retail, higher wholesale shipments, new stores, and higher e-commerce and licensing revenues, partially offset by permanent store closures. Currency translation fluctuations relating to our foreign operations favorably impacted net revenue by $1.0 million compared to the same prior-year period.

Gross Margin. Gross margin increased 3.6% for the quarter ended October 30, 2021 compared to the same prior-year period, of which 2.2% was due to lower occupancy rate and 1.4% was due to higher product margin. The lower occupancy rate resulted primarily from higher revenue and lower occupancy costs. The higher product margin was mainly driven by the favorable impact from lower markdowns and higher initial markups, partially offset by higher freight costs.

Gross Profit. Gross profit increased by $54.1 million for the quarter ended October 30, 2021 compared to the same prior-year period primarily due to the favorable impact from higher revenue, lower markdowns, higher initial markups, and lower occupancy costs, partially offset by higher freight costs. Currency translation fluctuations relating to our foreign operations favorably impacted gross profit by $0.3 million.

We include inbound freight charges, purchasing costs and related overhead, retail store occupancy costs, including lease costs and depreciation and amortization, and a portion of our distribution costs related to our retail business in cost of product sales. We also include net royalties received on our inventory purchases of licensed product as a reduction to cost of product sales. Our 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 us, generally exclude wholesale-related distribution costs from gross margin, including them instead in selling, general and administrative (“SG&A”) expenses. Additionally, some entities include retail store occupancy costs in SG&A expenses and others, like us, include retail store occupancy costs in cost of product sales.

SG&A Rate. Our SG&A rate increased 2.3% for the quarter ended October 30, 2021 from the same prior-year period driven primarily by higher performance-based compensation costs and higher variable expenses, partially offset by leveraging of expenses due to higher revenues.

SG&A Expenses. SG&A expenses increased by $39.0 million for the quarter ended October 30, 2021 from the same prior-year period driven primarily by higher variable expenses and higher performance-based compensation costs in the current year quarter. Currency translation fluctuations relating to our foreign operations unfavorably impacted SG&A expenses by $0.1 million.

Asset Impairment Charges. During the quarter ended October 30, 2021, we recognized $0.7 million for impairment of certain operating lease right-of-use (“ROU”) assets and $0.5 million of property and equipment impairment charges related to certain retail locations compared to impairments of $5.6 million for ROU assets and $4.7 million for property and equipment during the quarter ended October 31, 2020, resulting from lower revenue and future cash flow projections from the ongoing effects of the COVID-19 pandemic and expected store closures. Currency translation fluctuations relating to our foreign operations had minimal favorable impact on asset impairment charges.

Net (Gains) Losses on Lease Modifications. During the three months ended October 30, 2021 and October 31, 2020, we recorded net losses on lease modifications of $3.0 million and minimal amount of net gains on lease modifications, respectively, related primarily to the early termination of lease agreements for certain of our retail locations.

Operating Margin. Operating margin increased 2.4% for the quarter ended October 30, 2021 compared to the same prior-year period driven primarily by lower non-cash impairment charges, lower markdowns, higher initial markups, and overall leveraging of expenses, partially offset by higher performance-based compensation costs and net losses from lease modifications. Lower asset impairment charges, partially offset by net losses compared to net gains from lease modifications, favorably impacted operating margin by 1.2% during the quarter ended October 30, 2021 compared to the same prior-year period. Excluding the impact of lower asset impairment charges, net losses compared to net gains on lease modifications and lower separation charges, our operating margin would have increased 1.2% compared to the same prior-year period. The positive impact of currency on operating margin for the quarter was approximately 60 basis points.

Earnings from Operations. As a result of our operating results, earnings from operations increased by $21.2 million for the quarter ended October 30, 2021 compared to the same prior-year period. Currency translation fluctuations relating to our foreign operations favorably impacted earnings from operations by $0.2 million.

Other Expense, Net. The change was driven primarily by market volatility which resulted in higher net unrealized losses on the translation of foreign currency balances compared to the same prior-year period.

Income Tax Expense. Income tax expense for the quarter ended October 30, 2021 was $20.4 million, or a 38.7% effective income tax rate, compared to income tax expense of $5.1 million, or a 15.7% effective income tax rate in the same prior-year period. Generally, income taxes for the interim periods are computed using the income 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.

Net Earnings Attributable to Guess?, Inc. Net earnings attributable to Guess?, Inc. increased $3.5 million for the three months ended October 30, 2021 compared to the same prior-year period. Diluted EPS increased $0.04 for the three months ended October 30, 2021 compared to the same prior-year quarter. We estimate a minimal impact from our share buybacks and convertible notes transaction and a positive impact from currency of $0.02 on diluted EPS in the third quarter of fiscal 2022 when compared to the same prior-year quarter.

Refer to “Non-GAAP Measures” for an overview of our non-GAAP, or adjusted, financial results for the three months ended October 30, 2021 and October 31, 2020. Excluding the impact of these non-GAAP items, adjusted net earnings attributable to Guess?, Inc. increased $4.2 million and adjusted diluted EPS increased $0.04 for the three months ended October 30, 2021 compared to the same prior-year quarter. We estimate minimal impact from our share buybacks and our convertible notes transaction and a positive impact from currency of $0.02 on adjusted diluted EPS in the third quarter of fiscal 2022 when compared to the same prior-year quarter.

Information by Business Segment

The following presents our net revenue and earnings (loss) from operations by segment (in thousands):

	Three Months Ended			
	Oct 30, 2021	Oct 31, 2020	$ change	% change
Net revenue:				
Americas Retail	$ 169,617	$ 130,328	$ 39,289	30.1 %
Americas Wholesale	58,999	35,971	23,028	64.0 %
Europe	330,736	321,574	9,162	2.8 %
Asia	57,137	61,978	(4,841)	(7.8 %)
Licensing	26,581	19,433	7,148	36.8 %
Total net revenue	$ 643,070	$ 569,284	73,786	13.0 %
Earnings (loss) from operations:				
Americas Retail	$ 24,070	$ 473	23,597	4,988.8 %
Americas Wholesale	17,316	8,247	9,069	110.0 %
Europe	44,509	51,476	(6,967)	(13.5 %)
Asia	(2,399)	1,415	(3,814)	(269.5 %)
Licensing	24,402	18,228	6,174	33.9 %
Total segment earnings from operations	107,898	79,839	28,059	35.1 %
Corporate overhead	(38,069)	(25,058)	(13,011)	51.9 %
Asset impairment charges	(1,152)	(10,335)	9,183	(88.8 %)
Net gains (losses) on lease modifications	(3,006)	21	(3,027)	(14,414.3 %)
Total earnings from operations	$ 65,671	$ 44,467	21,204	47.7 %
Operating margins:				
Americas Retail	14.2 %	0.4 %		
Americas Wholesale	29.3 %	22.9 %		
Europe	13.5 %	16.0 %		
Asia	(4.2 %)	2.3 %		
Licensing	91.8 %	93.8 %		
Total Company	10.2 %	7.8 %		

Americas Retail

Net revenue from our Americas Retail segment increased by $39.3 million for the quarter ended October 30, 2021 from the same prior-year period. In constant currency, net revenue increased by 28.5% due primarily to higher comparable sales driven by higher store traffic and average unit retail, slightly offset by permanent store closures. As of October 30, 2021, we directly operated 387 stores in the Americas compared to 402 stores at October 31, 2020, excluding concessions, which represents a 3.7% decrease from the same prior-year period. Currency translation fluctuations relating to our non-U.S. retail stores and e-commerce sites favorably impacted net revenue by $2.1 million.

Operating margin increased 13.8% for the quarter ended October 30, 2021 from the same prior-year quarter driven primarily by overall leveraging of expenses, lower markdowns and higher initial markups, partially offset by higher freight costs.

Earnings from operations from our Americas Retail segment increased by $23.6 million for the quarter ended October 30, 2021 from the same prior-year period due primarily to the favorable impact on earnings from higher revenue, lower markdowns and higher initial markups.

Americas Wholesale

Net revenue from our Americas Wholesale segment increased by $23.0 million for the quarter ended October 30, 2021 from the same prior-year period. In constant currency, net revenue increased by 61.0%, driven primarily by increased demand in our U.S. wholesale business. Currency translation fluctuations relating to our non-U.S. wholesale businesses favorably impacted net revenue by $1.1 million.

Operating margin increased 6.4% for the quarter ended October 30, 2021 compared to the same prior-year quarter due mainly to leveraging of expenses and higher initial markups.

