

# Guess?, Inc.

## 5-Year Strategic Plan Update

*March 31, 2021*





# Safe Harbor Statement

Except for historical information contained herein, certain matters discussed in this presentation or the related conference call and webcast, including statements concerning the potential actions and impacts related to the COVID-19 pandemic; statements concerning the Company's future outlook, including with respect to the Company's fiscal 2025 strategic plan, goals and projections; and statements concerning the Company's expectations, goals, future prospects, global cost reduction opportunities and profitability efforts, capital allocation plans, cash needs and current business strategies and strategic initiatives; 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 the Company and its partners; our ability to successfully negotiate rent relief or other lease-related terms with our landlords; our ability to successfully negotiate or defer our vendor obligations; our ability to maintain adequate levels of liquidity; changes to estimates related to impairments, inventory and other reserves, including the impact of the 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, tax and other regulatory proceedings; risks related to the complexity of the Tax Reform, future clarifications and legislative amendments thereto, as well as our ability to accurately interpret and predict its impact on our cash flows and financial condition; the risk of economic uncertainty associated with the United Kingdom's departure from the European Union ("Brexit") or any other similar referendums that may be held; the occurrence of unforeseen epidemics, such as the COVID-19 pandemic; other catastrophic events; changes in U.S. or foreign tax or tariff policy, including changes to tariffs on imports into the U.S.; 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 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 the Company's most recent annual report on Form 10-K and other filings with the Securities and Exchange Commission, including but not limited to the risk factors discussed therein, 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. Additional information with respect to known and unknown risks will also be set forth in the Company's annual report on Form 10-K for the fiscal year ended January 30, 2021, which is expected to be filed with the Securities and Exchange Commission in the first quarter of fiscal 2022. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.





# By FY25 we plan to deliver:

Approximately \$220M incremental sales from FY20 to reach \$2.9B

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Approximately \$140M incremental operating profit from FY20 to almost double to \$290M\*

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10% operating margin\* - up 440 bps from FY20

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Adjusted EPS \$3.03\* from \$1.45 in FY20

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ROIC of 26%\* from 12%\* in FY20

\* This measure is presented in non-GAAP. Please refer to the Appendix for a reconciliation of non-GAAP financial measures.



