

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended April 30, 2022**

**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**

(State or other jurisdiction of incorporation or organization)

**95-3679695**

(I.R.S. Employer Identification No.)

**Strada Regina 44**

**Bioggio, Switzerland CH-6934**

(Address of principal executive offices and zip code)

**+41 91 809 5000**

(Registrant's telephone number, including area code)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of May 27, 2022, the registrant had 59,594,901 shares of Common Stock, \$.01 par value per share, outstanding.

**GUESS?, INC.**  
**FORM 10-Q**  
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**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements.**

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

	<u>Apr 30, 2022</u>	<u>Jan 29, 2022</u>
	<u>(unaudited)</u>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 147,897	\$ 415,565
Accounts receivable, net	295,430	328,856
Inventories	483,927	462,295
Other current assets	96,128	77,378
Total current assets	1,023,382	1,284,094
Property and equipment, net	232,763	228,765
Goodwill	33,628	34,885
Deferred income tax assets	160,685	165,120
Operating lease right-of-use assets	653,611	685,799
Other assets	145,937	156,965
	<u>\$ 2,250,006</u>	<u>\$ 2,555,628</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of borrowings and finance lease obligations	\$ 77,929	\$ 43,379
Accounts payable	288,070	325,797
Accrued expenses and other current liabilities	214,022	253,182
Current portion of operating lease liabilities	178,470	195,516
Total current liabilities	758,491	817,874
Convertible senior notes, net	298,307	270,595
Long-term debt and finance lease obligations	51,560	60,970
Long-term operating lease liabilities	549,293	582,757
Other long-term liabilities	151,262	160,289
Total liabilities	1,808,913	1,892,485
Redeemable noncontrolling interests	9,854	9,500
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 142,771,946 shares; outstanding 59,330,217 and 62,697,032 shares, as of April 30, 2022 and January 29, 2022, respectively	593	627
Paid-in capital	417,448	565,024
Retained earnings	1,174,379	1,158,664
Accumulated other comprehensive loss	(146,713)	(135,549)
Treasury stock, 83,441,729 and 80,074,914 shares as of April 30, 2022 and January 29, 2022, respectively	(1,042,644)	(966,108)
Guess?, Inc. stockholders' equity	403,063	622,658
Nonredeemable noncontrolling interests	28,176	30,985
Total stockholders' equity	431,239	653,643
	<u>\$ 2,250,006</u>	<u>\$ 2,555,628</u>

*See accompanying notes to condensed consolidated financial statements.*

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

	<b>Three Months Ended</b>	
	<b>Apr 30, 2022</b>	<b>May 1, 2021</b>
Product sales	\$ 567,073	\$ 498,477
Net royalties	26,400	21,525
Net revenue	593,473	520,002
Cost of product sales	346,324	308,444
Gross profit	247,149	211,558
Selling, general and administrative expenses	209,831	186,684
Asset impairment charges	1,544	441
Net gains on lease modifications	(601)	(2,145)
Earnings from operations	36,375	26,578
Other income (expense):		
Interest expense	(3,093)	(5,926)
Interest income	574	374
Other, net	(16,452)	(2,701)
Total other expense	(18,971)	(8,253)
Earnings before income tax expense	17,404	18,325
Income tax expense	6,950	5,455
Net earnings	10,454	12,870
Net earnings attributable to noncontrolling interests	2,484	864
Net earnings attributable to Guess?, Inc.	\$ 7,970	\$ 12,006
<b>Net earnings per common share attributable to common stockholders:</b>		
Basic	\$ 0.13	\$ 0.19
Diluted	\$ 0.12	\$ 0.18
<b>Weighted average common shares outstanding attributable to common stockholders:</b>		
Basic	61,052	64,035
Diluted	74,469	65,940

*See accompanying notes to condensed consolidated financial statements.*

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

	<b>Three Months Ended</b>	
	<b>Apr 30, 2022</b>	<b>May 1, 2021</b>
Net earnings	\$ 10,454	\$ 12,870
Other comprehensive income (loss) ("OCI"):		
Foreign currency translation adjustment		
Losses arising during the period	(17,916)	(2,216)
Derivative financial instruments designated as cash flow hedges		
Gains arising during the period	8,603	1,781
Less income tax effect	(1,040)	(228)
Reclassification to net earnings for (gains) losses realized	(1,613)	398
Less income tax effect	170	62
Defined benefit plans		
Foreign currency and other adjustments	168	129
Less income tax effect	(16)	(13)
Net actuarial loss amortization	30	105
Prior service credit amortization	(23)	(17)
Less income tax effect	(3)	(11)
Total comprehensive income (loss)	(1,186)	12,860
Less comprehensive income attributable noncontrolling interests:		
Net earnings	2,484	864
Foreign currency translation adjustment	(476)	217
Amounts attributable to noncontrolling interests	2,008	1,081
Comprehensive income (loss) attributable to Guess?, Inc.	\$ (3,194)	\$ 11,779