Earnings from operations from our Americas Wholesale segment increased by $9.1 million for the quarter ended October 30, 2021 from the same prior-year period. The increase reflects the favorable impact on earnings from higher revenue and higher initial markups.

Europe

Net revenue from our Europe segment increased by $9.2 million for the quarter ended October 30, 2021 compared to the same prior-year period. In constant currency, net revenue increased by 3.6% driven primarily by increased demand, partially offset by an unfavorable shift in wholesale shipments. As of October 30, 2021, we directly operated 540 stores in Europe compared to 511 stores at October 31, 2020, excluding concessions, which represents a 5.7% increase from the same prior-year period. Currency translation fluctuations relating to our European operations unfavorably impacted net revenue by $2.4 million.

Operating margin decreased 2.5% for the quarter ended October 30, 2021 compared to the same prior-year quarter driven primarily by higher expenses and higher freight costs.

Earnings from operations from our Europe segment decreased by $7.0 million for the quarter ended October 30, 2021 compared to the same prior-year period driven primarily by an unfavorable shift in wholesale shipments, higher expenses and higher freight costs, partially offset by increased demand. Currency translation fluctuations relating to our European operations unfavorably impacted earnings from operations by $0.4 million.

Asia

Net revenue from our Asia segment decreased by $4.8 million for the quarter ended October 30, 2021 from the same prior-year period. In constant currency, net revenue decreased by 8.1%, due primarily to lower comparable sales driven by reduced store traffic resulting from the COVID-19 pandemic. Currency translation fluctuations relating to our Asian operations favorably impacted net revenue by $0.2 million.

Operating margin decreased 6.5% for the quarter ended October 30, 2021 from the same prior-year quarter driven primarily by the deleveraging of expenses due to lower revenue.

Loss from operations from our Asia segment was $2.4 million for the quarter ended October 30, 2021, compared to earnings from operations of $1.4 million in the same prior-year period. The deterioration was driven primarily by the unfavorable impact from lower revenue. Currency translation fluctuations relating to our Asia operations unfavorably impacted loss from operations by $0.2 million.

Licensing

Net royalty revenue from our Licensing segment increased by $7.1 million for the quarter ended October 30, 2021 from the same prior-year period due primarily to higher demand and strong performance in handbags, footwear, perfume and watches.

Earnings from operations from our Licensing segment increased by $6.2 million for the quarter ended October 30, 2021 from the same prior-year period mainly due to the favorable impact on earnings from higher revenue.

Corporate Overhead

Unallocated corporate overhead increased by $13.0 million for the quarter ended October 30, 2021 compared to the same prior-year period primarily due to higher performance-based compensation costs and higher overall discretionary expenses.

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Nine months ended October 30, 2021 and October 31, 2020

Consolidated Results

The following presents our condensed consolidated statements of income (loss) (in thousands, except per share data):

	Nine Months Ended					
	Oct 30, 2021		Oct 31, 2020			
	$	%	$	%	$ change	% change
Net revenue	$ 1,791,696	100.0 %	$ 1,228,074	100.0 %	$ 563,622	45.9 %
Cost of product sales	992,448	55.4 %	807,297	65.7 %	185,151	22.9 %
Gross profit	799,248	44.6 %	420,777	34.3 %	378,471	89.9 %
Selling, general and administrative expenses	616,076	34.4 %	478,320	39.0 %	137,756	28.8 %
Asset impairment charges	3,094	0.2 %	75,276	6.1 %	(72,182)	(95.9 %)
Net (gains) losses on lease modifications	441	0.0 %	(450)	(0.0 %)	891	(198.0 %)
Earnings (loss) from operations	179,637	10.0 %	(132,369)	(10.8 %)	312,006	(235.7 %)
Interest expense, net	(16,163)	(0.9 %)	(15,604)	(1.3 %)	(559)	3.6 %
Other expense, net	(11,502)	(0.6 %)	(20,553)	(1.6 %)	9,051	(44.0 %)
Earnings (loss) before income tax expense (benefit)	151,972	8.5 %	(168,526)	(13.7 %)	320,498	(190.2 %)
Income tax expense (benefit)	43,588	2.4 %	(14,850)	(1.2 %)	58,438	(393.5 %)
Net earnings (loss)	108,384	6.1 %	(153,676)	(12.5 %)	262,060	(170.5 %)
Net earnings (loss) attributable to noncontrolling interests	5,436	0.3 %	(2,028)	(0.2 %)	7,464	(368.0 %)
Net earnings (loss) attributable to Guess?, Inc.	$ 102,948	5.8 %	$ (151,648)	(12.3 %)	254,596	(167.9 %)
Net earnings (loss) per common share attributable to common stockholders:						
Basic	$ 1.58		$ (2.35)		$ 3.93	
Diluted	$ 1.55		$ (2.35)		$ 3.90	
Effective income tax rate	28.7 %		8.8 %			

Net Revenue. In constant currency, net revenue increased by 41.7% driven primarily by lower comparable sales due to reduced store traffic and temporary store closures resulting from the COVID-19 pandemic in the same prior-year period and, to a lesser extent, revenue growth in our European and Americas wholesale businesses and a shift in European wholesale shipments into fiscal 2022. Currency translation fluctuations relating to our foreign operations favorably impacted net revenue by $52.0 million, compared to the same prior-year period.

Gross Margin. Gross margin increased 10.3% for the nine months ended October 30, 2021 compared to the same prior-year period, of which 8.0% was due to lower occupancy rate and 2.3% was due to higher product margin mainly driven by lower markdowns, higher initial markups and significant inventory reserves in Asia included in the prior-year period. The lower occupancy rate was primarily driven by overall leveraging of expenses.

Gross Profit. Gross profit increased 89.9% or $378.5 million for the nine months ended October 30, 2021 compared to the same prior-year period primarily due to the favorable impact on gross profit from higher revenue, lower markdowns and higher initial markups. Currency translation fluctuations relating to our foreign operations favorably impacted gross profit by $19.0 million.

SG&A Rate. Our SG&A rate decreased 4.6% for the nine months ended October 30, 2021 from the same prior-year period, driven by overall leveraging of expenses due mainly to higher revenues.

SG&A Expenses. SG&A expenses increased by $137.8 million for the nine months ended October 30, 2021 from the same prior-year period driven primarily by higher variable expenses and higher performance-based compensation costs in the current year period, as well as lower payroll and lower overall discretionary expenses due to significant COVID-19 impacts in the same prior-year period. Currency translation fluctuations relating to our foreign operations unfavorably impacted SG&A expenses by $17.4 million.

Asset Impairment Charges. During the nine months ended October 30, 2021, we recognized $0.7 million for impairment charges of certain ROU assets and $2.4 million for 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 and expected store closures. This compares to $42.1 million in impairment of certain ROU assets and $33.2 million for property and equipment and related to certain retail locations resulting from under-performance and expected store closures during the nine months ended October 31, 2020. Currency translation fluctuations relating to our foreign operations favorably impacted asset impairment charges by $0.1 million.

Net (Gains) Losses on Lease Modifications. During the nine months ended October 30, 2021 and October 31, 2020, we recorded net losses on lease modifications of $0.4 million and net gains on lease modifications of $0.5 million, respectively, related primarily to the early termination of lease agreements for certain of our retail locations.

Operating Margin. Operating margin increased 20.8% for the nine months ended October 30, 2021 compared to the same prior-year period driven primarily by overall leveraging of expenses, lower non-cash impairment charges and lower markdowns. Lower asset impairment charges and lower separation charges favorably impacted operating margin by 6.1% during the nine months ended October 30, 2021 compared to the same prior-year period. Excluding the impact of these items, our operating margin would have increased 14.7% compared to the same prior-year period. The positive impact of currency on operating margin for the first nine months of fiscal 2022 was approximately 20 basis points.

Earnings (Loss) from Operations. As a result of our operating results, earnings from operations increased by $312.0 million for the nine months ended October 30, 2021 compared to a loss from operations in the same prior-year period. Currency translation fluctuations relating to our foreign operations favorably impacted earnings from operations by $1.8 million.

Other Expense, Net. Other expense, net decreased $9.1 million for the nine months ended October 30, 2021 compared to the same prior-year period driven primarily by market volatility which resulted in lower net unrealized losses on the translation of foreign currency balances compared to the same prior-year period.

Income Tax Expense (Benefit). Income tax expense for the nine months ended October 30, 2021 was $43.6 million, or a 28.7% effective income tax rate, compared to income tax benefit of $14.9 million, or an 8.8% effective income tax rate, in the same prior-year period. Generally, income taxes for the interim periods are computed using the income 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.