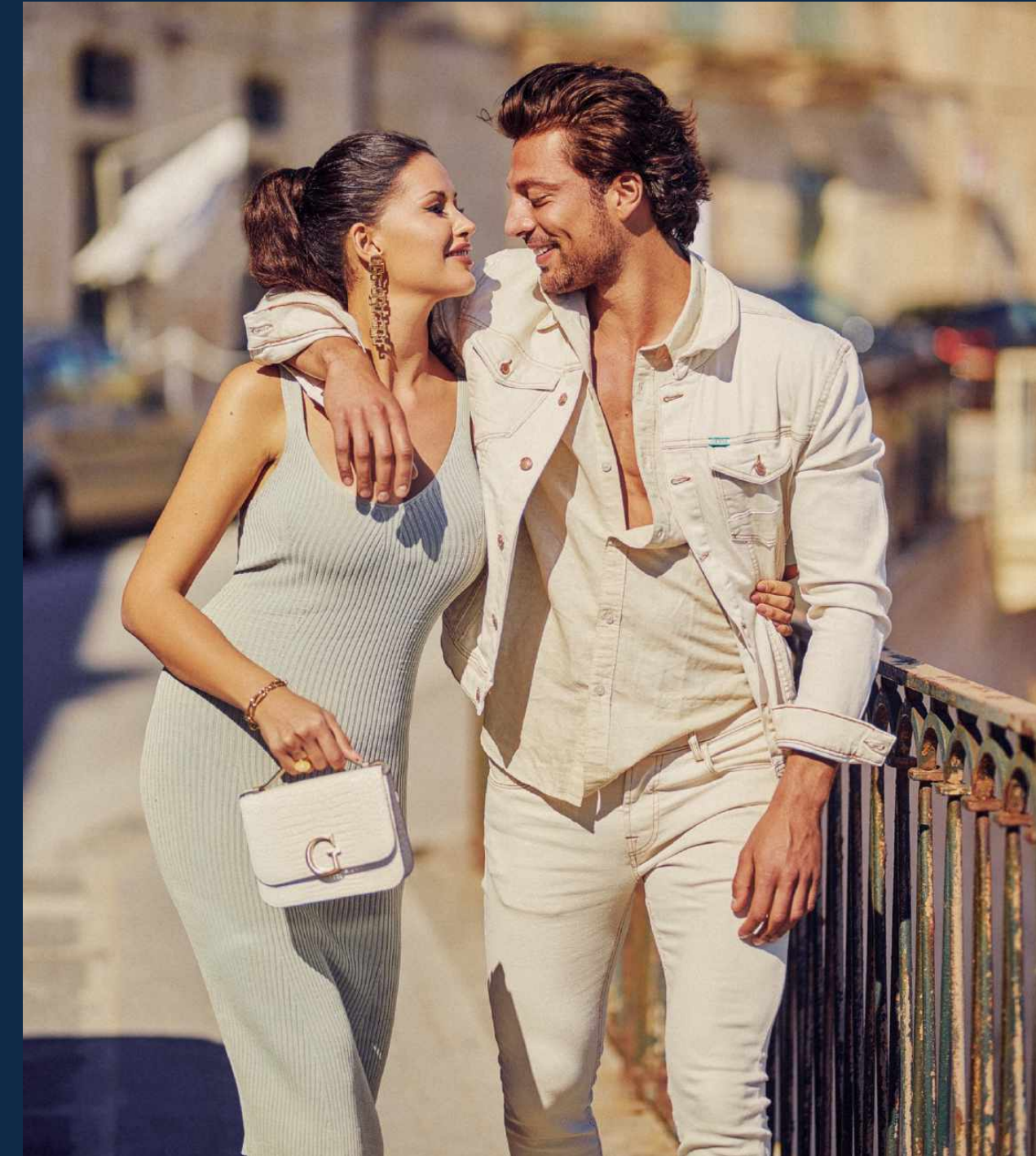
# FY21 Key Accomplishments



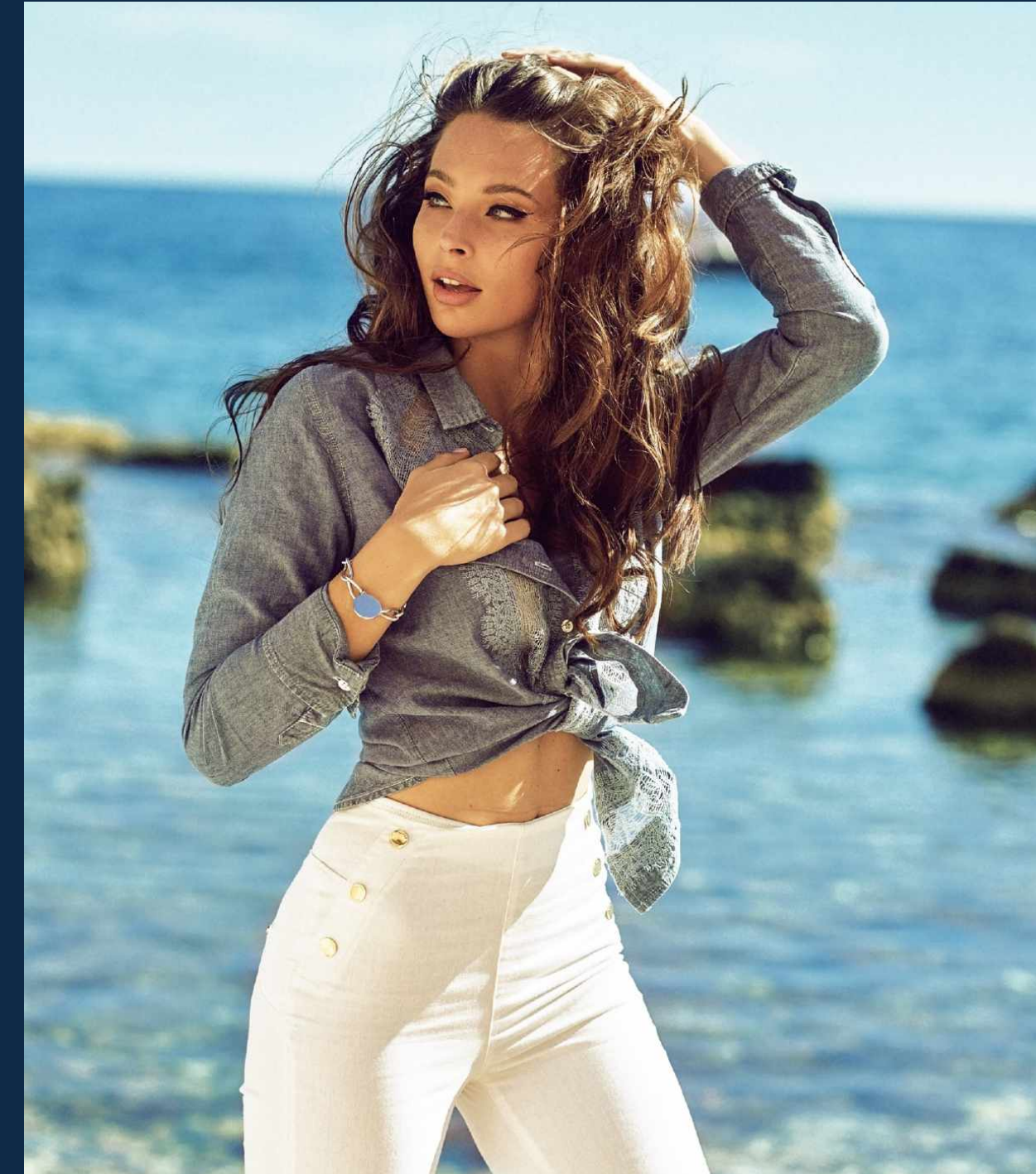
Effective  
Capital  
Management



E-Commerce  
Business  
Acceleration



Global  
Portfolio  
Transformation



Business  
Model  
Transformation





# Effective Capital Management

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Working capital optimization

Capital expenditure prioritization

Share repurchases

Dividend reinstatement





# E-Commerce Business Acceleration

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Salesforce implementation

Omnichannel capabilities rollout

Online assortment expansion





# Global Portfolio Transformation

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Store rationalization

Rent renegotiations

China business repositioning

Integration of G by GUESS into  
Factory business





# Business Model Transformation

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Global team reorganization

Business with omni focus

One global product line

New product categories

Elimination of redundancies and increased efficiencies



A background image of two women in a city setting. The woman on the left is wearing sunglasses and a light-colored blazer over a dark top. The woman on the right is wearing a light-colored, ribbed tank top. They are both looking towards the camera. The image is overlaid with a dark blue semi-transparent rectangle containing white text.

# Our Purpose

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To inspire our customers to feel confident and passionate about their style and their future...

At GUESS, we dare to dream.





# Our Vision and Commitment

## Our Vision:

- We believe in diversity and inspire individuality and authenticity
- We are a conscious capitalist organization
- We are passionate about our customers
- We inspire them to express their true selves in the way they live their lives
- We aspire to be one of the coolest global brands in the fashion industry, leveraging celebrity partnerships and unique go-to-market strategies

## Our Commitment:

- Offering a seamless customer experience
  - Amazing product
  - Omnichannel capabilities
  - Speed and flexibility
  - Right product, right place, right time
- Delighting our highly desirable and loyal customers
- Delivering strong profitability, high cash flow generation, and best in class return on invested capital through a strong global team that works effectively to achieve common goals





# Our Opportunity for Value Creation

Market share gains

Product category growth

Further global market development

Operating margin expansion

Capital light model



# Our 6 Key Strategic Objectives

**FY25**

NET REVENUE OF \$2.9B  
OPERATING MARGIN OF 10%

**Organization  
and Culture**

We will always strive to have a best in class team of highly engaged and highly committed individuals.

**Brand  
Relevancy**

We strive for our brands to always be relevant with our three target consumer groups: Heritage, Millennials, and Generation Z.

**Product  
Excellence**

We will design and make amazing products, and will extend our product offering to support our customers' lifestyles.

**Customer  
Centricity**

We will always place the customer at the center of everything we do.

**Global  
Footprint**

We will develop an effective and profitable global distribution ecosystem.

**Functional  
Capabilities**

We will always invest in our infrastructure to support our business effectively and efficiently.

**Our Vision and Commitment**



# Our Organization and Culture

At GUESS, we foster a spirit of diversity, inclusivity, collaboration and partnership.

## Our Principles:

- Global functional responsibilities
- Flat organizational design
- Local market expertise, focus and accountability
- Streamlined global infrastructure





# Market development with an omni approach



From a **siloed approach** with separate accountability by channel and business unit



To **accountability** for the omnichannel business





# Conscious Capitalist Organization

ESG priorities are a driving force for change

### Best-in-class ESG strategy

- Award-winning **Sustainability Report**
- **Outperforms industry on ESG** according to Sustainalytics and Bloomberg
- High quality, reliable ESG data externally reviewed and audited

### Environmental

- **25% of GUESS products are eco** with organic, recycled, and responsibly sourced
- 2030 Goal: 100% denim to be eco and 100% recycled synthetic materials and packaging

### Social

- **Richly diverse:** over half of employees are women or BIPOC
- Scored **90/100 on Human Rights Campaign Corporate Equality Index**
- Established **Diversity Council** in 2018
- 2030 Goal: 100% D&I employee training

### Governance

- Increased **female board representation**



# Elevating our Brand

Consistent representation of  
the brand in **every market**

Elevate the quality of  
everything we do

*Quality of fabrics and materials*

*Sustainability focus*

*Increase perceived value*

Increase full price selling and  
lower promotional activity

A woman with long dark hair, wearing a white ribbed dress, is shown from the waist up. She is holding a small, textured brown handbag in her left hand and has her right hand raised near her face. The background is a soft-focus outdoor scene with greenery. Overlaid on the image is the text: "Quality and consistency will strengthen our brand relevancy in the new customer environment".

Quality and  
consistency will  
strengthen our  
brand relevancy  
in the new  
customer  
environment

Focus product categories:  
**Women's and men's apparel**

**Athleisure** *NEW*

**Essentials** *NEW*

**Handbags**

**Footwear**

**Kids**

Elevate the customer  
**experience** across our  
GUESS ecosystem

*Stores*

*Websites*

*Wholesale partners*

*Global licensee partners*



# Brand Partnerships will drive Brand Awareness and Fuel New Customer Acquisition

Tiered brand partnerships with relevant and localized social content with a focus on video

Build a larger and more diverse customer base through interest groups and targeted social/digital media

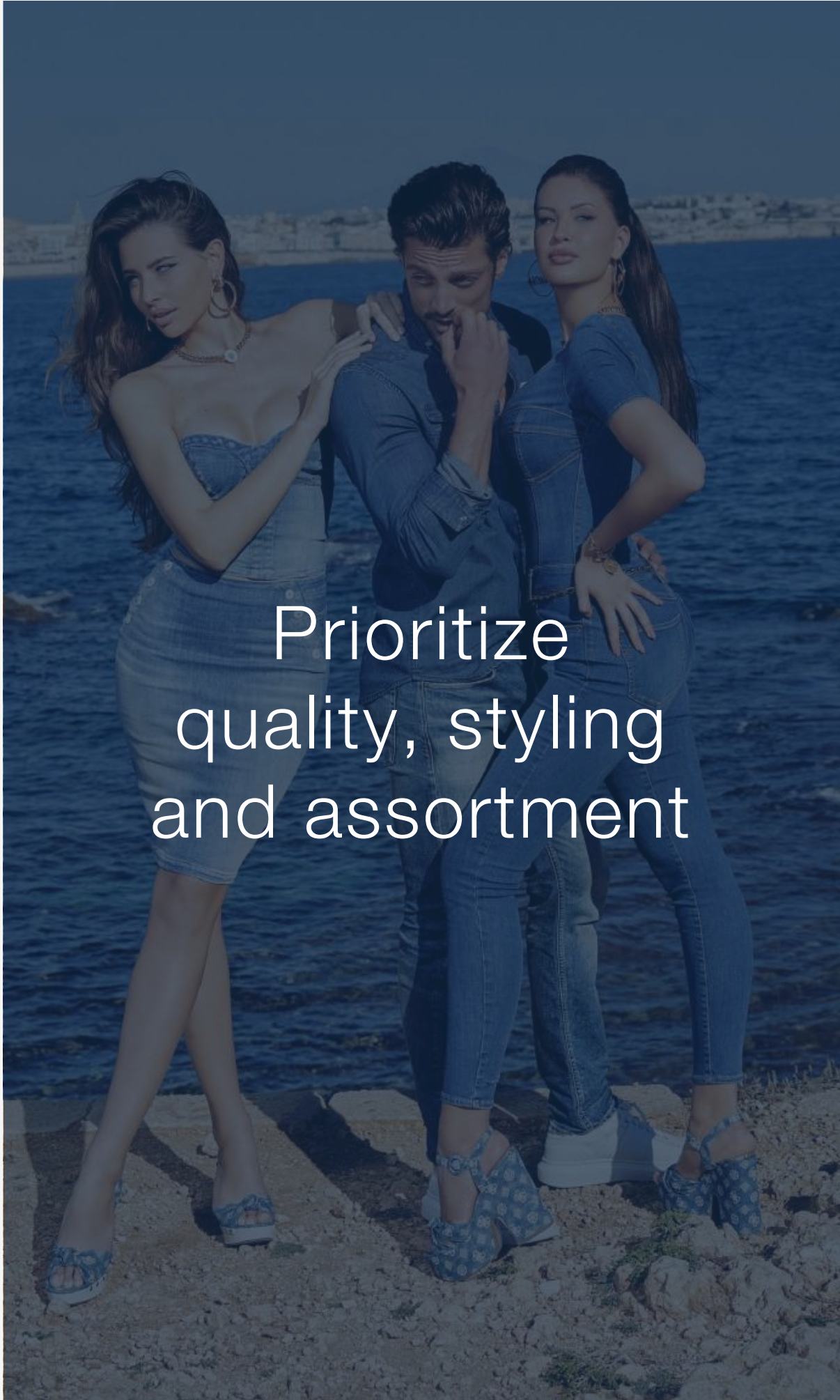
Expand into core lifestyle and product categories with supporting content verticals