*See accompanying notes to condensed consolidated financial statements.*

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

	<b>Three Months Ended</b>	
	<b>Apr 30, 2022</b>	<b>May 1, 2021</b>
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 10,454	\$ 12,870
<b>Adjustments to reconcile net earnings to net cash used in operating activities:</b>		
Depreciation and amortization	15,304	14,188
Amortization of debt discount	—	2,781
Amortization of debt issuance costs	354	362
Share-based compensation expense	4,052	4,060
Forward contract gains	(1,462)	(101)
Net loss from impairment and disposition of long-term assets	1,668	1,011
Other items, net	21,942	2,315
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	20,317	4,373
Inventories	(37,698)	(9,574)
Prepaid expenses and other assets	(14,178)	(15,328)
Operating lease assets and liabilities, net	(16,434)	(1,953)
Accounts payable and accrued expenses	(59,351)	(67,724)
Other long-term liabilities	462	(923)
Net cash used in operating activities	(54,570)	(53,643)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(28,742)	(9,139)
Proceeds from sale of business and long-term assets	147	1,648
Net cash settlement of forward contract	118	(283)
Other investing activities	(719)	(14)
Net cash used in investing activities	(29,196)	(7,788)
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	45,507	5,651
Repayments on borrowings and finance lease obligations	(18,736)	(9,804)
Purchase of equity forward contract	(105,000)	—
Dividends paid	(13,676)	(7,511)
Noncontrolling interest capital distribution	(4,817)	—
Issuance of common stock, net of income tax withholdings on vesting of stock awards	1,675	1,945
Purchase of treasury stock	(81,747)	—
Net cash used in financing activities	(176,794)	(9,719)
Effect of exchange rates on cash, cash equivalents and restricted cash	(7,108)	(2,834)
Net change in cash, cash equivalents and restricted cash	(267,668)	(73,984)
Cash, cash equivalents and restricted cash at the beginning of the year	415,565	469,345
Cash, cash equivalents and restricted cash at the end of the period	\$ 147,897	\$ 395,361
<b>Supplemental cash flow data:</b>		
Interest paid	\$ 4,030	\$ 3,977
Income taxes paid, net of refunds	\$ 7,214	\$ 5,346
<b>Non-cash investing and financing activity:</b>		
Change in accrual of property and equipment	\$ 2,005	\$ 66
Assets acquired under finance lease obligations	\$ 1,182	\$ 2,323

*See accompanying notes to condensed consolidated financial statements.*

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

For the three months ended April 30, 2022									
Guess?, Inc. Stockholders' Equity									
	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Nonredeemable Noncontrolling Interests	Total
	Shares	Amount				Shares	Amount		
<b>Balance at January 29, 2022</b>	62,697,032	\$ 627	\$ 565,024	\$ 1,158,664	\$ (135,549)	80,074,914	\$ (966,108)	\$ 30,985	\$ 653,643
Cumulative adjustment from adoption of new accounting guidance	—	—	(43,078)	21,355	—	—	—	—	(21,723)
Net earnings	—	—	—	7,970	—	—	—	2,484	10,454
Other comprehensive loss, net of income tax of (\$889)	—	—	—	—	(11,164)	—	—	(476)	(11,640)
Issuance of common stock under stock compensation plans	411,785	4	(3,608)	—	—	(411,785)	5,074	—	1,470
Issuance of stock under Employee Stock Purchase Plan	10,976	—	69	—	—	(10,976)	137	—	206
Share-based compensation	—	—	4,003	49	—	—	—	—	4,052
Dividends, net of forfeitures on non-participating securities	—	—	—	(13,659)	—	—	—	—	(13,659)
Share repurchases	(3,789,576)	(38)	38	—	—	3,789,576	(81,747)	—	(81,747)
Noncontrolling interest capital distribution	—	—	—	—	—	—	—	(4,817)	(4,817)
Equity forward contract issuance	—	—	(105,000)	—	—	—	—	—	(105,000)
<b>Balance at April 30, 2022</b>	<u>59,330,217</u>	<u>\$ 593</u>	<u>\$ 417,448</u>	<u>\$ 1,174,379</u>	<u>\$ (146,713)</u>	<u>83,441,729</u>	<u>\$ (1,042,644)</u>	<u>\$ 28,176</u>	<u>\$ 431,239</u>

*See accompanying notes to condensed consolidated financial statements.*

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

For the three months ended May 1, 2021

	Guess?, Inc. Stockholders' Equity									
	Common Stock			Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Nonredeemable Noncontrolling Interests	Total
	Shares	Amount	Shares				Amount			
<b>Balance at January 30, 2021</b>	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)	
<b>Balance at May 1, 2021</b>	<u>64,932,613</u>	<u>\$ 649</u>	<u>\$ 550,831</u>	<u>\$ 1,039,581</u>	<u>\$ (120,902)</u>	<u>77,860,227</u>	<u>\$ (915,964)</u>	<u>\$ 22,998</u>	<u>\$ 577,193</u>	

*See accompanying notes to condensed consolidated financial statements.*



**GUESS?, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**April 30, 2022**  
(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 April 30, 2022 and January 29, 2022, and the condensed consolidated statements of income, comprehensive income (loss), cash flows and stockholders’ equity for the three months ended April 30, 2022 and May 1, 2021. 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 months ended April 30, 2022 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 29, 2022.

*Fiscal Periods*

The three months ended April 30, 2022 had the same number of days as the three months ended May 1, 2021. All references herein to “fiscal 2022” and “fiscal 2021” represent the results of the 52-week fiscal year ended January 29, 2022 and January 30, 2021, respectively. All references herein to “fiscal 2023” represent the 52-week fiscal year ending January 28, 2023.

*COVID-19 Business Update*

The COVID-19 pandemic is continuing to negatively impact certain regions of the Company’s business, especially in Asia where the Company’s operations for the quarter ended April 30, 2022 were impacted by capacity restrictions and temporary store closures. Overall, this resulted in the closure of a limited number of its directly operated stores as of April 30, 2022, mostly in China, the impact of which was minimal to the Company’s first 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 product and 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 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 2022 Annual Report on Form 10-K. The Company includes herein certain updates to those policies.