Net Earnings (Loss) Attributable to Guess?, Inc. Net earnings attributable to Guess?, Inc. increased $254.6 million for the nine months ended October 30, 2021 compared to a net loss attributable to Guess?, Inc. in the same prior-year period. Diluted EPS increased $3.90 for the nine months ended October 30, 2021 compared to diluted loss per share in the same prior-year period. We estimate a net positive impact from our share buybacks and convertible notes transaction and currency of $0.05 and $0.12, respectively, on diluted EPS for the nine months ended October 30, 2021 when compared to the same prior-year period.

Refer to “Non-GAAP Measures” for an overview of our non-GAAP, or adjusted, financial results for the nine months ended October 30, 2021 and October 31, 2020. Excluding the impact of these non-GAAP items, adjusted net earnings attributable to Guess?, Inc. increased $201.7 million and adjusted diluted EPS increased $3.06 for the nine months ended October 30, 2021 compared to an adjusted net loss attributable to Guess?, Inc. and adjusted diluted loss per share in the same prior-year period. We estimate our share buybacks and convertible notes transaction and currency had a net positive impact of $0.05 and $0.11, respectively, on adjusted diluted EPS during the nine months ended October 30, 2021 when compared to the same prior-year period.

Information by Business Segment

The following presents our net revenue and earnings (loss) from operations by segment (in thousands):

	Nine Months Ended			
	Oct 30, 2021	Oct 31, 2020	$ change	% change
Net revenue:				
Americas Retail	$ 511,449	$ 314,977	$ 196,472	62.4 %
Americas Wholesale	154,287	82,131	72,156	87.9 %
Europe	895,311	633,898	261,413	41.2 %
Asia	160,610	152,554	8,056	5.3 %
Licensing	70,039	44,514	25,525	57.3 %
Total net revenue	$ 1,791,696	$ 1,228,074	563,622	45.9 %
Earnings (loss) from operations:				
Americas Retail	$ 82,260	$ (40,904)	123,164	(301.1 %)
Americas Wholesale	41,815	11,559	30,256	261.8 %
Europe	100,124	27,865	72,259	259.3 %
Asia	(9,054)	(24,729)	15,675	(63.4 %)
Licensing	63,987	39,833	24,154	60.6 %
Total segment earnings from operations	279,132	13,624	265,508	1,948.8 %
Corporate overhead	(95,960)	(71,167)	(24,793)	34.8 %
Asset impairment charges	(3,094)	(75,276)	72,182	(95.9 %)
Net gains (losses) on lease modifications	(441)	450	(891)	(198.0 %)
Total earnings (loss) from operations	$ 179,637	$ (132,369)	312,006	(235.7 %)
Operating margins:				
Americas Retail	16.1 %	(13.0 %)		
Americas Wholesale	27.1 %	14.1 %		
Europe	11.2 %	4.4 %		
Asia	(5.6 %)	(16.2 %)		
Licensing	91.4 %	89.5 %		
Total Company	10.0 %	(10.8 %)		

Americas Retail

Net revenue from our Americas Retail segment increased by $196.5 million for the nine months ended October 30, 2021 compared to the same prior-year period. In constant currency, net revenue increased by 60.0% due primarily to lower comparable sales driven by reduced store traffic and temporary store closures resulting from the COVID-19 pandemic in the same prior-year period. The store base for the U.S. and Canada decreased by an average of 26 net stores during the nine months ended October 30, 2021 compared to the same prior-year period, resulting in a 6.3% net decrease. Currency translation fluctuations relating to our non-U.S. retail stores and e-commerce sites favorably impacted net revenue by $7.5 million.

Operating margin increased 29.1% for the nine months ended October 30, 2021 compared to the same prior-year period driven primarily by leveraging of expenses, and to a lesser extent, lower markdowns and higher initial markups.

Earnings from operations from our Americas Retail segment increased $123.2 million for the nine months ended October 30, 2021 compared to loss from operations in the same prior-year period primarily due to the favorable impact on earnings from higher revenue, and to a lesser extent, lower markdowns and higher initial markups.

Americas Wholesale

Net revenue from our Americas Wholesale segment increased by $72.2 million for the nine months ended October 30, 2021 from the same prior-year period. In constant currency, net revenue increased by 83.0%, driven primarily by our U.S. wholesale business due mainly to higher demand. Currency translation fluctuations relating to our non-U.S. wholesale businesses favorably impacted net revenue by $4.0 million.

Operating margin increased 13.0% for the nine months ended October 30, 2021 from the same prior-year period due primarily to leveraging of expenses and higher initial markups.

Earnings from operations from our Americas Wholesale segment increased by $30.3 million for the nine months ended October 30, 2021 from the same prior-year period, which reflects the favorable impact on earnings from higher revenue.

Europe

Net revenue from our Europe segment increased by $261.4 million for the nine months ended October 30, 2021 from the same prior-year period. In constant currency, net revenue increased by 35.8%, driven primarily by a shift in wholesale shipments into fiscal 2022 and increased demand. Currency translation fluctuations relating to our European operations favorably impacted net revenue by $34.2 million.

Operating margin increased 6.8% for the nine months ended October 30, 2021 from the same prior-year period, driven by overall leveraging of expenses due to a shift in wholesale shipments and increased demand, and lower markdowns, partially offset by higher freight expenses.

Earnings from operations from our Europe segment increased by $72.3 million for the nine months ended October 30, 2021 compared to the same prior-year period driven primarily by the favorable impact on earnings from higher revenue and lower markdowns, partially offset by higher freight expenses. Currency translation fluctuations relating to our European operations unfavorably impacted earnings from operations by $0.3 million.

Asia

Net revenue from our Asia segment increased by $8.1 million for the nine months ended October 30, 2021 compared to the same prior-year period. In constant currency, net revenue increased by 1.1% due primarily to lower comparable sales driven by reduced store traffic resulting from the COVID-19 pandemic in the same prior-year period, as well as new store openings, partially offset by permanent store closures. Currency translation fluctuations relating to our Asian operations favorably impacted net revenue by $6.3 million.

Operating margin improved 10.6% for the nine months ended October 30, 2021 from the same prior-year period, as the same prior-year period included significant inventory reserves.

Loss from operations from our Asia segment decreased by $15.7 million for the nine months ended October 30, 2021 from the same prior-year period driven primarily by significant inventory reserves in the same prior-year period. Currency translation fluctuations relating to our Asian operations unfavorably impacted loss from operations by $0.4 million.

Licensing

Net royalty revenue from our Licensing segment increased by $25.5 million for the nine months ended October 30, 2021 compared to the same prior-year period due primarily to higher demand and strong performance in footwear, handbags, perfume and watches.

Earnings from operations from our Licensing segment increased by $24.2 million for the nine months ended October 30, 2021 compared to the same prior-year period driven primarily by the favorable impact on earnings from higher revenue.

Corporate Overhead

Unallocated corporate overhead increased by $24.8 million for the nine months ended October 30, 2021 from the same prior-year period primarily due to higher performance-based compensation costs and higher overall discretionary expenses.

Non-GAAP Measures

The financial information presented in this Quarterly Report includes non-GAAP financial measures, such as adjusted results and constant currency financial information. For the three and nine months ended October 30, 2021 and October 31, 2020, the adjusted results exclude the impact of certain professional service and legal fees and related (credits) costs, certain separation charges, asset impairment charges, net (gains) losses on lease modifications, non-cash amortization of debt discount on our convertible senior notes, the related income tax impacts of these adjustments as well as certain discrete income tax adjustments related primarily to an intra-entity transfer of intellectual property rights to a wholly-owned Swiss subsidiary, in each case where applicable. These non-GAAP measures are provided in addition to, and not as alternatives for, our reported GAAP results.

These items affect the comparability of our 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. We have excluded these items from our adjusted financial measures primarily because we believe these items are not indicative of the underlying performance of our business and the adjusted financial information provided is useful for investors to evaluate the comparability of our operating results and our future outlook (when reviewed in conjunction with our GAAP financial statements).