# Product is Everything

Authentic | Timeless | Comfortable | Sustainable

A photograph of three models (two women and one man) standing by a body of water. They are wearing denim clothing: a strapless denim dress, a denim shirt, and denim jeans. The image is overlaid with a dark blue filter.

Prioritize  
quality, styling  
and assortment

A photograph of a woman with long, wavy hair wearing a denim jacket over a white crop top and white trousers. She is posing with one hand on her hip. The image is overlaid with a dark blue filter.

Focus on key  
product  
categories

A photograph of a man and a woman. The man is wearing a denim jacket with patches and denim jeans. The woman is wearing a bright blue, form-fitting, sleeveless dress. They are standing outdoors near a body of water. The image is overlaid with a dark blue filter.

Develop  
one global  
line

A photograph of a woman with long, wavy hair wearing a beige, form-fitting, sleeveless dress and a brown belt. She is standing on a boat, holding onto the railing. The image is overlaid with a dark blue filter.

Expand  
omni  
assortment



# Prioritize Quality, Styling and Assortment



Fabric and trim materials



Styling and fit construction



Use of technology and innovation



Sustainability



GUESS DNA represented in every product



On trend



Category relevance





# Focus on Key Product Categories

Women's and Men's Apparel



Athleisure



Essentials



Handbags



Footwear



Kids





Product Excellence

# Develop One Global Line

Through one central process

- Drive consistency
- Maintain quality standards
- Gain efficiencies including product development and vendor cost benefits
- Augment assortment with local capsules



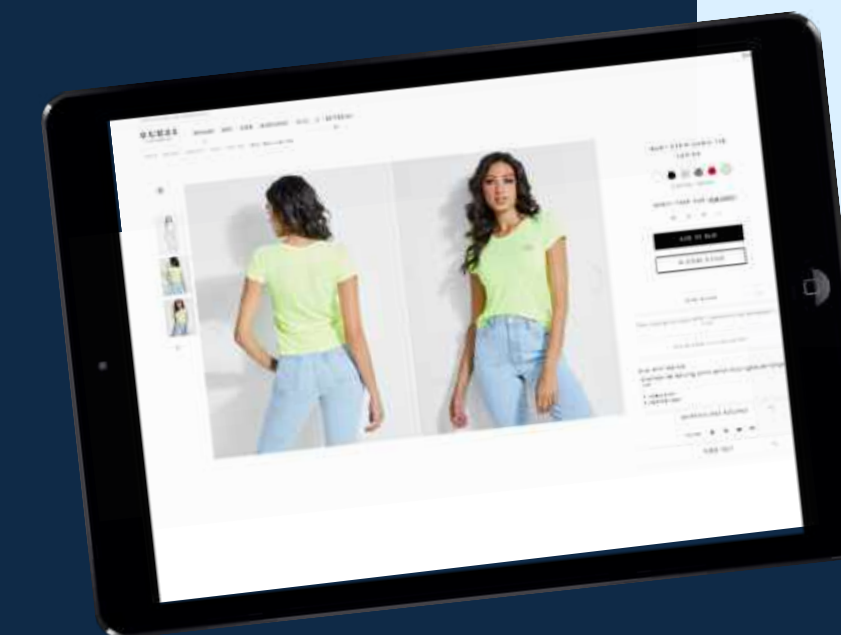
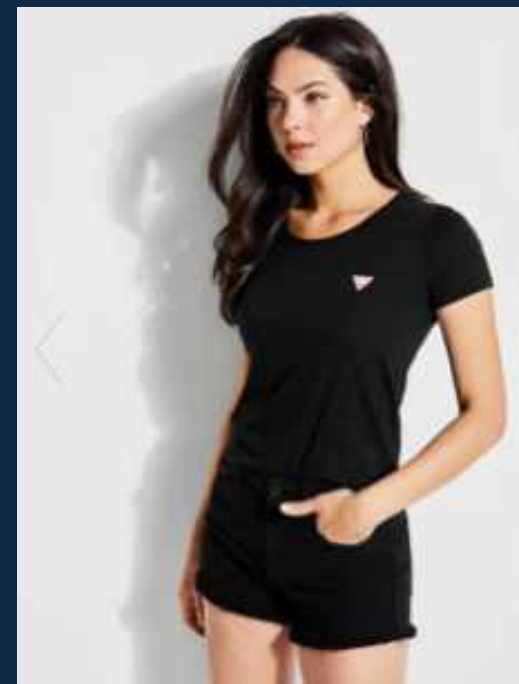


# Expand Omni Assortment

Optimize store inventory and leverage endless aisle to capitalize on demand from all channels



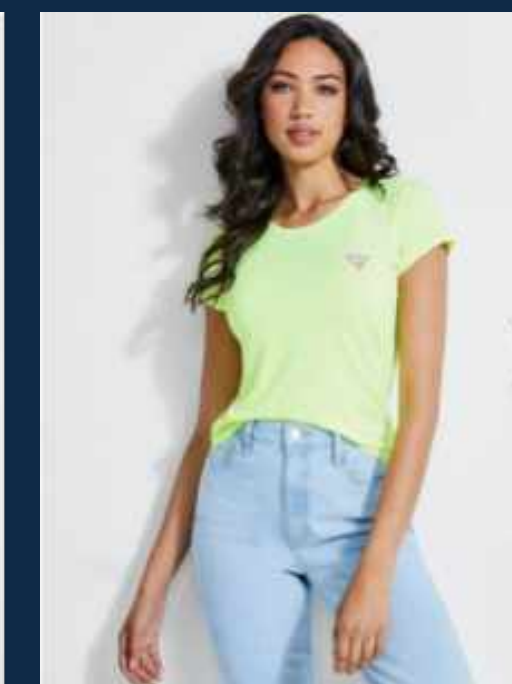
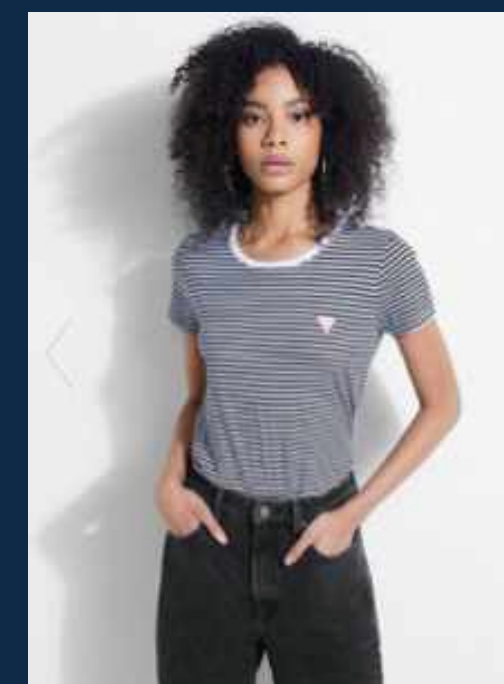
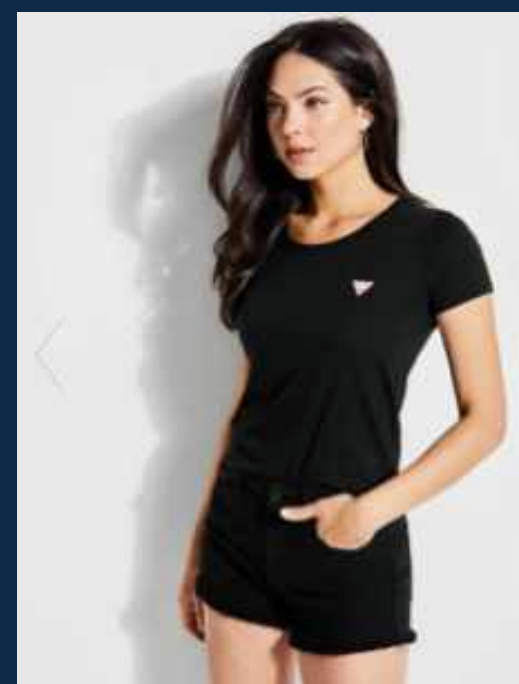
*Store Inventory*