#### *Use of Estimates*

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

As discussed above, the COVID-19 pandemic negatively impacted the Company's results during the three months ended April 30, 2022 and May 1, 2021. 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 ten years and may contain options to renew prior to expiration for an additional multi-year period. The unrecognized portion of upfront payments is included in deferred royalties in accrued expenses and other long-term liabilities depending on the short or long-term nature of the payments to be recognized. As of April 30, 2022, the Company had \$5.1 million and \$13.5 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 \$5.1 million and \$14.3 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 29, 2022. During the three months ended April 30, 2022 and May 1, 2021, the Company recognized \$3.4 million and \$3.5 million in net royalties related to the amortization of 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 April 30, 2022, approximately 45% of the Company's total net trade accounts receivable and 61% 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 Adopted Accounting Guidance*

##### *Convertible Instruments and Contracts in an Entity's Own Equity*

The Company adopted 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 on January 30, 2022, using the modified retrospective transition method. The cumulative effect of the accounting change increased the carrying amount of the 2.00% convertible senior notes due 2024 (the "Notes") by \$27.5 million, reduced deferred income tax liabilities by \$5.8 million, reduced additional paid-in capital by \$43.1 million and increased retained earnings by \$21.4 million, with no restatement of prior periods. Refer to Note 3 for the impact on the earnings per share calculation and Note 10 for the impact on the Notes.

##### *Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*

The Financial Accounting Standards Board ("FASB") issued authoritative guidance as to how an issuer should account for a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option (i.e., a warrant) that remains classified in equity after modification or exchange of the original instrument for a new instrument. An issuer should measure the effect of a modification or exchange as the difference between the fair value of the modified or exchanged warrant and the fair value of that warrant immediately before modification or exchange and then apply a recognition model that comprises four categories of transactions and the corresponding accounting treatment for each category (equity issuance, debt origination, debt modification, and modifications unrelated to equity issuance and debt origination or modification). The Company adopted this guidance on January 30, 2022 which had no impact on the Company's consolidated financial statement presentation or disclosures.

#### *Recently Issued Accounting Guidance*

##### *Reference Rate Reform*

The FASB issued guidance to provide temporary optional expedients to ease the potential burden in accounting for reference rate reform. This guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to certain criteria, referencing LIBOR or another reference rate expected to be discontinued. The FASB issued subsequent amendments to further clarify the scope of optional expedients and exceptions to derivatives affected by the transition. The guidance is intended to help stakeholders during the global market-wide reference rate transition period.

The Company identified and will modify, if necessary, its loans and other financial instruments with attributes directly or indirectly influenced by LIBOR. The Company determined, of its current LIBOR references as outlined in Note 9 Borrowings and Finance Lease Obligations, Note 15 Fair Value Measurements, and Note 16 Derivative Financial Instruments, only the obligations under Mortgage Debt,

Credit Facilities, and Interest Rate Swap Agreements are impacted by this guidance. The Company does not expect this guidance to have a material impact on its consolidated financial position, results of operations or cash flows.

#### *Government Assistance*

In November 2021, the FASB issued authoritative guidance to increase the transparency of government assistance. This guidance is effective for financial statements issued for annual periods beginning after December 15, 2021 with early adoption permitted. The Company is currently evaluating this guidance and does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

## **(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 \$25.4 million for leases where the Company has not yet taken possession of the underlying asset as of April 30, 2022. 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 April 30, 2022.

The components of leases are (in thousands):

		<b>Apr 30, 2022</b>	<b>Jan 29, 2022</b>
<b>Assets</b>	<b>Balance Sheet Location</b>		
Operating	Operating lease right-of-use assets	\$ 653,611	\$ 685,799
Finance	Property and equipment, net	20,557	21,898
Total lease assets		<u>\$ 674,168</u>	<u>\$ 707,697</u>
<b>Liabilities</b>	<b>Balance Sheet Location</b>		
<b>Current:</b>			
Operating	Current portion of operating lease liabilities	\$ 178,470	\$ 195,516
Finance	Current portion of borrowings and finance lease obligations	5,729	5,806
<b>Noncurrent:</b>			
Operating	Long-term operating lease liabilities	549,293	582,757
Finance	Long-term debt and finance lease obligations	16,050	17,137
Total lease liabilities		<u>\$ 749,542</u>	<u>\$ 801,216</u>

The components of lease costs are (in thousands):

	Income Statement Location	Three Months Ended	
		Apr 30, 2022	May 1, 2021
Operating lease costs	Cost of product sales	\$ 44,372	\$ 46,684
Operating lease costs	Selling, general and administrative expenses	6,301	6,357
Operating lease costs <sup>1</sup>	Net gains on lease modifications	(601)	(2,145)
Finance lease costs			
Amortization of leased assets	Cost of product sales	19	11
Amortization of leased assets	Selling, general and administrative expenses	1,502	1,361
Interest on lease liabilities	Interest expense	287	366
Variable lease costs <sup>2</sup>	Cost of product sales	21,996	15,739
Variable lease costs <sup>2</sup>	Selling, general and administrative expenses	956	574
Short-term lease costs	Cost of product sales	96	105
Short-term lease costs	Selling, general and administrative expenses	1,558	1,171
Total lease costs		\$ 76,486	\$ 70,223

Notes:

<sup>1</sup> During the three months ended April 30, 2022 and May 1, 2021, net gains 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.

<sup>2</sup> During the three months ended April 30, 2022, and May 1, 2021, variable lease costs included certain rent concessions of approximately \$1.3 million and \$6.1 million, respectively, received by the Company, primarily in Europe.