A reconciliation of reported GAAP results to comparable non-GAAP results follows (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	Oct 30, 2021	Oct 31, 2020	Oct 30, 2021	Oct 31, 2020
Reported GAAP net earnings (loss) attributable to Guess?, Inc.	$ 29,880	$ 26,376	$ 102,948	$ (151,648)
Certain professional service and legal fees and related (credits) costs[1]	550	(195)	1,737	(56)
Separation charges[2]	—	703	—	3,383
Asset impairment charges[3]	1,152	10,335	3,094	75,276
Net (gains) losses on lease modifications[4]	3,006	(21)	441	(450)
Amortization of debt discount[5]	2,782	2,599	8,344	7,796
Discrete tax adjustments[6]	5,912	635	6,140	805
Income tax impact from adjustments[7]	(1,729)	(3,069)	(3,200)	(17,295)
Total adjustments affecting net earnings (loss) attributable to Guess?, Inc.	11,673	10,987	16,556	69,459
Adjusted net earnings (loss) attributable to Guess?, Inc.	$ 41,553	$ 37,363	$ 119,504	$ (82,189)
Net earnings (loss) per common share attributable to common stockholders:				
GAAP diluted	$ 0.45	$ 0.41	$ 1.55	$ (2.35)
Adjusted diluted	$ 0.62	$ 0.58	$ 1.79	$ (1.27)

Notes:

1 Amounts recorded represent certain professional service and legal fees and related (credits) costs, which we otherwise would not have incurred as part of our business operations.

2 Amounts represent certain separation-related charges due to headcount reduction in response to the pandemic and due to the separation of our former Chief Executive Officer.

3 Amounts represent asset impairment charges related primarily to impairment of operating lease right-of-use assets and 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 and expected store closures.

[4] Amounts recorded represent net (gains) losses on lease modifications related primarily to the early termination of certain lease agreements.

[5] In April 2019, we issued $300 million principal amount of 2.00% convertible senior notes due 2024 (the "Notes") in a private offering. We have separated the Notes into liability (debt) and equity (conversion option) components. The debt discount, which represents an amount equal to the fair value of the equity component, is amortized as non-cash interest expense over the term of the Notes.

[6] Amounts represent discrete income tax adjustments related primarily to the impacts from an intra-entity transfer of intellectual property rights to a wholly-owned Swiss subsidiary during the quarter ended October 30, 2021, impacts from cumulative valuation allowances and the income tax benefits from an income tax rate change due to net operating loss carrybacks.

[7] The income tax effect of certain professional service and legal fees and related (credits) costs, separation charges, asset impairment charges, net (gains) losses on lease modifications and the amortization of debt discount was based on our assessment of deductibility using the statutory income tax rate (inclusive of the impact of valuation allowances) of the tax jurisdiction in which the charges were incurred.

Our discussion and analysis herein also includes certain constant currency financial information. Foreign currency exchange rate fluctuations affect the amount reported from translating our 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. We provide 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, we estimate 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 nine months ended October 30, 2021, 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 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 modification payments, potential acquisitions and investments, expected income tax payments, 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 Facilities and proceeds from our term loans, as needed. 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.

Our outstanding convertible senior notes may be converted at the option of the holders as described in “Part I, Item 1, Financial Statements – Note 10 – Convertible Senior Notes and Related Transactions” of this Form 10-Q and in “Note 10 – Convertible Senior Notes and Related Transactions” of the Consolidated Financial Statements included in our Annual Report on Form 10-K. As of October 30, 2021, none of the conditions allowing holders of the convertibles notes to convert had been met. Pursuant to one of these conditions, if our stock trading price exceeds 130% of the conversion price of the convertible notes (currently $25.78) for at least 20 trading days during the 30 consecutive trading-day period ending on, and including, the last trading day of any calendar quarter, holders of the convertible notes would have the right to convert their convertible notes during the next calendar quarter. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, in the manner and subject to the terms and conditions provided in the indenture governing the convertible notes. The convertible note hedge transaction we entered into in connection with our issuance of the convertible notes is expected generally to reduce the potential dilution upon conversion of the convertible notes and/or offset any cash payments we are required to make in excess of the principal amount of convertible notes that are converted, as the case may be. We expect to settle the principal amount of our outstanding convertible senior notes in 2024 in cash and any excess in shares.

We have historically considered the undistributed earnings of our foreign subsidiaries to be indefinitely reinvested. As a result of the Tax Reform, we had a substantial amount of previously taxed earnings that could be distributed to the U.S. without additional U.S. taxation. We continue to evaluate our plans for reinvestment or repatriation of unremitted foreign earnings and regularly review our cash positions and determination of permanent reinvestment of foreign earnings. If we determine that all or a portion of such foreign earnings are no longer indefinitely reinvested, we may be subject to additional foreign withholding taxes and U.S. state income taxes, beyond the one-time transition tax. For example, as of October 30, 2021, the Company determined that approximately $7.0 million of such foreign earnings are no longer indefinitely reinvested. The incremental tax cost to repatriate these earnings to the U.S. is immaterial. We intend to indefinitely reinvest the remaining earnings from our foreign subsidiaries for which a deferred income tax liability has not already been recorded. It is not practicable to estimate the amount of income tax that might be payable if these earnings were repatriated due to the complexities associated with the hypothetical calculation. As of October 30, 2021, we had cash and cash equivalents of $391.1 million, of which approximately $192.0 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 and “Part I, Item 1A. Risk Factors” contained in our most recent Annual Report on Form 10-K for the fiscal year ended January 30, 2021 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, we have taken certain actions with respect to certain of our existing leases, including engaging with landlords to discuss rent deferrals as well as other rent concessions. Throughout the COVID-19 pandemic, we have suspended rental payments and/or paid reduced rental amounts with respect to certain of our retail stores that were closed or experiencing drastically reduced customer traffic as a result of the COVID-19 pandemic. During fiscal 2022 and 2021, we have successfully negotiated with several landlords, including some of our larger landlords and have received rent abatement benefits as well as new lease terms for some of our affected leases. We continue to engage in discussions with additional affected landlords in an effort to achieve appropriate rent relief and other lease concessions and, in some cases, to terminate existing leases. In some instances, where negotiations with landlords have proven unsuccessful, we are engaged in litigation related to rent obligations both during the COVID-19 pandemic and through the term of the lease.

Nine Months Ended October 30, 2021 and October 31, 2020

Operating Activities

Net cash provided by operating activities was $4.6 million for the nine months ended October 30, 2021, compared to $98.4 million for the nine months ended October 31, 2020, or a deterioration of $93.8 million. This deterioration was driven primarily by unfavorable changes in working capital, partially offset by higher cash flows generated from net earnings. Cash flows generated from net earnings were negatively impacted by the $80.4 million U.S. income tax payment related to the intra-entity transfer of intellectual property rights transaction during the third quarter of fiscal 2022. We currently expect to make an additional $27 million U.S. income tax payment related to the transaction in January 2022.

Investing Activities

Net cash used in investing activities was $40.4 million for the nine months ended October 30, 2021 compared to $14.6 million for the nine months ended October 31, 2020. Net cash used in investing activities for the nine months ended October 30, 2021 related primarily to investments in technology and other infrastructure and, to a lesser extent, existing store remodeling programs and international retail expansion.

The increase in cash used in investing activities was driven primarily by higher retail remodel and international expansion costs and higher strategic investments in technology during the nine months ended October 30, 2021 compared to the same prior-year period. During the nine months ended October 30, 2021, we opened 55 directly-operated stores compared to 13 directly-operated stores that were opened in the same prior-year period.

Financing Activities

Net cash used in financing activities was $28.5 million for the nine months ended October 30, 2021 compared to $4.5 million for the nine months ended October 31, 2020. Net cash used in financing activities for the nine months ended October 30, 2021 related primarily to repayments on borrowings and finance lease obligations and payment of dividends, partially offset by proceeds from borrowings.

The change in cash used in financing activities was driven primarily by lower proceeds received from borrowings and higher payment of dividends, partially offset by lower repayments of borrowings and finance lease obligations and lower repurchases of shares in the Company’s common stock during the nine months ended October 30, 2021 compared to the same prior-year period.

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

During the nine months ended October 30, 2021, the change in foreign currency translation rates decreased our reported cash, cash equivalents and restricted cash balance by $13.8 million compared to an increase of $1.4 million during the nine months ended October 31, 2020. Refer to “Foreign Currency Volatility” for further information on fluctuations in exchange rates.

Working Capital

As of October 30, 2021, we had net working capital (including cash and cash equivalents) of $466.6 million compared to $470.0 million at January 30, 2021 and $397.5 million at October 31, 2020.

Our 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 our wholesale business in Europe and, to a lesser extent, to our wholesale businesses in the Americas and Asia, royalty receivables relating to our licensing operations, credit card and retail concession receivables related to our retail businesses and certain other receivables. Accounts receivable increased by $20.9 million, or 6.9%, to $321.3 million as of October 30, 2021, from $300.4 million at October 31, 2020. On a constant currency basis, accounts receivable increased by $22.4 million, or 7.5%, when compared to October 31, 2020. As of October 30, 2021, approximately 45% of our total net trade receivables and 59% 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 increased by $89.3 million, or 22.7%, to $482.5 million as of October 30, 2021, from $393.2 million at October 31, 2020. On a constant currency basis, inventory increased by $86.8 million, or 22.1%, when compared to October 31, 2020, driven primarily by management initiatives to mitigate supply chain disruptions, including accelerating product orders.