Ability to order additional colors and sizes through store iPads



*E-Commerce*



Additional colors and expanded size range available online



# CUSTOMER CENTRICITY

We will always place the customer at the center of everything we do

Aggregate  
and analyze  
critical  
customer data

Understand our  
customer segments,  
their journeys, and  
their preferences

Implement world  
class tools to  
create a seamless  
experience

Optimize  
customer  
engagement and  
brand loyalty





Customer Centricity

# Customer 360 Integrated Customer Data Platform

Capabilities include ***data unification*** to build single view of the customer with information across platforms, advanced ***audience segmentation, personalized customer engagement,*** and ***optimization based on insights***

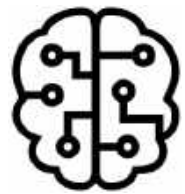


Data capture  
Journey engagement

Personalized marketing  
Results analysis



# Salesforce Platform Implementation



**Intelligence:** AI based recommendations, search and merch (segmentation opportunity)



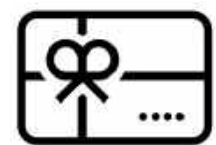
**Enhanced Security:** Improved customer data security and encryption



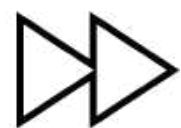
**Social Sign-In:** Sign in using Facebook or Google accounts



**Access Point Delivery:** Ability to ship an order to a local UPS store or UPS network location



**Gift Card:** shop and redeem an e-gift card omnichannel



**Faster Checkout:** UX improvements, card saving functionality, instant promotion visibility at cart



**Wishlist:** Users can save products to a sharable wishlist (segmentation opportunity)



**User Friendly Interface:** With enhanced visual merchandising

## *Results\**

- Faster platform
- Homepage downloads: 3.6x faster
- Bounce rate: 13% lower
- Mobile conversion rate: increased 18%

\* Results represent Q4FY20 vs. Q4 FY21 for EU region.



# Omnichannel Capabilities

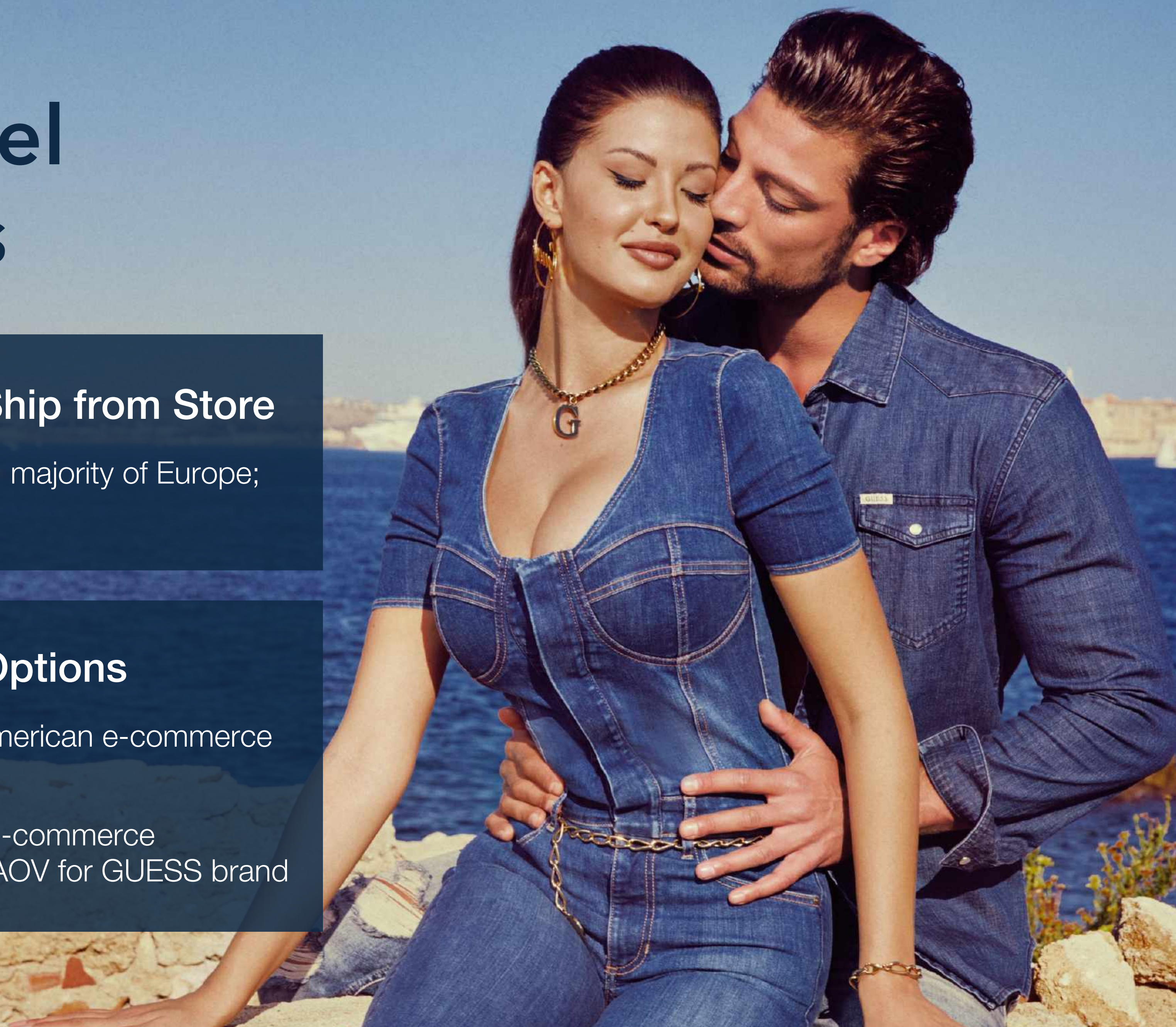
## BOPIS, BORIS, and Ship from Store

Available in North America and majority of Europe;  
full global rollout by next year

## Additional Payment Options

PayPal: 17% of FY21 North American e-commerce transactions

Klarna: 11% of FY21 Q4 US e-commerce transactions with 16% higher AOV for GUESS brand





# Global CRM Loyalty Program

REGION 1  
AMERICAS

*2.7M*

REGION 2  
EUROPE

*1.1M*

REGION 3  
ASIA

*1.0M*

*4.8M* GLOBAL LOYALTY CUSTOMERS



# We Widely Resonate Across 3 Generations of Consumers



## HERITAGE

Age: 40+ years old  
Spending Power: \$1.33 trillion  
Population Size: 1.44 billion

- Brand loyal
- Influenced by: celebrities (i.e. actors), Facebook
- Seek product information
- Respond to digital and traditional advertising

48% of NA online sales\*



## MILLENNIAL

Age: 25-39 years old  
Spending Power: \$1.3 trillion  
Population Size: 1.72 billion

- Value experiences over tangible items
- Influenced by: Influencers, IG
- Look to them as co-creators
- Bounty hunter, thrill of the deal

34% of NA online sales\*



## GEN-Z

Age: 10-23 years old  
Spending Power: \$400+ billion  
Population Size: 2.52 billion