Maturities of the Company's operating and finance lease liabilities as of April 30, 2022 are (in thousands):

Maturity of Lease Liabilities	Operating Leases			Total
	Non-Related Parties	Related Parties	Finance Leases	
Fiscal 2023	\$ 151,147	\$ 6,164	\$ 5,246	\$ 162,557
Fiscal 2024	161,805	7,826	6,711	176,342
Fiscal 2025	117,452	7,204	4,894	129,550
Fiscal 2026	86,607	6,811	4,142	97,560
Fiscal 2027	68,756	7,513	2,346	78,615
After fiscal 2027	154,161	28,431	705	183,297
Total lease payments	739,928	63,949	24,044	827,921
Less: Interest	66,182	9,932	2,265	78,379
Present value of lease liabilities	\$ 673,746	\$ 54,017	\$ 21,779	\$ 749,542

Other supplemental information is (in thousands):

Lease Term and Discount Rate	Apr 30, 2022
Weighted-average remaining lease term	
Operating leases	6.0 years
Finance leases	4.1 years
Weighted-average discount rate	
Operating leases	3.4%
Finance leases	5.2%

Supplemental Cash Flow Information	Three Months Ended	
	Apr 30, 2022	May 1, 2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 63,896	\$ 53,428
New operating ROU assets obtained in exchange for lease liabilities	\$ 35,378	\$ 22,596

*Impairment*

During the three months ended April 30, 2022 there were no ROU asset impairment charges. During the three months ended May 1, 2021 there were immaterial ROU asset impairment charges recorded. 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 per Share**

On January 30, 2022, the Company adopted new authoritative guidance which simplifies the accounting for convertible instruments and contracts in an entity's own equity using the modified retrospective method. Following adoption, diluted EPS related to the Notes is calculated using the if-converted method. The number of dilutive shares is based on the initial conversion rate associated with the Notes.

Prior to adoption, the Company applied the treasury stock method when calculating the potential dilutive effect of the Notes, if any. As the Company expects to settle the principal amount of its outstanding Notes in cash and any excess in shares, only the amounts in excess of the principal amount were considered in diluted earnings per share, if applicable. Refer to Note 1 and Note 10 for more information regarding the Notes.

In addition, the Company granted certain nonvested stock units, 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 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 per common share attributable to common stockholders is (in thousands, except per share data):

	Three Months Ended	
	Apr 30, 2022	May 1, 2021
Net earnings attributable to Guess?, Inc.	\$ 7,970	\$ 12,006
Less net earnings attributable to nonvested restricted stockholders	56	130
Net earnings attributable to common stockholders	7,914	11,876
Add interest expense related to the Notes	902	—
Net earnings attributable to common stockholders used in diluted computations	\$ 8,816	\$ 11,876
Weighted average common shares used in basic computations	61,052	64,035
Effect of dilutive securities:		
Stock options and restricted stock units	1,666	1,905
The Notes	11,751	—
Weighted average common shares used in diluted computations	74,469	65,940
Net earnings per common share attributable to common stockholders:		
Basic	\$ 0.13	\$ 0.19
Diluted	\$ 0.12	\$ 0.18

During the three months ended April 30, 2022 and May 1, 2021, equity awards granted for 1,183,823 and 390,243, respectively, of the Company's common shares were outstanding but were excluded from the computation of diluted weighted average common shares and common equivalent shares outstanding because the assumed proceeds, as calculated under the treasury stock method, resulted in these awards being antidilutive. For the three months ended April 30, 2022, the Company excluded 300,000 nonvested stock units which were subject to the achievement of market-based vesting conditions from the computation of diluted weighted average common shares and common equivalent shares outstanding because these conditions were not achieved as of April 30, 2022. For the three months ended May 1, 2021, there were no nonvested stock units subject to the achievement of performance-based or 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 achieved as of May 1, 2021.

Warrants to purchase approximately 11.6 million shares of the Company's common shares at an initial strike price of \$46.88 per share were outstanding as of April 30, 2022 and May 1, 2021. 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 months ended April 30, 2022 and May 1, 2021.

#### **(4) Stockholders' Equity**

##### *Share Repurchase Program*

During fiscal 2022, the Board of Directors terminated its previous 2012 \$500 million share repurchase program (the "2012 Share Repurchase Program") and authorized a new \$200 million share repurchase program (the "2021 Share Repurchase Program"). On March 14, 2022, the Board of Directors expanded its repurchase authorization under the 2021 Share Repurchase Program by \$100 million. 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.

On March 18, 2022, pursuant to existing share repurchase authorizations, the Company entered into an accelerated share repurchase agreement (the "2022 ASR Contract") with a financial institution (the "2022 ASR Counterparty") to repurchase an aggregate of \$175.0 million of the Company's common stock. Under the 2022 ASR Contract, the Company made a payment of \$175.0 million to the 2022 ASR Counterparty and received an initial delivery of approximately 3.3 million shares of common stock on March 21, 2022, representing approximately 40% (\$70.0 million) of the total shares expected to be repurchased under the 2022 ASR Contract. The remaining balance of \$105.0 million was classified as an equity forward contract and recorded in additional paid-in capital within shareholders' equity.

The exact number of shares the Company will repurchase under the 2022 ASR Contract will be based generally upon the average daily volume weighted average price of the common stock during the repurchase period, less a discount. At settlement, under certain circumstances, the 2022 ASR Counterparty may be required to deliver additional shares of common stock to the Company, or under certain circumstances, the Company may be required either to deliver shares of common stock or to make a cash payment to the 2022 ASR Counterparty. Final settlement of the transactions under the 2022 ASR Contract is expected to be completed by the end of July 2022. The terms of the 2022 ASR Contract are subject to adjustment, including, but not limited to, adjustments arising if the Company were to enter into or announce certain types of transactions or to take certain corporate actions. The 2022 ASR Contract contains the principal terms and provisions governing the accelerated share repurchases, including, but not limited to, the mechanism used to determine the number of shares that will be delivered, the required timing of delivery of the shares, the circumstances under which the 2022 ASR Counterparty is permitted to make adjustments to valuation and calculation periods and various acknowledgments, representations and warranties made by the Company and the 2022 ASR Counterparty to one another.