Capital Expenditures

Gross capital expenditures totaled $40.6 million, before deducting lease incentives of $2.2 million, for the nine months ended October 30, 2021. This compares to gross capital expenditures of $12.4 million, before deducting lease incentives of $1.2 million, for the nine months ended October 31, 2020.

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

Dividends

On November 23, 2021, we announced an increase to our regular quarterly cash dividend from $0.1125 to $0.225 per share on our common stock. The cash dividend will be paid on December 24, 2021 to shareholders of record as of the close of business on December 8, 2021. In connection with the increase to the quarterly cash dividend announced on November 23, 2021, we will adjust the conversion rate (which is expected to increase) and the conversion price (which is expected to decrease) of our convertible senior notes in accordance with the terms of the indenture governing the convertible senior notes, to be effective as of December 7, 2021.

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 our Board of Directors, which reserves the right to change or terminate our 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 August 23, 2021, our Board of Directors terminated the previously authorized 2012 share repurchase program (which had $47.8 million capacity remaining) and authorized a new program (the “2021 Share Repurchase Program”) to repurchase, from time-to-time and as market and business conditions warrant, up to $200 million of our common stock. Repurchases may be made on the open market or in privately negotiated transactions, pursuant to Rule 10b5-1 trading plans or other available means. There is no minimum or maximum number of shares to be repurchased under the program and the program may be discontinued at any time, without prior notice.

During the three and nine months ended October 30, 2021, there were no shares repurchased under our 2021 or 2012 Share Repurchase Programs. There were 4,000,000 shares repurchased at an aggregate cost of $38.8 million under the 2012 program during the nine months ended October 31, 2020. The shares were repurchased during the three months ended August 1, 2020. As of October 30, 2021, we had remaining authority under the 2021 Share Repurchase Program to purchase $200 million of our 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

As a non-qualified pension plan, no dedicated funding of our Supplemental Executive Retirement Plan (“SERP”) is required; however, we have made periodic payments into insurance policies held in a rabbi trust to fund the expected obligations arising under the non-qualified SERP.

The cash surrender values of the insurance policies were $73.0 million and $72.1 million as of October 30, 2021 and January 30, 2021, respectively, and were included in other assets in our condensed consolidated balance sheets. As a result of changes in the value of the insurance policy investments, we recorded unrealized gains of $0.1 million and $2.3 million in other income (expense) during the three and nine months ended October 30, 2021 and unrealized gains (losses) of $(0.3) million and $1.7 million in other income (expense) during the three and nine months ended October 31, 2020, respectively. The projected benefit obligation was $51.7 million and $52.3 million as of October 30, 2021 and January 30, 2021, respectively, and was included in accrued expenses and other long-term liabilities in our condensed consolidated balance sheets depending on the expected timing of payments. SERP benefit payments of $0.5 million and $1.4 million were made during the three and nine months ended October 30, 2021, respectively. SERP benefit payments of $0.4 million and $1.3 million were made during the three and nine months ended October 31, 2020, respectively.

Contractual Obligations and Commitments

As of October 30, 2021, there were no 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 January 30, 2021. 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” for further information on these arrangements.

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 January 30, 2021 filed with the SEC on April 9, 2021. There have been no significant changes to our critical accounting policies during the nine months ended October 30, 2021.

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 two-thirds of product sales recorded for the nine months ended October 30, 2021 were denominated in currencies other than the U.S. dollar. Our 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 our most recent Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

Foreign Currency Translation Adjustment

The local selling currency is typically the functional currency for all of our significant international operations. In accordance with authoritative guidance, assets and liabilities of our 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, we record foreign currency translation adjustments related to our 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, we may also use foreign exchange currency contracts to hedge the translation and economic exposures related to our net investments in certain of our international subsidiaries. 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 nine months ended October 30, 2021, the total foreign currency translation adjustment decreased stockholders' equity by $15.4 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 $17.4 million and $10.2 million were included in the determination of net earnings (loss) for the nine months ended October 30, 2021 and October 31, 2020, respectively.

Foreign Exchange Currency Contracts

We operate in foreign countries, which exposes us 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, we 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. We are also subject to certain translation and economic exposures related to our net investment in certain of our international subsidiaries. We enter into derivative financial instruments to offset some, but not all, of our 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 nine months ended October 30, 2021, we purchased U.S. dollar forward contracts in Europe totaling US$132.0 million that were designated as cash flow hedges. As of October 30, 2021, we had forward contracts outstanding for our European operations of US$136.0 million to hedge forecasted merchandise purchases, which are expected to mature over the next 15 months. Our foreign exchange currency contracts are recorded in our 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 October 30, 2021, accumulated other comprehensive income (loss) related to foreign exchange currency contracts included a $3.6 million net unrealized gain, net of tax, of which $2.8 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 October 30, 2021, the net unrealized gain of the remaining open forward contracts recorded in our condensed consolidated balance sheet was approximately $3.8 million.

At January 30, 2021, we had forward contracts outstanding for our European operations of US$100.0 million that were designated as cash flow hedges. At January 30, 2021, the net unrealized loss of these open forward contracts recorded in our condensed consolidated balance sheet was approximately $3.3 million.

Foreign Exchange Currency Contracts Not Designated as Hedging Instruments

We also have 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 nine months ended October 30, 2021, we recorded a net gain of $0.9 million for our euro dollar foreign exchange currency contracts not designated as hedges, which has been included in other income (expense). As of October 30, 2021, we had euro foreign exchange currency contracts to purchase US$14.0 million expected to mature over the next one month. As of October 30, 2021, the net unrealized gain of these open forward contracts recorded in our condensed consolidated balance sheet was approximately $0.5 million.

At January 30, 2021, we had euro foreign exchange currency contracts to purchase US$19.0 million. At January 30, 2021, the net unrealized loss of these open forward contracts recorded in our condensed consolidated balance sheet was approximately $1.2 million.

Sensitivity Analysis

As of October 30, 2021, 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$150.0 million, the fair value of the instruments would have decreased by $16.7 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 $13.6 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

We are exposed to interest rate risk on our floating-rate debt. We have entered into interest rate swap agreements for certain of these agreements to effectively convert our 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 our floating-rate debt, thus reducing the impact of interest rate changes on future interest payment cash flows. We have elected to apply the hedge accounting rules in accordance with authoritative guidance for certain of these contracts.

In April 2019, we 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 a 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

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 our floating-rate real estate secured loan (the “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 October 30, 2021, accumulated other comprehensive income (loss) related to the interest rate swap agreement included a net unrealized loss of $0.3 million net of tax, which will be recognized in interest expense 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 October 30, 2021, the net unrealized loss of the interest rate swap recorded in our condensed consolidated balance sheet was approximately $0.4 million. As of January 30, 2021, the net unrealized loss of the interest rate swap recorded in our condensed consolidated balance sheet was approximately $1.0 million.

Sensitivity Analysis

As of October 30, 2021, we had indebtedness related to term loans of $52.3 million, finance lease obligations of $20.1 million and the Mortgage Debt of $18.0 million. The term loans provide for annual interest rates ranging between 0.8% to 2.2%. The finance lease obligations are based on fixed interest rates derived from the respective agreements. 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 our Mortgage Debt from LIBOR floating-rate debt to fixed-rate debt.

The fair values of our debt instruments are based on the amount of future cash flows associated with each instrument discounted using our incremental borrowing rate. As of October 30, 2021 and January 30, 2021, the carrying value was not materially different from fair value, as the interest rates on our debt approximated rates currently available to us. The fair value of our 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 third quarter of fiscal 2022 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.

There have not been any material changes in the Risk Factors as previously disclosed in our Annual Report on Form 10-K for the year ended January 30, 2021 filed with the SEC on April 9, 2021.

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

Our share repurchases during each fiscal month of the third quarter of fiscal 2022 were as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
August 1, 2021 to August 28, 2021				
Repurchase program[1]	—	—	—	$ 200,000,000
Employee transactions[2]	—	—	—	
August 29, 2021 to October 2, 2021				
Repurchase program[1]	—	—	—	$ 200,000,000
Employee transactions[2]	928	$ 23.33	—	
October 3, 2021 to October 30, 2021				
Repurchase program[1]	—	—	—	$ 200,000,000
Employee transactions[2]	—	—	—	
Total				
Repurchase program[1]	—	—	—	
Employee transactions[2]	928	$ 23.33	—	

Notes:

1. On August 23, 2021, our Board of Directors terminated the previously authorized 2012 share repurchase program (which had $47.8 million capacity remaining) and authorized a new program (the "2021 Share Repurchase Program") to repurchase, from time-to-time and as market and business conditions warrant, up to $200 million of our common stock. Repurchases may be made on the open market or in privately negotiated transactions, pursuant to Rule 10b5-1 trading plans or other available means. There is no minimum or maximum number of shares to be repurchased under the program and the program may be discontinued at any time, without prior notice.