- View wealth as success + like luxury brands
- Influenced by: micro-influencers, YouTube
- Aspirational browsers, community show + tell
- Less deal driven, loves social good

18% of NA online sales\*



# Global Presence Today

**1,046 directly operated stores** (1,570 total stores) in nearly 100 countries with **\$1.9B** in FY21 revenues versus 1,169 directly operated stores in FY20

**EUROPE & MIDDLE EAST**  
FY20: 517 stores → FY21: 507 stores

**\$942M**

**AMERICAS**  
FY20: 433 stores → FY21: 395 stores

**\$702M**

**ASIA**  
FY20: 219 stores → FY21: 144 stores

**\$233M**



# Future of the Store Fleet by FY25

1,055 directly operated stores with an optimized fleet to maximize profit and brand value



*Contributing to 200 bps improvement in operating margin by FY25 vs. FY20*



80% of stores have expirations in the next 3 years



Optimize store-level financials with appropriate rent or close



Close high-cost flagship locations



Select stores opening in key markets





# FUNCTIONAL CAPABILITIES

Optimize  
product  
management  
end-to-end

Elevate technology  
and digitalization to  
become a data driven  
organization

Create efficiencies by  
streamlining processes  
and eliminating global  
redundancies



# Optimize Product Management End-to-End



Product Development, Sourcing and Production



Distribution and Logistics



Inventory Management





# Product Development, Sourcing and Production

## IMPROVED COST



Migration to most efficient countries of origin, DC location optimization, and increased automation



US sourcing and procurement transition to EU  
*With significant savings in COGS*

## HIGHER QUALITY



Vendor consolidation across NA and EU  
*From 529 vendors (Dec '18) to ±200 vendors (Mar '21)*



Focus on seasonless apparel



Emphasis on sustainable manufacturing  
*Eco product and packing guidelines*

## FASTER LEAD TIMES



Direct to vendor to create a leaner supply chain  
*Eliminates commissions to agents*



Capacity planning with key vendors



Use regional proximity vendors



Digitalization of PD processes  
*Opportunity to reduce lead times by almost 2 months*



# Distribution and Logistics

Develop an efficient global logistics network

## Service

Optimize our logistics network in every region based on future growth and business requirements

## Speed

Reshape new retail delivery cycle and allow in-season returns for wholesale replenishment

## Visibility

Optimize information throughout the supply chain lifecycle  
Track on time processes and product availability

## Cost

Optimize costs while maintaining high quality service



# Inventory Management Optimization

Assortment  
Planning



Identify the right product in the right quantities, while allowing for localized product assortments

Allocation  
Optimization



Ensure product availability where the customer expects it, while minimizing excess inventory

Fulfillment  
Optimization



Deliver product when the customer expects it

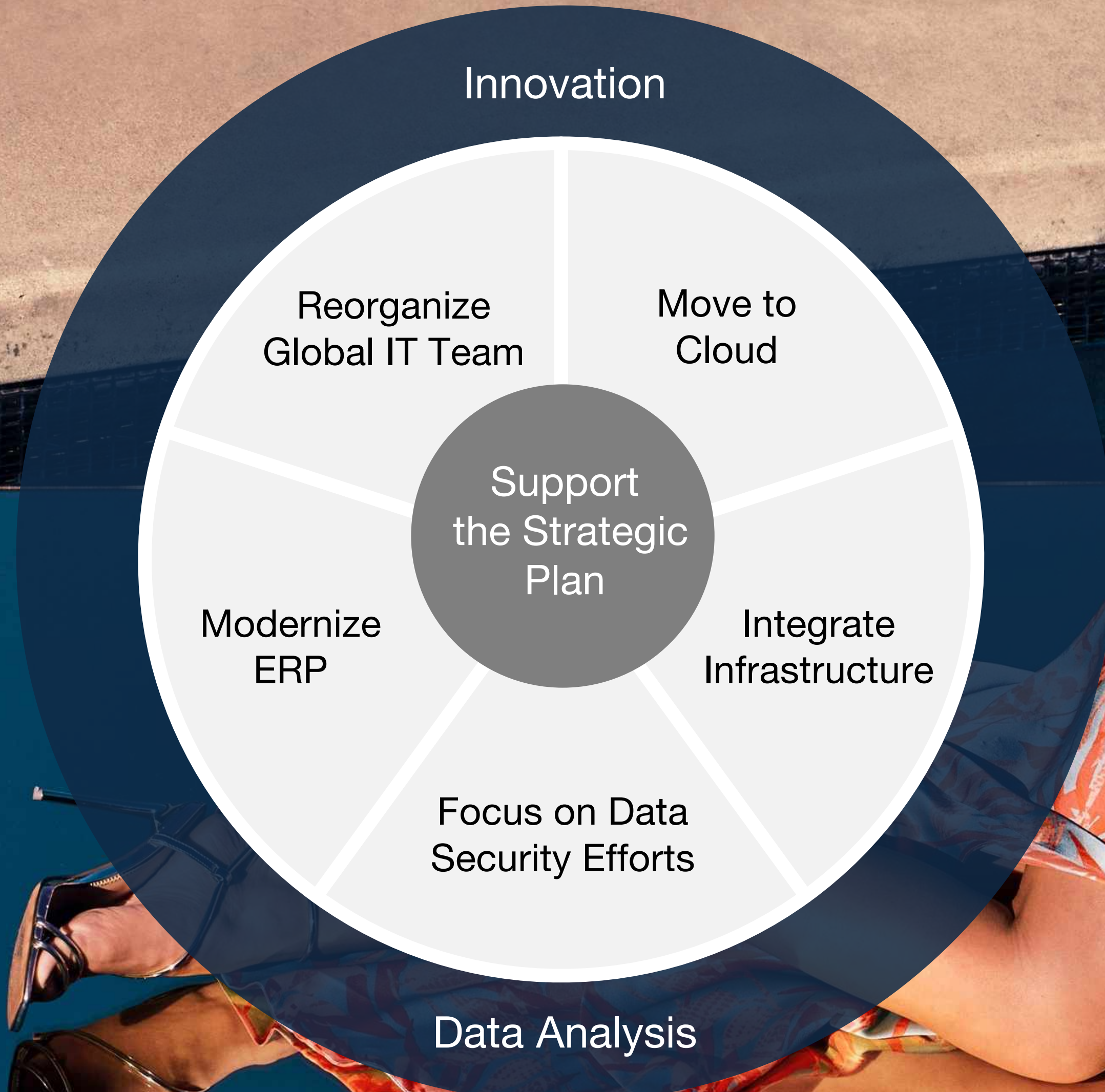
Markdown  
Optimization



Optimize markdowns to maximize margin while protecting the brand



# A Data Driven Organization





# Global Infrastructure Optimization

## Our Principles

- Eliminate system redundancies
- Simplify all businesses and processes
- Streamline organization and increase accountability
- Leverage Europe multi-country and multi-channel infrastructure
- Leverage the team's experience and skill
- Drive cost savings



# Global Infrastructure Optimization

North America

Europe

Asia

Present

- Most complex GUESS business model
- All brands, products and businesses represented
- Efficient time zone and multiple languages
- Powerful business support platform
- Efficient back office infrastructure

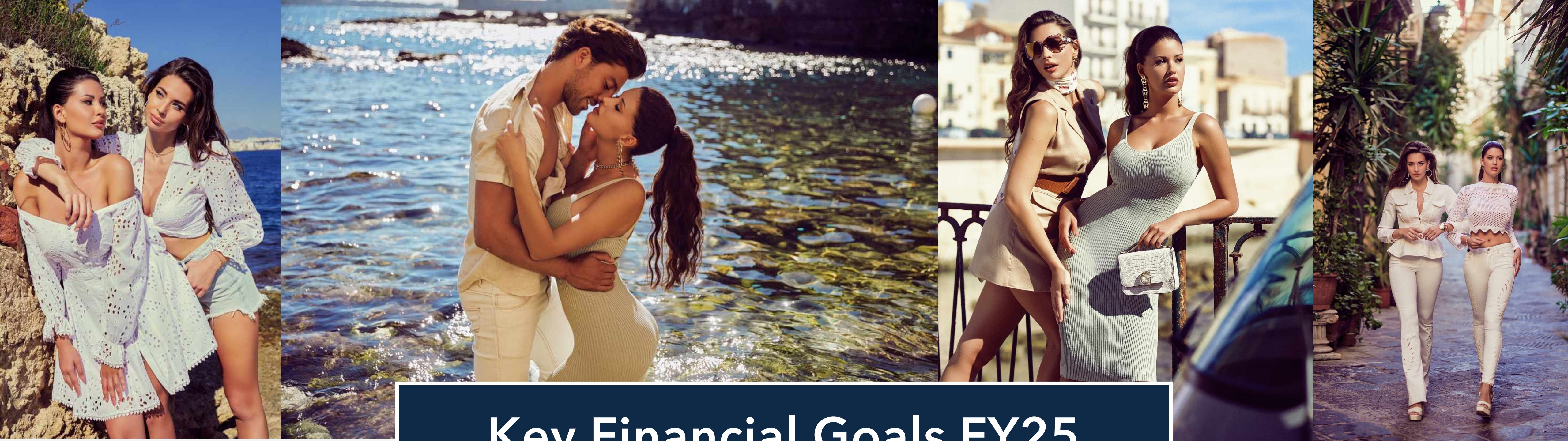
Leverage  
European  
infrastructure

Leverage  
European  
infrastructure

Future

- All creative functions and strategy based in Europe
- Leverage infrastructure globally