During the three months ended April 30, 2022, the Company repurchased 3,789,576 shares under the Company's 2021 Share Repurchase Program at an aggregate cost of \$81.7 million, which is inclusive of the shares repurchased under the 2022 ASR Contract. There were no shares repurchased under the 2012 Share Repurchase Program during the three months ended May 1, 2021. As of April 30, 2022, the Company had remaining authority under the 2021 Share Repurchase Program to purchase \$62.3 million of its common stock.

#### Dividends

The following sets forth the cash dividend declared per share:

	<b>Three Months Ended</b>	
	<b>Apr 30, 2022</b>	<b>May 1, 2021</b>
Cash dividend declared per share	\$ 0.225	\$ 0.1125

In accordance with the terms of the indenture governing the Notes, the Company has adjusted the conversion rate and the conversion price of the Notes for quarterly dividends exceeding \$0.1125 per share.

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):

	<b>Foreign Currency Translation Adjustment</b>	<b>Derivative Financial Instruments Designated as Cash Flow Hedges</b>	<b>Defined Benefit Plans</b>	<b>Total</b>
<b>Three Months Ended Apr 30, 2022</b>				
Balance at January 29, 2022	\$ (135,861)	\$ 7,280	\$ (6,968)	\$ (135,549)
Gains (losses) arising during the period	(17,440)	7,563	152	(9,725)
Reclassification to net earnings for (gains) losses realized	—	(1,443)	4	(1,439)
Net other comprehensive income (loss)	(17,440)	6,120	156	(11,164)
Balance at April 30, 2022	<u>\$ (153,301)</u>	<u>\$ 13,400</u>	<u>\$ (6,812)</u>	<u>\$ (146,713)</u>
<b>Three Months Ended May 1, 2021</b>				
Balance at January 30, 2021	\$ (105,970)	\$ (4,876)	\$ (9,829)	\$ (120,675)
Gains (losses) arising during the period	(2,433)	1,553	116	(764)
Reclassification to net earnings for losses realized	—	460	77	537
Net other comprehensive income (loss)	(2,433)	2,013	193	(227)
Balance at May 1, 2021	<u>\$ (108,403)</u>	<u>\$ (2,863)</u>	<u>\$ (9,636)</u>	<u>\$ (120,902)</u>



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

	Three Months Ended		Location of (Gain) Loss Reclassified from Accumulated OCI into Earnings
	Apr 30, 2022	May 1, 2021	
Derivative financial instruments designated as cash flow hedges:			
Foreign exchange currency contracts	\$ (1,674)	\$ 462	Cost of product sales
Interest rate swap	61	(64)	Interest expense
Less income tax effect	170	62	Income tax expense
	<u>(1,443)</u>	<u>460</u>	
Defined benefit plans:			
Net actuarial loss amortization	30	105	Other expense
Prior service credit amortization	(23)	(17)	Other expense
Less income tax effect	(3)	(11)	Income tax expense
	<u>4</u>	<u>77</u>	
Total reclassifications during the period	<u>\$ (1,439)</u>	<u>\$ 537</u>	

## (5) Accounts Receivable

Accounts receivable is summarized as follows (in thousands):

	Apr 30, 2022	Jan 29, 2022
Trade	\$ 262,770	\$ 299,160
Royalty	32,539	33,790
Other	10,313	6,945
	<u>305,622</u>	<u>339,895</u>
Less allowances	10,192	11,039
	<u>\$ 295,430</u>	<u>\$ 328,856</u>

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):

	Apr 30, 2022	Jan 29, 2022
Raw materials	\$ 1,951	\$ 1,228
Work in progress	3	3
Finished goods	481,973	461,064
	<u>\$ 483,927</u>	<u>\$ 462,295</u>

The balances include an allowance to write down inventories to the lower of cost or net realizable value of \$29.0 million and \$31.8 million as of April 30, 2022 and January 29, 2022, respectively.

## **(7) Income Taxes**

### *Effective Income 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 39.9% for the three months ended April 30, 2022 compared to 29.8% for the three months ended May 1, 2021. The change in the effective income tax rate was primarily due to: (1) a shift in the distribution of earnings among the Company's tax jurisdictions compared to the same prior-year period; and (2) losses during the current quarter in certain tax jurisdictions for which the Company did not recognize an income tax benefit.

### *Intra-Entity Transaction*

During the third quarter of fiscal 2022, 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.

### *Unrecognized Income 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 April 30, 2022, no major income tax audits were ongoing.

As of April 30, 2022 and January 29, 2022, the Company had \$59.2 million and \$57.5 million, respectively, of aggregate accruals for uncertain income tax positions, including penalties and interest. 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.