2. Consists of shares surrendered to, or withheld by, us in satisfaction of employee tax withholding obligations that occur upon vesting of restricted stock awards granted under our 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.	Certificate of Amendment, dated June 24, 2021, to the Restated Certificate of Incorporation of Guess?, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on June 30, 2021).
3.3.	Fourth Amended and Restated Bylaws of the Registrant (incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on June 30, 2021).
*†10.1.	Non-Employee Directors' Compensation Plan
†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)

* 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:	December 3, 2021	By:	/s/ CARLOS ALBERINI
			Carlos Alberini Chief Executive Officer
Date:	December 3, 2021	By:	/s/ KATHRYN ANDERSON
			Kathryn Anderson Chief Financial Officer (Principal Financial Officer)

Exhibit 10.1

GUESS?, INC.

NON-EMPLOYEE DIRECTORS' COMPENSATION PLAN

(As Amended and Restated Effective May 20, 2016, and as Further Amended September 17, 2021)

1. *Establishment; Purpose of the Plan.*

The Company hereby amends and restates the Plan effective as of the Shareholder Approval Date.[1] The purpose of the Plan is to enable the Company to attract and retain members of the Board who are not employed by the Company or one of its Subsidiaries and to compensate them for their service on the Board and committees of the Board.

2. *Definitions.*

For purposes of the Plan, the following terms shall be defined as set forth below:

"*Affiliate*" and "*Associate*" have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

"*Award*" means any award of Restricted Stock authorized by and granted under the Plan.

"*Award Agreement*" means a written document issued by the Company to a Participant setting forth the terms and conditions of an Award that has been granted under the Plan.

"*Beneficial Owner*" has the meaning ascribed to such term in Rule 13d-3 promulgated under the Exchange Act.

"*Board*" means the Board of Directors of the Company.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

"*Combined Voting Power*" means the combined voting power of the Company's then outstanding voting securities.

"*Common Stock*" means the Common Stock of the Company, par value $.01 per share.

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[1] The Company maintained the Guess?, Inc. 1996 Non-Employee Directors' Stock Grant and Stock Option Plan (as Amended and Restated Effective June 20, 2005), which was originally adopted as the Guess?, Inc. 1996 Non-Employee Directors' Stock Option Plan on July 30, 1996. Effective May 9, 2006, the Company amended and restated such plan in its entirety as the Guess?, Inc. 2006 Non-Employee Directors' Stock Grant and Stock Option Plan (the "2006 Plan"). The 2006 Plan was approved by the Company's stockholders on May 9, 2006, was amended on July 5, 2006, amended and restated effective as of September 28, 2007, amended effective as of December 17, 2007, and amended and restated effective as of September 13, 2010.

"*Company*" means Guess?, Inc., a Delaware corporation, or any successor organization.

"*Eligible Director*" means a person who is a member of the Board and who is not an employee of the Company or one of its Subsidiaries.

"*Eligibility Date*" means: (a) prior to December 31, 2021, the first business day of each of the Company's fiscal years, commencing with the first fiscal year that commences in 2017 and ending with fiscal year 2022; and (b) from and after January 1, 2022 and continuing while the Plan is in effect, the date of each annual meeting of the Company's shareholders at which one or more individuals are to be elected to the Board.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Fair Market Value*" means, on any given date, the closing price of the shares of Common Stock, as reported on the New York Stock Exchange for such date or, if Common Stock was not traded on such date, on the next preceding day on which Common Stock was traded; provided that if the Common Stock is not then traded on the New York Stock Exchange, Fair Market Value means the fair market value thereof as of the relevant date of determination as determined in accordance with a valuation methodology approved by the Board.

"*Parent*" means any corporation which is a "parent corporation" within the meaning of Section 424(e) of the Code with respect to the Surviving Entity (as defined in Section 8(b)).

"*Participant*" means an Eligible Director who has been granted an Award under the Plan.

"*Person*" means any person or "group" within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act.

"*Plan*" means the Guess?, Inc. Non-Employee Directors' Compensation Plan (formerly the Guess?, Inc. 2006 Non-Employee Director' Stock Grant and Stock Option Plan), as amended from time to time.

"*Restricted Stock*" means an Award of shares of Common Stock granted pursuant to the Plan. Except as expressly provided herein or in the applicable Award Agreement, the term "Restricted Stock" shall include any Award of restricted stock units granted pursuant to Section 5 of the Plan.

"*Shareholder Approval Date*" means the date the Company's shareholders approve this amendment and restatement of the Plan.

"*Subsidiary*" means (i) any corporation which is a "subsidiary corporation" within the meaning of Section 424(f) of the Code with respect to the Company or (ii) any other corporation or other entity in which the Company, directly or indirectly, has an equity or similar interest and which the Board designates as a Subsidiary for purposes of the Plan.

Except where otherwise indicated by the context, any masculine terminology used herein shall also include the feminine and vice versa, and the definition of any term herein in the singular shall also include the plural and vice versa.

3. ***Shares Subject to the Plan.***

Except as provided in Section 8, the aggregate number of shares of Common Stock that may be issued under the Plan is 1,850,000 shares. Such shares may include authorized but unissued shares of Common Stock, treasury shares or a combination of both. In the event the number of shares of Common Stock issued under the Plan and the number of shares of Common Stock subject to outstanding Awards equals the maximum number of shares of Common Stock authorized under the Plan, no further Awards shall be made under the Plan unless the Plan is amended or additional shares of Common Stock become available for further Awards under the Plan. Shares of Common Stock that are subject to stock options under the prior version(s) of the Plan that terminate, expire or are canceled without having been exercised, and any shares of Common Stock subject to a Restricted Stock Award that are forfeited, cancelled, or for any other reason do not vest shall again be available for subsequent Awards under the Plan. Shares that are exchanged by a Participant or withheld by the Company as full or partial payment in connection with any stock option or Award granted under the Plan, as well as any shares exchanged by a Participant or withheld by the Company or one of its Subsidiaries to satisfy the tax withholding obligations related to any stock option or Award granted under the Plan, shall not be available for subsequent Awards under the Plan.

4. ***Administration of the Plan.***

(a) *Administration.* The Plan shall be administered by the Board. Subject to the express limits of the Plan, the Board is authorized to:

(i) establish the terms and conditions of Awards granted and to be granted under the Plan;

(ii) establish the terms and conditions of any cash compensation to be paid under the Plan;

(iii) adopt, revise and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable;

(iv) interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreements relating thereto), and otherwise settle all claims and disputes arising under the Plan; and

(v) otherwise supervise the administration of the Plan.

(b) *Delegation to a Committee.* The Board may delegate to a committee of the Board any or all of its authority for administration of the Plan and, if such delegation occurs, all references to the Board in the Plan shall be deemed references to the committee to the extent provided in the resolution establishing the committee or otherwise provided by the Board.

(c) *Board Actions*. Any action taken by, or inaction of, the Company, any Subsidiary, the Board, or any Board committee relating or pursuant to the Plan and within its authority hereunder or under applicable law shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons. Neither the Board nor any Board committee, nor any member thereof or person acting at the direction thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan (or any Award made or compensation provided under this Plan), and all such persons shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors and officers liability insurance coverage that may be in effect from time to time. In making any determination or in taking or not taking any action under the Plan, the Board or a committee of the Board, as the case may be, may obtain and may rely upon the advice of experts, including employees and professional advisors to the Company. No director, officer or agent of the Company shall be liable for any such action or determination taken or made or omitted in good faith.

5. ***Restricted Stock Grants***

(a) *Annual Award Grants.* On each Eligibility Date prior to December 31, 2021, each Eligible Director who (unless otherwise determined by the Board) has not been an employee of the Company or any Subsidiary at any time during the immediately preceding 12 months shall automatically (without requiring any further action by the Board) be granted a Restricted Stock Award for a number of restricted shares of Common Stock equal to a Dollar amount approved by the Board divided by the Fair Market Value of a share of Common Stock on the date of grant, rounded down to the nearest whole share. In the absence of a different determination by the Board in advance of the applicable Eligibility Date, such Dollar amount shall be $180,000.