# Key Financial Goals FY25

Net Revenue

Operating Profit\*

Operating Margin\*

Adjusted EPS\*

ROIC\*

**\$2.9B**

**\$290M**

**10%**

**\$3.03**

**26%**

CAGR 2%  
from FY20

Up \$140M  
from FY20

Up 440 bps  
from FY20

More than double  
\$1.45 in FY20

More than double  
12% in FY20

\* This measure is presented in non-GAAP. Please refer to the Appendix for a reconciliation of non-GAAP financial measures.



# Our 5-Year Plan is Based on LSD Revenue Growth led by E-Commerce

- Assumes LSD CAGR growth in wholesale, mainly driven by Europe
- Store revenues mainly impacted by net store closures

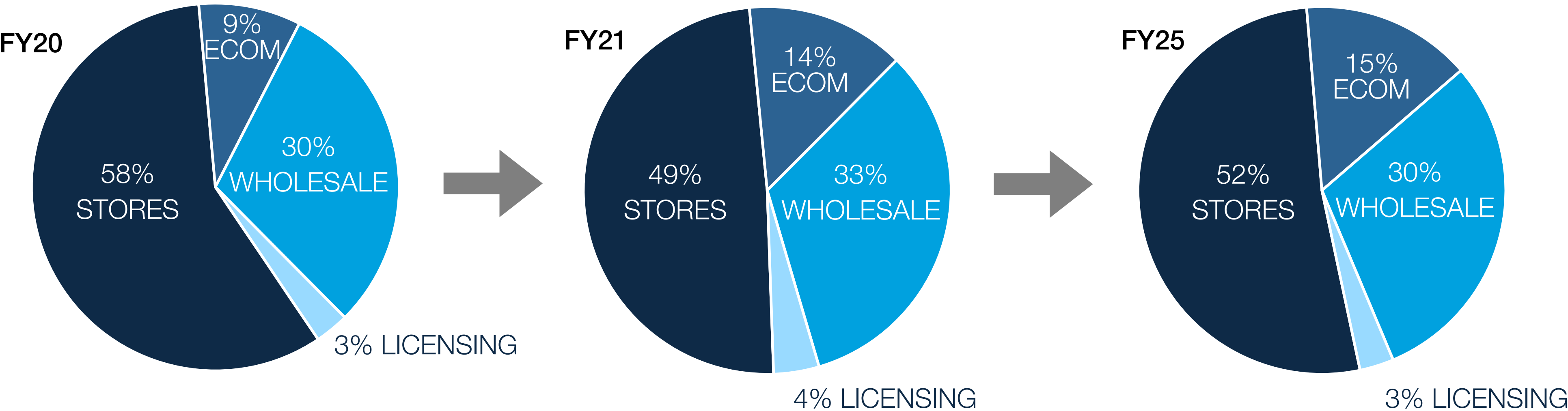




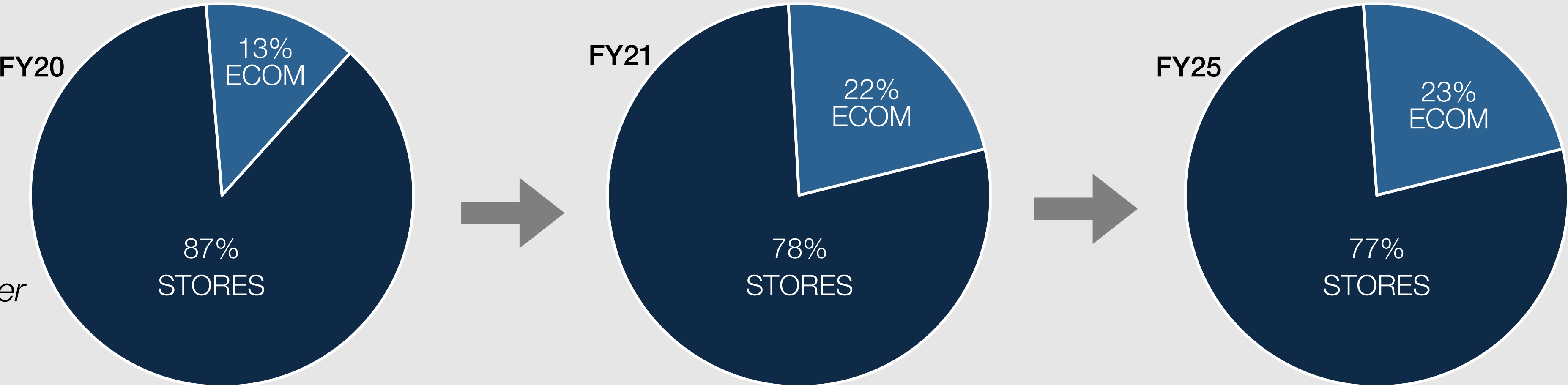
# Omnichannel Sales Composition

As we optimize the store fleet and continue to grow e-commerce, our digital revenue penetration will grow by 10% from FY20 to FY25.

**Company Penetration by Channel**



**E-Commerce Revenue Penetration**  
*as a percent of direct-to-consumer*





# Margin Expansion Opportunity

FY20 Operating Margin\* of 5.6%

## Operational Efficiencies

Store Portfolio Optimization	200 bps
Supply Chain Efficiencies	90 bps
Expense Streamlining	70 bps
Optimized Logistics Network	40 bps

+400 bps of operating margin expansion driven by operational efficiencies

## Revenue Generation

Customer Centricity	} 40 bps
Omnichannel Experience	
Product Excellence	
Global Footprint	