### *Indefinite 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 indefinite reinvestment of foreign earnings. If the Company determines that all or a portion of such foreign earnings are no longer indefinitely reinvested, the Company may be subject to additional foreign withholding taxes and U.S. state income taxes, beyond the one-time transition tax. As of April 30, 2022, the Company determined that approximately \$12.7 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 income 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):

	<b>Three Months Ended</b>	
	<b>Apr 30, 2022</b>	<b>May 1, 2021</b>
<b>Net revenue:</b>		
Americas Retail	\$ 166,485	\$ 155,535
Americas Wholesale	68,357	45,430
Europe	276,009	241,852
Asia	56,222	55,660
Licensing	26,400	21,525
Total net revenue	\$ 593,473	\$ 520,002
<b>Earnings (loss) from operations:</b>		
Americas Retail	\$ 14,266	\$ 20,274
Americas Wholesale	17,397	11,555
Europe	17,890	4,198
Asia	(3,487)	(1,808)
Licensing	24,444	19,431
Total segment earnings from operations	70,510	53,650
Corporate overhead	(33,192)	(28,776)
Asset impairment charges <sup>1</sup>	(1,544)	(441)
Net gains on lease modifications <sup>2</sup>	601	2,145
Total earnings from operations	\$ 36,375	\$ 26,578

**Notes:**

<sup>1</sup> During the three months ended April 30, 2022, the Company recognized asset impairment charges related primarily to property and equipment of certain retail locations resulting from under-performance and expected store closures. During the three months ended May 1, 2021, the Company recognized asset impairment charges related primarily to property and equipment and certain operating lease ROU assets of certain retail stores 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.

<sup>2</sup> During the three months ended April 30, 2022 and May 1, 2021, the Company recorded net gains 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):

	<b>Three Months Ended</b>	
	<b>Apr 30, 2022</b>	<b>May 1, 2021</b>
<b>Net revenue:</b>		
U.S.	\$ 169,127	\$ 157,066
Italy	56,366	47,553
Canada	40,578	26,640
South Korea	35,884	27,809
Germany	35,841	34,678
Spain	30,113	25,507
Other countries	199,164	179,224
Total product sales	<u>567,073</u>	<u>498,477</u>
Net royalties	26,400	21,525
Net revenue	<u>\$ 593,473</u>	<u>\$ 520,002</u>

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):

	<b>Apr 30, 2022</b>	<b>Jan 29, 2022</b>
Term loans	\$ 43,832	\$ 48,253
Finance lease obligations	21,779	22,943
Mortgage debt	17,693	17,860
Borrowings under credit facilities	42,662	12,201
Other	3,523	3,092
	<u>129,489</u>	<u>104,349</u>
Less current installments	77,929	43,379
Long-term debt and finance lease obligations	<u>\$ 51,560</u>	<u>\$ 60,970</u>

##### *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 fiscal 2021. These loans are primarily unsecured, have remaining terms ranging from one-to-three years and incur interest at annual rates ranging between 1.3% to 2.2%. As of April 30, 2022 and January 29, 2022, the Company had outstanding borrowings of \$43.8 million and \$48.3 million under these borrowing arrangements, respectively.

##### *Finance Lease Obligations*

During fiscal 2018, the Company began the relocation of its European distribution center to the Netherlands. The finance lease primarily provides for monthly minimum lease payments through May 2027 with an effective interest rate of approximately 6%. The Company has also entered into finance leases for equipment used in its European distribution centers. These finance lease obligations totaled \$17.7 million and \$19.6 million as of April 30, 2022 and January 29, 2022, respectively.

The Company also has smaller finance leases related primarily to computer hardware and software. As of April 30, 2022 and January 29, 2022, these finance lease obligations totaled \$4.1 million and \$3.4 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 April 30, 2022, the Company could have borrowed up to \$110 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 April 30, 2022, the Company had \$9.6 million in outstanding standby letters of credit, no outstanding documentary letters of credit and \$40.0 million outstanding borrowings under the Credit Facility. As of January 29, 2022, the Company had \$10.1 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 April 30, 2022 and January 29, 2022, the Company had no outstanding borrowings, no outstanding documentary letters of credit, and \$119.6 million and \$126.9 million available for future borrowings under these agreements, respectively. The agreements are denominated primarily in euros and incur interest at annual rates ranging between 0.9% to 1.1%. On May 5, 2022, the Company entered into a €250 million revolving credit facility through a European subsidiary, which replaced the European short-term borrowing arrangements referenced above. Refer to Note 17 for further information.

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 \$1.9 million in outstanding borrowings under this agreement as of April 30, 2022 and \$12.2 million in outstanding borrowings under this agreement as of January 29, 2022.

The Company, through its Japan subsidiary, maintains a short-term uncommitted bank borrowing agreement that provides for a borrowing capacity up to \$3.9 million, primarily for working capital purposes. The Company had \$0.8 million outstanding borrowings under this agreement as of April 30, 2022 and no outstanding borrowings as of January 29, 2022.

*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 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 accordance with the terms of the indenture governing the Notes, the Company has adjusted the conversion rate and the conversion price of the Notes for quarterly dividends exceeding \$0.1125 per share (currently \$25.53). 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 April 30, 2022, 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.

On January 30, 2022, the Company adopted new authoritative guidance which simplifies the accounting for convertible instruments and contracts in an entity’s own equity using the modified retrospective method. Prior to adoption, 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 equity component was not subject to remeasurement as long as the equity component continued to meet the conditions for equity classification. The excess of the liability component over its carrying amount (“debt discount”) was being amortized to interest expense over the term of the Notes. During the three months ended May 1, 2021, the Company recorded \$2.8 million of interest expense related to the amortization of the debt discount. As a result of the adoption of the authoritative guidance on January 30, 2022, the Company derecognized the remaining unamortized debt discount on the Notes and recorded no interest expense related to the amortization of the debt discount during the three months ended April 30, 2022. Refer to Note 1 for further information regarding this recently adopted guidance.

Debt issuance costs were comprised of \$3.8 million of discounts and commissions payable to the initial purchasers and third-party offering costs of approximately \$1.5 million. Debt issuance costs were recorded as a contra-liability and are presented net against the Notes balance on the Company's condensed consolidated balance sheets. These costs are being amortized to interest expense over the term of the Notes.