On January 31, 2022, each Eligible Director who (unless otherwise determined by the Board) has not been an employee of the Company or any Subsidiary at any time during the immediately preceding 12 months shall automatically (without requiring any further action by the Board) be granted a Restricted Stock Award for a number of restricted shares of Common Stock equal to $68,548 divided by the Fair Market Value of a share of Common Stock on the date of grant, rounded down to the nearest whole share (each, a "Pro-Rata January 2022 Award").

On each Eligibility Date after January 31, 2022, each Eligible Director who (unless otherwise determined by the Board) has not been an employee of the Company or any Subsidiary at any time during the immediately preceding 12 months shall automatically (without requiring any further action by the Board) be granted a Restricted Stock Award for a number of restricted shares of Common Stock equal to a Dollar amount approved by the Board divided by the Fair Market Value of a share of Common Stock on the date of grant, rounded down to the nearest whole share. In the absence of a different determination by the Board in advance of the applicable Eligibility Date, such Dollar amount shall be $180,000.

On the date that the Board approves this amendment of the Plan, the Eligible Director then serving as the Chair of the Board shall automatically (without requiring any further action by the Board) be granted a Restricted Stock Award for a number of restricted shares of Common Stock equal to $95,000 divided by the Fair Market Value of a share of Common Stock on the date of grant, rounded down to the nearest whole share (the "September 2022 Chair Award"). On each Eligibility Date after January 31, 2022, an Eligible Director then serving as the Chair of the Board and who has not been an employee of the Company or any Subsidiary at any time during the immediately preceding 12 months shall (unless otherwise provided by the Board) automatically (without requiring any further action by the Board) be granted an additional Restricted Stock Award (in addition to any other award provided for above in this Section 5(a)) for a number of restricted shares of Common Stock equal to a Dollar amount approved by the Board divided by the Fair Market Value of a share of Common Stock on the date of grant, rounded down to the nearest whole share. In the absence of a different determination by the Board in advance of the applicable Eligibility Date, such Dollar amount shall be $95,000. For clarity, service as the Company's lead independent director shall not (unless otherwise provided by the Board) result in an additional award pursuant to this paragraph unless the director is also an Eligible Director serving as the Chair of the Board on the applicable date and otherwise entitled to an award for serving as Chair of the Board pursuant to the foregoing.

The Board has the authority to change the timing of the Restricted Stock Award grants, and the grant date Dollar value of the Restricted Stock Awards, from time to time (including, without limitation, the authority to provide for an initial Restricted Stock Award to an Eligible Director who is first appointed or elected to the Board or to make discretionary grants of Restricted Stock Awards to one or more Eligible Directors, in such amounts as the Board may determine) and may provide for one or more Restricted Stock Awards to be granted in the form of restricted stock units that will be payable upon vesting in an equal number of shares of Common Stock (in lieu of delivering restricted shares of Common Stock at the time of grant of the award); provided, however, that the aggregate Fair Market Value (determined as of the applicable date(s) of grant) of shares of Common Stock subject to Restricted Stock Awards granted under the Plan to any one individual in any one calendar year shall not exceed $275,000. The limits of this preceding sentence do not apply to, and shall be determined without taking into account, any award granted under any other equity incentive plan or authority of the Company or any of its Subsidiaries to an individual who, on the grant date of the award, served as an officer, employee or consultant of the Company or one of its Subsidiaries, provided that the award was granted to such individual in his or her capacity as an officer, employee or consultant. Furthermore, the limits of this Section 5(a) apply on an individual basis and not on an aggregate basis to all Eligible Directors as a group. Notwithstanding anything to the contrary in the preceding paragraphs of this Section 5(a), to the extent that any award otherwise provided for in this Section 5(a) would cause the limit set forth in this paragraph to be exceeded, the size of the award shall be reduced to the extent necessary such that the limit set forth in this paragraph is not exceeded.

(b) *Restricted Stock Awards.* Stock certificates or book entries evidencing shares of restricted stock subject to a Restricted Stock Award pending the lapse of the restrictions shall bear a legend or notation making appropriate reference to the restrictions imposed hereunder and, if so provided by the Board, (if in certificate form) shall be held by the Company or by a third party designated by the Board until the restrictions on such shares shall have lapsed and the shares shall have vested in accordance with the provisions of the Award and the provisions hereof. Restricted Stock Awards will be evidenced by an Award Agreement containing such terms and conditions which are not inconsistent with the terms of the Plan. In the event of any conflict between the Plan and any such Award Agreement, the Plan shall govern, and the Award Agreement shall be interpreted to minimize or eliminate any such conflict or inconsistency.

(c) *Vesting*. Except as provided in the next sentence, each Restricted Stock Award granted under this Section 5 shall become vested as to 100% of the total number of shares of Common Stock subject thereto upon the first to occur of (i) the first anniversary of the date of grant or (ii) a termination of service on the Board if such Eligible Director has completed a full term of service and he or she does not stand for re-election at the completion of such term. Each Pro-Rata January 2022 Award, and the September 2022 Chair Award, shall become vested as to 100% of the total number of shares of Common Stock subject thereto immediately prior to the Company's annual meeting of shareholders held in fiscal year 2023. The Board has the authority to change such vesting provisions from time to time and may provide that any particular Award will be vested immediately after grant. Promptly after the vesting date and satisfaction of all applicable restrictions, the Company shall, as applicable, either remove the notations on any shares issued in book entry form that have met such conditions or deliver to the Participant holding the Award (to the extent that the certificate(s) had not previously been delivered) a certificate or certificates evidencing the number of the shares of Common Stock as to which the restrictions have lapsed. Book entries shall be made, or certificates shall be delivered, as applicable, evidencing vested shares (and any other amounts deliverable in respect thereof shall be delivered and paid) only to the Participant or his or her personal representative, as the case may be.

(d) *Transfer Restrictions.* Prior to the time that they have become vested, neither the restricted shares comprising any Restricted Stock Award, nor any interest therein, amount payable in respect thereof, or Restricted Property (as defined in Section 5(e)), may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (i) transfers to the Company, (ii) the designation of a beneficiary to receive benefits in the event of the Eligible Director's death, or if the Eligible Director has died, transfers to the Eligible Director's beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution.

(e) *Voting; Dividends.* After the applicable date of grant of a Restricted Stock Award, the Participant holding the Restricted Stock Award shall have voting rights and dividend rights with respect to the shares of Common Stock subject to the award. Any securities or other property receivable in respect of the shares subject to the award as a result of any dividend or other distribution (other than cash dividends), conversion or exchange of or with respect to the shares ("*Restricted Property*") will be subject to the restrictions set forth in the Plan to the same extent as the shares to which such securities or other property relate and shall be held and accumulated for the benefit of the Participant, but subject to such risks. The Participant's voting and dividend rights shall terminate immediately as to any shares that are forfeited back to the Company in accordance with Section 5(f).

(f) *Effect of a Termination of Service.* If a Participant ceases to be a member of the Board for any reason, any shares subject to the Participant's Restricted Stock Award that are not fully vested and free from restriction as of the Participant's termination of service (and do not vest in connection with such termination of service) shall thereupon be forfeited and returned to the Company.

(g) *Awards to Certain Non-U.S. Participants.* As to any Award granted pursuant to Section 5(a) to a Participant who at the time of grant is resident outside of the United States, the Board may, to the extent it determines necessary or advisable in the circumstances, provide that such Award shall be made in the form of restricted stock units that will be payable upon vesting in an equal number of shares of Common Stock (in lieu of delivering restricted shares of Common Stock at the time of grant of the award). The Participant shall have no voting or other rights as a stockholder of the Company with respect to such restricted stock units until such time as shares of Common Stock are actually issued to and held of record by the Participant; provided, however, that the Board may provide in the Award Agreement for the Participant to hold dividend equivalent rights in respect of any outstanding and unpaid restricted stock units.

6. ***Cash Compensation.***

The Board is authorized under the Plan to structure cash compensation arrangements for Eligible Directors for their service on the Board and Board committees. Such compensation arrangements may include, without limitation, Board retainers, retainers for service on committees of the Board, meeting fees, fees for service as a chair of the Board or a committee of the Board, and fees for service as a lead independent director. The Board has the authority to determine the terms and conditions of those cash compensation arrangements from time to time; provided, however, that the aggregate cash compensation paid to an Eligible Director in any one fiscal year of the Company under the authority of the Plan shall not exceed $125,000. The limits of this preceding sentence do not apply to, and shall be determined without taking into account, the following: (i) any compensation or benefits granted, provided, paid or payable under any other plan or authority of the Company or any of its Subsidiaries, (ii) any compensation or benefits granted, provided, paid or payable for service to the Company or any of its Subsidiaries in any other capacity (such as, without limitation, as an officer, employee, or consultant), and (iii) any amount payable with respect to any period prior to the Company's fiscal year 2017. Furthermore, the limits of this Section 6 apply on an individual basis and not on an aggregate basis to all Eligible Directors as a group.