+40 bps of operating margin expansion driven by sales

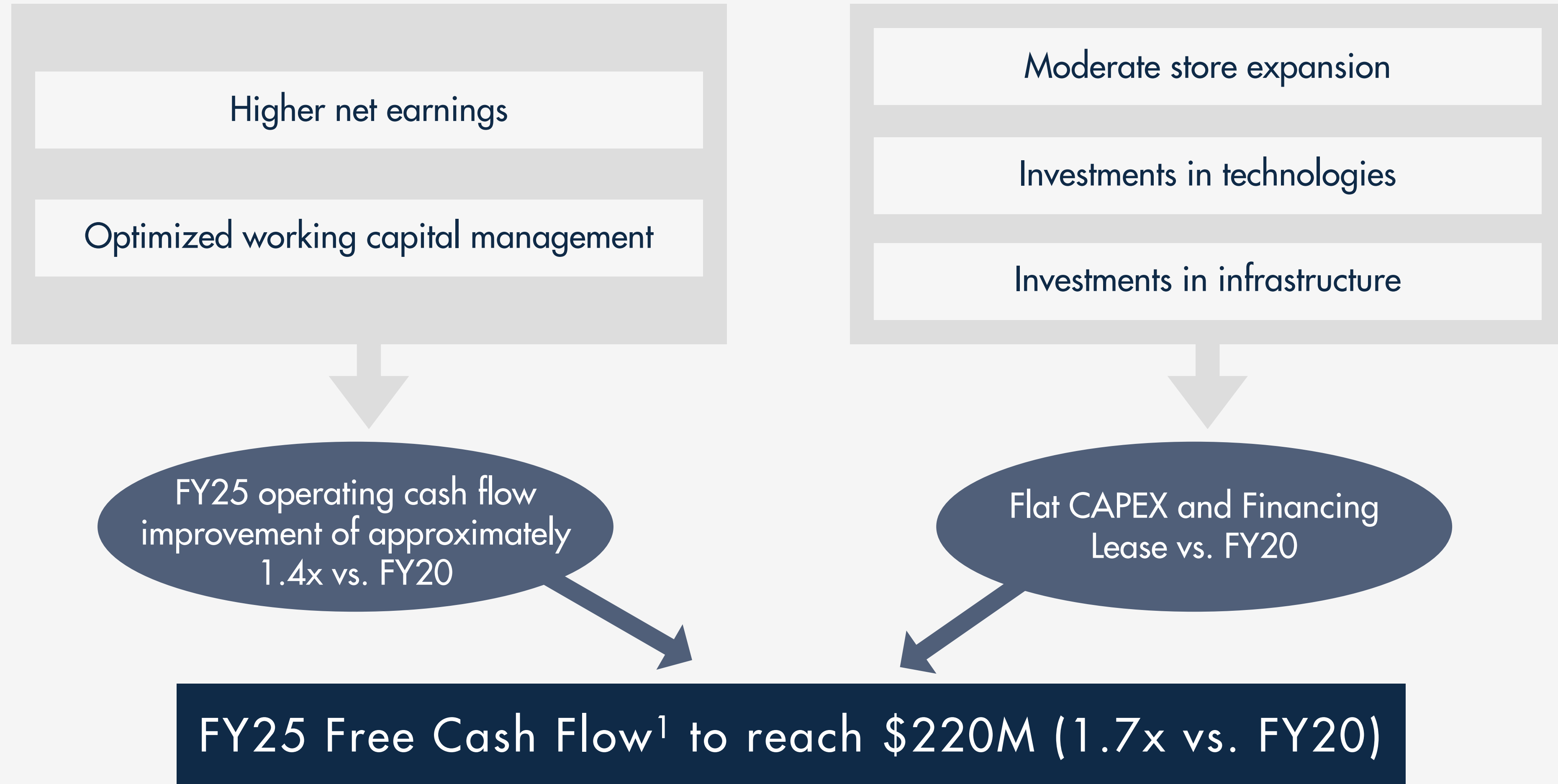
FY25 Operating Margin\* of 10.0%

(\*) This measure is presented in non-GAAP. Please refer to the Appendix for a reconciliation of non-GAAP financial measures.



# Free Cash Flow

FY20 Free Cash Flow<sup>1</sup> \$133M<sup>2</sup>



<sup>1</sup> This measure is presented in non-GAAP. Please refer to the Appendix for a reconciliation of non-GAAP financial measures.

<sup>2</sup> Includes impact of \$46mm EU commission fine



# Capital Allocation

## PRIORITIES

### *Investment in Growth and Infrastructure*

- Technology
- New stores
- Remodels
- Logistics

### *Dividend Payment*

- Dividend payment of 11.25 cents/quarter

### *Share Repurchases*

- Opportunistic share repurchases
- \$327M (over 25% of total shares\*) repurchased at average price of \$15.76 over last two fiscal years

(\*) Based on common stock outstanding as of March 25, 2019





# APPENDIX



# Total Company

	FY20	FY21 to FY25 Cadence	FY25 vs. FY20
Sales	\$2,678	Up LSD CAGR	Approx. +\$220M
Operating Profit*	\$150M	Up Low-teens CAGR	Approx. +\$140M
Gross Margin	37.9%	Up 80 bps Annual Average	Up 400 bps
SG&A Rate*	32.3%	Down ~10 bps Annual Average	Down 40 bps
Operating Margin*	5.6%	Up ~90bp Annual Average	Up 440 bps
EPS*	\$1.45	Up Mid-teens CAGR	2.1x \$3.03 vs. \$1.45

Outlook assumes prevailing currency rates.

(\*) This measure is presented in non-GAAP. Please refer to the “GAAP to non-GAAP” section of this appendix for a reconciliation of non-GAAP financial measures.



# Segments (1 of 2)

	FY20	FY25 vs. FY20
AMERICAS RETAIL		
Sales	\$812M	Down LSD CAGR
Operating Margin	2.7%	Up 700 bps
AMERICAS WHOLESALE		
Sales	\$186M	Flat
Operating Margin	19.1%	Up 250 bps



# Segments (2 of 2)

	FY20	FY25 vs. FY20
EUROPE		
Sales	\$1,248M	Up LSD CAGR
Operating Margin	10.7%	Up 300 bps
ASIA		
Sales	\$346M	Up LSD CAGR
Operating Margin	(2.6%)	Up 1,000 bps
LICENSING		
Sales	\$86M	Down LSD
Operating Margin	86.7%	~flat



# GAAP to Non-GAAP

The financial information in this presentation contains non-GAAP measures that are calculated and presented on a basis other than in accordance with generally accepted accounting principles in the United States of America (GAAP) and exclude certain items from the most directly comparable GAAP financial measure. Such non-GAAP measures should be viewed in addition to, and not as an alternative for, reported results and future outlook under GAAP.

Certain amounts presented do not include the impact of (1) certain professional service and legal fees and related net credits (costs), (2) charges related to the European Commission fine, (3) asset impairment charges, (4) separation charges, (5) non-cash debt discount amortization on our convertible notes and (6) the related tax effects of the foregoing items as well as the impact from changes in the tax law on deferred taxes in certain tax jurisdictions, net tax settlements and adjustments to uncertain tax positions. The Company has excluded these items because it believes that these items are not indicative of the underlying performance of its business and that the non-GAAP measures provided are useful for investors to evaluate the comparability of the Company's results and future outlook.

Forward-looking growth rates for operating profit, operating margin, and SG&A rates assume the exclusion of the items noted above and are also provided on a "constant currency" basis. Constant currency calculations are provided to enhance the visibility of underlying business trends, excluding the effects of changes in foreign currency translation rates. Forward-looking growth rates in constant currency assume that the forecasted results for the future periods are translated into U.S. dollars at the exchange rates in effect during the year the future sales are being compared to.

Forward-looking free cash flow measures represent cash flows from operating activities less (i) purchases of property and equipment and (ii) payments for property and equipment under finance leases. Free cash flows are not intended to be an alternative to cash flows from operating activities as a measure of liquidity, but rather to provide additional visibility to investors regarding how much cash is generated for discretionary and non-discretionary items after deducting purchases of property and equipment and payments for property and equipment under finance leases. Free cash flow information presented may not be comparable to similarly titled measures reported by other companies.

The Company defines return on invested capital (or "ROIC") as adjusted net operating profit after taxes divided by two-year average invested capital. The Company believes that ROIC is a useful financial measure for investors in evaluating how efficiently the Company deploys its capital. The Company's method of calculating ROIC may differ from other companies' methods and therefore might not be comparable.

With the exception of amounts related to non-cash debt discount amortization on our convertible notes, forward-looking earnings per share amounts presented assume no additional charges for the items listed above, as the Company is unable to predict future amounts as these expenditures are inconsistent in amount and frequency and certain elements used to estimate such items have not yet occurred or are out of the Company's control.

Please refer to the following slides for a reconciliation of non-GAAP measures referred to throughout this presentation.



# Operating Margin

<i>Dollars in thousands</i>	<u>FY2020</u>	<u>FY2025E<sup>4</sup></u>
Net Revenue	\$2,678,109	
<b>Reported GAAP earnings from operations</b>	<b>\$140,671</b>	
Certain professional service, legal fees and related net credits <sup>1</sup>	(857)	
Asset impairment charges <sup>2</sup>	9,977	
Separation charges <sup>3</sup>	438	
<b>Adjusted earnings from operations</b>	<b><u>\$150,229</u></b>	
 <b>GAAP operating margin</b>	 <b>5.3%</b>	 <b>10.0%</b>
Certain professional service, legal fees and related net credits <sup>1</sup>	(0.1%)	—
Asset impairment charges <sup>2</sup>	0.4%	—
Separation charges <sup>3</sup>	0.0%	—
<b>Adjusted operating margin</b>	<b><u>5.6%</u></b>	<b><u>10.0%</u></b>

## Notes

- <sup>1</sup> During the full fiscal year 2020, the Company recorded certain professional service and legal fees and related (credits) costs which the Company otherwise would not have incurred as part of its business operations.
- <sup>2</sup> During fiscal year 2020, the Company recorded asset impairment charges for certain retail locations resulting from under-performance and expected store closures, as well as impairment charges related to goodwill associated with the Company's China retail reporting unit.
- <sup>3</sup> In fiscal year 2019, the Company announced the departure of its Chief Executive Officer and the terms of his separation. During fiscal year 2020, the Company recorded \$0.4 million mainly related to non-cash stock-based compensation expense resulting from changes in expected performance conditions of certain previously granted stock awards that were no longer subject to service vesting requirements after the former CEO's departure.
- <sup>4</sup> The Company is unable to predict any future amounts that may be excluded for non-GAAP for fiscal year 2025 as such amounts are inconsistent in amount and frequency and certain elements used to estimate such items have not yet occurred or are out of the Company's control. As such, the Company has not considered any future charges in the accompanying GAAP outlook.