The Notes consist of the following (in thousands):

	<u>Apr 30, 2022</u>	<u>Jan 29, 2022</u>
Liability component:		
Principal	\$ 300,000	\$ 300,000
Unamortized debt discount <sup>1</sup>	—	(27,498)
Unamortized issuance costs	(1,693)	(1,907)
Net carrying amount	<u>\$ 298,307</u>	<u>\$ 270,595</u>
Equity component, net <sup>2</sup>	\$ (759)	\$ 42,320

*Notes:*

<sup>1</sup> Due to adoption of new authoritative guidance, unamortized debt discount was derecognized on January 30, 2022.

<sup>2</sup> As a result of adoption of new authoritative guidance on January 30, 2022, the equity component was eliminated and recorded as an adjustment to retained earnings. As of April 30, 2022, the balance is associated with convertible bond hedge issuance costs and deferred taxes, which are not impacted by the adoption. As of January 29, 2022, the balance was 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 April 30, 2022 and January 29, 2022, the fair value of the Notes, net of unamortized debt discount and debt issuance costs, was approximately \$331.7 million and \$303.1 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. The Company received \$28.1 million in cash proceeds from the sale of these warrants. 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 accordance with the terms of the convertible note hedge confirmations and warrant confirmations, respectively, the Company has adjusted the strike prices with respect to the convertible note hedges and the warrants for quarterly dividends exceeding \$0.1125 per share (currently \$46.42). 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.

As of April 30, 2022, there was no deferred income tax liability in connection with the debt discount. As of January 29, 2022, the Company had a deferred tax liability of \$6.2 million in connection with the debt discount included in deferred income tax assets on the Company's condensed consolidated balance sheet. As of both April 30, 2022 and January 29, 2022, the Company had a deferred income tax asset of \$6.9 million in connection with the convertible note hedge transactions. The net deferred income tax impact was included in deferred income 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	
	Apr 30, 2022	May 1, 2021
Stock options	\$ 600	\$ 907
Stock awards/units	3,372	3,073
Employee Stock Purchase Plan	80	80
Total share-based compensation expense	<u>\$ 4,052</u>	<u>\$ 4,060</u>

Unrecognized compensation cost related to nonvested stock options and nonvested stock awards/units totaled approximately \$2.9 million and \$20.3 million, respectively, as of April 30, 2022. This cost is expected to be recognized over a weighted average period of 1.5 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 three months ended April 30, 2022:

	Number of Units	Weighted Average Grant Date Fair Value
Nonvested at January 29, 2022	643,813	\$ 18.78
Granted	—	—
Vested	(314,239)	17.31
Forfeited	(11,718)	26.40
Nonvested at April 30, 2022	<u>317,856</u>	<u>\$ 19.95</u>

### 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 three months ended April 30, 2022:

	Number of Units	Weighted Average Grant Date Fair Value
Nonvested at January 29, 2022	877,813	\$ 14.22
Granted	—	—
Vested	—	—
Forfeited	(87,871)	9.39
Nonvested at April 30, 2022	<u>789,942</u>	<u>\$ 14.76</u>



## **(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 North American 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 April 30, 2022 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 \$2.3 million and \$2.2 million for the three months ended April 30, 2022 and May 1, 2021, 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 three months ended April 30, 2022 and May 1, 2021 were approximately \$0.6 million and \$0.9 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 April 30, 2022 and January 29, 2022, 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.

### *Vendor Purchases*

The Company purchases faux fur products from a privately-held fashion accessories company (the “Fashion Company”). Mr. Maurice Marciano, Mr. Paul Marciano and Mr. Carlos Alberini own on a combined basis 20% of the outstanding common equity interests in the Fashion Company (with the Marcianos jointly owning 16% and Mr. Alberini owning 4%). The total payments made by the Company to the Fashion Company were approximately \$1.2 million and \$0.2 million for the three months ended April 30, 2022 and May 1, 2021, respectively. The Company believes that the price paid by the Company for the Fashion Company’s products and the terms of the transactions between the Company and the Fashion Company have not been affected by this passive investment of Messrs. Marcianos and Mr. Alberini in the Fashion Company.

## **(13) Commitments and Contingencies**

### *Investment Commitments*

As of April 30, 2022, the Company had an unfunded commitment to invest €1.0 million (\$1.0 million) in a private equity fund. Refer to Note 15 for further information. On May 4, 2022, the Company committed an additional €10.0 million to the private equity fund.

### *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 (\$10.3 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 (\$10.2 million) of these favorable MFDTC judgments with the Appeals Court. To date, €8.5 million (\$9.0 million) have been decided in favor of the Company and €1.2 million (\$1.3 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 (\$0.4 million) have been decided in favor of the Company based on the merits of the case and €1.1 million (\$1.2 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 the Company’s Chief Creative Officer 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. Paul 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 currently in the discovery stage. Mr. Paul 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. Paul Marciano and the Company. Each individual who contacted the Company in March 2021 and April 2021 is represented by the same attorney who represents the plaintiff in the January 2021 action. Though no complaint was filed with respect to the allegations in the March 2021 letter and Mr. Paul 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. Paul Marciano entered into a settlement agreement with the individual who sent the March 2021 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 2021 letter filed an action against Mr. Paul 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. Paul Marciano. The complaint seeks an unspecified amount of compensatory damages, punitive damages and attorneys’ fees. Though Mr. Paul Marciano and the Company also disputed these claims fully, in order to avoid the cost of litigation and without admitting liability or fault, the Company and Mr. Paul Marciano entered into a settlement agreement with the individual who sent the April 2021 letter and filed the October 2021 action, resolving the claims for an aggregate total amount of \$120,000 in March 2022.