7. ***Amendment and Termination.***

The Board may amend, alter, suspend or terminate the Plan in whole or in part at any time and from time to time. Shareholder approval for an amendment shall be required only to the extent required by applicable law; provided, however, that shareholder approval shall be required for any amendment that would increase the aggregate limit provided in Section 3 on the number of shares that may be issued under the Plan (other than pursuant to an adjustment made under Section 8(a) of the Plan), the annual limit provided in Section 5(a) on the value of Awards that may be granted to any Eligible Director under the Plan or the annual limit provided in Section 6 on the cash compensation that may be paid to any Eligible Director under the Plan. The Board may amend the terms of any Award theretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any Participant without the Participant's consent. Notwithstanding any provision herein to the contrary, the Board shall have broad authority to amend the Plan or any Award to take into account changes in applicable tax laws, securities laws, accounting rules and other applicable state and federal laws.

8. *Changes in Capital Structure.*

(a) In the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, reorganization, merger, consolidation, stock split, reverse stock split, combination or exchange of shares or an extraordinary dividend, (i) such proportionate adjustments as may be necessary (in the form determined by the Board in its sole discretion) to reflect such change shall be made to prevent dilution or enlargement of the rights of Participants under the Plan with respect to the aggregate number of shares of Common Stock for which awards in respect thereof may be granted under the Plan, the number of shares of Common Stock covered by each outstanding Award, and the exercise price of each outstanding option granted under the Plan and (ii) the Board may make such other adjustments, consistent with the foregoing, as it deems appropriate in its sole discretion.

(b) In the event of a Change in Control of the Company, all shares subject to Restricted Stock Awards then outstanding under the Plan shall vest 100% free of restrictions as of the date of the Change in Control.

A "*Change in Control*" shall be deemed to have occurred when (A) any Person (other than (x) the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any person or entity organized, appointed or established by the Company or any Subsidiary of the Company for or pursuant to the terms of any such plan or (y) Maurice Marciano or Paul Marciano, the members of their families, their respective estates, spouses, heirs and any trust of which any one or more of the foregoing are the trustors, the trustees and/or the beneficiaries, or any other entity controlled by one or more of them (collectively such persons, estates, trusts, and entities referred to in this clause (y), the "*Permitted Holders*")), alone or together with its Affiliates and Associates (collectively, an "*Acquiring Person*"), shall become the Beneficial Owner of both (i) thirty-five percent (35%) or more of the then outstanding shares of Common Stock or the Combined Voting Power of the Company (except pursuant to an offer for all outstanding shares of Common Stock at a price and upon such terms and conditions as a majority of the Continuing Directors determine to be in the best interests of the Company and its shareholders (other than an Acquiring Person on whose behalf the offer is being made)) and (ii) more shares of Common Stock or more Combined Voting Power of the Company than are at such time Beneficially Owned by the Permitted Holders, (B) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director who is a representative or nominee of an Acquiring Person) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (collectively, the "*Continuing Directors*"), cease for any reason to constitute a majority of the Board, (C) there is a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving corporation following any such merger or consolidation (the "*Surviving Entity*") or any Parent of such Surviving Entity) at least 80% of the Combined Voting Power of the Company, such Surviving Entity or the Parent of such Surviving Entity outstanding immediately after such merger or consolidation, or (D) there is a complete liquidation or dissolution of the Company or all or substantially all of the Company's assets are sold; *provided*, *however*, that a Change in Control shall not be deemed to have occurred in the event of (x) a sale or conveyance in which the Company continues as a holding company of an entity or entities that conduct all or substantially all of the business or businesses formerly conducted by the Company or (y) any transaction undertaken for the purpose of incorporating the Company under the laws of another jurisdiction, if such transaction does not materially affect the beneficial ownership of the Company's capital stock.

9. *Unfunded Status of the Plan.*

The Plan is unfunded. Nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Board may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or payments in lieu thereof with respect to awards hereunder.

10. *Effective Date and Term of the Plan.*

This amendment and restatement of the Plan is effective immediately upon the Shareholder Approval Date. Awards granted under the Plan prior to the Shareholder Approval Date shall be governed by the provisions of the version of the Plan in effect on the date of grant of the Award. Awards granted under the Plan on or after the Shareholder Approval Date shall be subject to the terms and conditions set forth herein and any applicable amendment hereof.

The Plan shall continue in effect until the earlier of (a) ten years from the Shareholder Approval Date or (b) the termination of the Plan by action of the Board. No Awards shall be granted pursuant to the Plan on or after such termination date, but Awards granted prior to such date (and the authority of the Board with respect thereto, including the authority to amend such Awards) shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Plan. The Board shall have the right to suspend or terminate the Plan at any time except with respect to any Awards then outstanding.

11. *General Provisions.*

(a) *Representations by Participants.* The Board may require each Participant to represent to and agree with the Company in writing that the Participant is acquiring the shares of Common Stock without a view to distribution or other disposition thereof. Such shares may include any legend or notation, as applicable, that the Company deems appropriate to reflect any restrictions on transfer.

(b) *Continuance of Service Required.* The vesting schedule applicable to an Award requires continued service through each applicable vesting date as a condition to the vesting of the Award and the rights and benefits under the Plan. Service for only a portion of a vesting period, even if substantial, will not entitle the award recipient 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(f). Nothing contained in the Plan constitutes a service commitment by the Company, confers upon any Award recipient any right to remain in service to the Company, interferes in any way with the right of the Company at any time to terminate such service, or affects the right of the Company or any affiliate to increase or decrease the recipient’s other compensation.

(c) *No Restrictions on Adoption of Other Compensation Arrangements.* Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements (subject to shareholder approval, if such approval is required) and such arrangements may be either generally applicable or applicable only in specific cases. Without limiting the generality of the preceding sentence, nothing in the Plan limits the authority conferred under any other equity incentive plan of the Company.

(d) *No Right to Re-Election.* The adoption of the Plan shall not interfere in any way with the right of the Company to terminate its relationship with any of its directors at any time.

(e) *No Stockholder Rights.* Except as otherwise expressly authorized by the Board or the Plan: (a) a Participant shall not be entitled to any privilege of stock ownership as to any shares of Common Stock not actually delivered to and held of record by the Participant, and (b) no adjustment will be made for dividends or other rights as a stockholder for which a record date is prior to such date of delivery.

(f) *Tax Withholding.* No later than the date as of which an amount first becomes includable in the gross income of the Participant for applicable income tax purposes with respect to any Award or cash compensation provided under the Plan, the Participant shall pay to the Company or make arrangements satisfactory to the Board regarding the payment of any applicable taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Board, in accordance with rules and procedures established by the Board, the required withholding obligations with respect to an Award may be settled with Common Stock, including Common Stock that is part of the Award that gives rise to the withholding requirement or Common Stock that is payable in connection with such Award. The obligation of the Company under the Plan shall be conditional upon such payment or arrangements and the Company shall, to the extent permitted by law, have the right to deduct any such taxes (with respect to an Award or cash compensation) from any payment of any kind (including, without limitation, cash compensation) otherwise due to the Participant.

(g) *Applicable Law.* The Plan shall be governed by and subject to the laws of the State of Delaware (without giving effect to conflicts of law principles) and to all applicable laws and to the approvals by any governmental or regulatory agency as may be required.

(h) *Severability.* If any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, but the Plan shall be construed and enforced as if such illegal or invalid provision had never been included herein.

(i) *Compliance with Rule 16b-3.* The Plan is intended to comply with Rule 16b-3 under the Exchange Act or its successors under the Exchange Act and the Board shall interpret and administer the provisions of the Plan or any Award Agreement in a manner consistent therewith.

(j) *Expenses.* All expenses and costs in connection with the administration of the Plan shall be borne by the Company.

(k) *Headings.* The headings of sections herein are included for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

Exhibit 31.1

I, Carlos Alberini, 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: December 3, 2021

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: December 3, 2021

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 October 30, 2021, 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: December 3, 2021

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 October 30, 2021, 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:	December 3, 2021	By:	/s/ KATHRYN ANDERSON
			Kathryn Anderson
			Chief Financial Officer