# SG&A

<i>Dollars in thousands</i>	<u><b>FY2020</b></u>
Net Revenue	\$2,678,109
<b>Reported GAAP selling, general and administrative expenses</b>	<b>\$865,060</b>
Certain professional service and legal fees and related (credits) costs <sup>1</sup>	857
CEO severance charges <sup>2</sup>	(438)
<b>Adjusted selling, general and administrative expenses</b>	<u><b>\$865,479</b></u>
<b>SG&amp;A Rate</b>	<b>32.2%</b>
Certain professional service and legal fees and related (credits) costs <sup>1</sup>	0.1%
CEO severance charges <sup>2</sup>	(0.0%)
<b>Adjusted SG&amp;A Rate</b>	<u><b>32.3%</b></u>

## Notes

<sup>1</sup> During the full fiscal year 2020, the Company recorded certain professional service and legal fees and related (credits) costs which the Company otherwise would not have incurred as part of its business operations.

<sup>2</sup> In fiscal year 2019, the Company announced the departure of its Chief Executive Officer and the terms of his separation. During fiscal year 2020, the Company recorded \$0.4 million mainly related to non-cash stock-based compensation expense resulting from changes in expected performance conditions of certain previously granted stock awards that were no longer subject to service vesting requirements after the former CEO's departure.



# Earnings Per Share

Dollars in thousands

	<u>FY2020</u>	<u>FY2025E<sup>7</sup></u>
<b>Reported GAAP net earnings attributable to Guess?, Inc.</b>	<b>\$95,975</b>	
Certain professional service, legal fees and related net credits <sup>1</sup>	(857)	
Asset impairment charges <sup>2</sup>	9,977	
Separation charges <sup>3</sup>	438	
Income tax adjustments <sup>4</sup>	(8,055)	
Amortization of debt discount on Convertible Debt <sup>5</sup>	7,558	
Total adjustments affecting net earnings attributable to Guess?, Inc.	9,061	
<b>Adjusted net earnings attributable to Guess?, Inc.</b>	<b>\$105,036</b>	
<b>GAAP earnings per share</b>	<b>\$ 1.33</b>	<b>\$ 3.00</b>
Certain professional service, legal fees and related net credits <sup>1</sup>	(\$0.01)	—
Asset impairment charges <sup>2</sup>	\$0.12	—
Separation charges <sup>3</sup>	\$0.00	—
Changes in the tax law on deferred taxes in certain tax jurisdictions, net tax settlements and adjustments to specific uncertain tax positions <sup>6</sup>	(\$0.07)	—
Amortization of debt discount on Convertible Debt <sup>5</sup>	\$0.08	\$0.03
<b>Adjusted earnings per share</b>	<b>\$ 1.45</b>	<b>\$ 3.03</b>

Notes

- 1 During fiscal year 2020, the Company recorded certain professional service and legal fees and related (credits) costs which the Company otherwise would not have incurred as part of its business operations.
- 2 During fiscal year 2020, the Company recorded asset impairment charges for certain retail locations resulting from under-performance and expected store closures, as well as impairment charges related to goodwill associated with the Company's China retail reporting unit.
- 3 In fiscal year 2019, the Company announced the departure of its Chief Executive Officer and the terms of his separation. During fiscal year 2020, the Company recorded \$0.4 million mainly related to non-cash stock-based compensation expense resulting from changes in expected performance conditions of certain previously granted stock awards that were no longer subject to service vesting requirements after the former CEO's departure.
- 4 Amounts represent the income tax effect of the non-income tax adjustments excluded for non-GAAP in fiscal year 2020. Such amounts are based on the Company's assessment of deductibility using the statutory tax rate (inclusive of the impact of valuation allowances) of the tax jurisdiction in which the charges were incurred. Amount also includes the impact from changes in the tax law on deferred taxes in certain tax jurisdictions, net tax settlements and adjustments to specific uncertain tax positions.
- 5 In April 2019, the Company issued \$300 million principal amount of 2.00% convertible notes due 2024 (the "Notes") in a private offering. The Company has 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. Estimates of adjusted earnings per share for the full fiscal year 2025 exclude the amortization anticipated to be recorded in those years as such amounts are known. The Company has not assumed any potential share dilution related to the convert or related warrants.
- 6 During fiscal year 2020, the Company recorded the impact from changes in the tax law on deferred taxes in certain tax jurisdictions, net tax settlements and adjustments to specific uncertain tax positions.
- 7 The Company is unable to predict future amounts for items excluded for non-GAAP for fiscal year 2025, with the exception of amounts related to the amortization of debt discount, as these expenditures and credits are inconsistent in amount and frequency and certain elements used to estimate such items have not yet occurred or are out of the Company's control. As such, the Company has not considered any future charges in the accompanying GAAP outlook.



# Free Cash Flow

*Dollars in thousands*

	FY20	FY25E
Net cash provided by operating activities	\$ 197,913	\$ 284,700
Less: Purchases of property and equipment	(61,868)	(62,000)
Less: Payments for property and equipment under financing leases	(2,733)	(2,700)
Free cash flow	<u>\$ 133,312</u>	<u>\$ 220,000</u>



# ROIC

	FY2019	FY2020	FY2020 2-Year Average	FY2024E	FY2025E	FY2025E 2-Year Average
<b>Average Invested Capital</b>						
Total Assets <sup>1</sup>	\$1,649,205	\$2,428,962	\$2,039,084	\$2,918,000	\$2,829,000	\$2,873,500
Less: Cash & Cash Equivalents	(210,460)	(284,613)	(247,537)	(786,000)	(675,000)	(730,500)
Less: Right of Use Asset <sup>1</sup>	-	(851,990)	(425,995)	(764,000)	(768,000)	(766,000)
Less: Accounts Payable	(286,657)	(232,761)	(259,709)	(346,000)	(354,000)	(350,000)
Less: Accrued Expenses and Other Current Liabilities	(252,392)	(204,096)	(228,244)	(209,000)	(210,000)	(209,500)
Add: Accrual for European Commission Fine <sup>2</sup>	45,619	-	22,809	-	-	-
<b>Average Invested Capital</b>	<b>\$945,315</b>	<b>\$855,502</b>	<b>\$900,408</b>	<b>\$813,000</b>	<b>\$822,000</b>	<b>\$817,500</b>
			<b>FY2020</b>			<b>FY2025E</b>
<b>Adjusted Net Operating Profit After Taxes</b>						
Adjusted Earnings From Operations <sup>3</sup>			\$150,229			\$290,000
Less: Asset Impairments			(9,977)			-
Less: Other Income (Expense), Net			(2,529)			(1,400)
Less: Income Taxes <sup>4</sup>			(29,886)			(72,150)
<b>Adjusted Net Operating Profit After Taxes</b>			<b>\$107,837</b>			<b>\$216,450</b>
			<b>12%</b>			<b>26%</b>
<b>Non-GAAP ROIC<sup>5</sup></b>						

## Notes

<sup>1</sup> During fiscal year 2020, the Company adopted a comprehensive new lease standard which superseded previous lease guidance.

<sup>2</sup> During fiscal year 2019, the Company recognized a charge of €39.8 million (\$45.6 million) related to a fine by the European Commission related to its inquiry concerning potential violations of European Union competition rules by the Company.

<sup>3</sup> Refer to the Operating Margin reconciliation page above for fiscal year 2020 Non-GAAP reconciliation. For the fiscal year 2025 projected amount, there is no difference between the GAAP and adjusted amounts for this metric.

<sup>4</sup> Income taxes are calculated using the adjusted effective tax rate for fiscal year 2020 of 21.7% and a projection of 25% for the fiscal 2025 effective tax rate.

<sup>5</sup> The Company defines return on invested capital (or "ROIC") as adjusted net operating profit after taxes divided by two-year average invested capital.