On March 16, 2022, the plaintiff in the January 2021 action and another former model for the Company filed an action against those individuals who were on the Company’s Board of Directors in January 2019 (the “Defendants”) in the California Superior Court in Los Angeles (Jane Doe 1 and Jane Doe 2 v. Maurice

Marciano, et al.). The complaint asserts that the Defendants aided and abetted the alleged improper behavior of Mr. Paul Marciano described in the January 2021 action and discomfort felt by the other individual during interactions with Mr. Paul Marciano described in the March 2022 action. The complaint seeks an unspecified amount of general damages and attorneys' fees and seeks an order for the Defendants to remove Mr. Paul Marciano from the Board of Directors and relieve him of his day-to-day duties at the Company. The individual plaintiffs in the March 2022 action are represented by the same attorney who represents the plaintiffs in the January 2021 and October 2021 actions.

#### *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 \$0.5 million and \$0.4 million as of April 30, 2022 and January 29, 2022, 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 Russian 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 \$9.1 million as of April 30, 2022 and January 29, 2022, respectively. The parties are evaluating the potential purchase by the Company of the 30% interest held by the noncontrolling interest holder in light of the various sanctions recently imposed by the United States and European governments with respect to Russia.

The redeemable noncontrolling interests of the 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. During the three months ended April 30, 2022 and May 1, 2021, the Company had no redeemable noncontrolling interest redemption value adjustment.

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

	Three Months Ended	
	Apr 30, 2022	May 1, 2021
Beginning balance	\$ 9,500	\$ 3,920
Foreign currency translation adjustment	354	29
Ending balance	<u>\$ 9,854</u>	<u>\$ 3,949</u>

#### **(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 \$67.1 million and \$70.9 million as of April 30, 2022 and January 29, 2022, 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 losses of \$3.3 million during the three months ended April 30, 2022 and immaterial unrealized losses in other expense during the three months ended May 1, 2021. The projected benefit obligation was \$49.3 million and \$49.4 million as of April 30, 2022 and January 29, 2022, respectively, and was included in accrued expenses and other current liabilities 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 were made during each of the three months ended April 30, 2022 and May 1, 2021.

#### *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 April 30, 2022 and January 29, 2022, the foreign pension plans had a total projected benefit obligation of \$40.8 million and \$42.7 million, respectively, and plan assets held in independent investment fiduciaries of \$36.3 million and \$38.0 million, respectively. The net liability of \$4.5 million and \$4.7 million was included in other long-term liabilities in the Company's condensed consolidated balance sheets as of April 30, 2022 and January 29, 2022, respectively.

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

	<b>SERP</b>	<b>Foreign Pension Plans</b>	<b>Total</b>
	<b>Three Months Ended Apr 30, 2022</b>		
Service cost	\$ —	\$ 775	\$ 775
Interest cost	333	57	390
Expected return on plan assets	—	(70)	(70)
Net amortization of unrecognized prior service credit	—	(23)	(23)
Net amortization of actuarial losses	17	13	30
Net periodic defined benefit pension cost	<u>\$ 350</u>	<u>\$ 752</u>	<u>\$ 1,102</u>
	<b>Three Months Ended May 1, 2021</b>		
Service cost	\$ —	\$ 790	\$ 790
Interest cost	289	19	308
Expected return on plan assets	—	(52)	(52)
Net amortization of unrecognized prior service credit	—	(17)	(17)
Net amortization of actuarial losses	20	85	105
Net periodic defined benefit pension cost	<u>\$ 309</u>	<u>\$ 825</u>	<u>\$ 1,134</u>

## (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):

Recurring Fair Value Measures	Fair Value Measurements at Apr 30, 2022				Fair Value Measurements at Jan 29, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
Foreign exchange currency contracts	\$ —	\$ 14,286	\$ —	\$ 14,286	\$ —	\$ 7,133	\$ —	\$ 7,133
Interest rate swap	—	764	—	764	—	—	—	—
<b>Total</b>	<b>\$ —</b>	<b>\$ 15,050</b>	<b>\$ —</b>	<b>\$ 15,050</b>	<b>\$ —</b>	<b>\$ 7,133</b>	<b>\$ —</b>	<b>\$ 7,133</b>
<b>Liabilities:</b>								
Interest rate swap	—	—	—	—	—	74	—	74
Deferred compensation obligations	—	15,326	—	15,326	—	15,794	—	15,794
<b>Total</b>	<b>\$ —</b>	<b>\$ 15,326</b>	<b>\$ —</b>	<b>\$ 15,326</b>	<b>\$ —</b>	<b>\$ 15,868</b>	<b>\$ —</b>	<b>\$ 15,868</b>

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 €3.7 million (\$3.9 million) and €3.6 million (\$4.0 million) in other assets in the Company's condensed consolidated balance sheets related to its investment in a private equity fund as of April 30, 2022 and January 29, 2022, 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 April 30, 2022, the Company had an unfunded commitment to invest an additional €1.0 million (\$1.0 million) in the private equity fund. On May 4, 2022, the Company committed an additional €10.0 million to 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 April 30, 2022 and January 29, 2022, 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 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 negatively impacted the Company's financial results during the three months ended April 30, 2022 and May 1, 2021, 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 \$1.5 million and \$0.4 million during the three months ended April 30, 2022 and May 1, 2021, respectively. The Company recognized no impairment charges on ROU assets in the three months ended April 30, 2022 and immaterial impairment charges on ROU assets in the three months ended May 1, 2021. The Company recognized \$1.5 million and \$0.4 million in impairment of property and equipment related to certain retail locations primarily in Europe and Asia driven by under-performance and expected store closures during the three months ended April 30, 2022 and May 1, 2021,

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 continued to impact the Company's businesses during the first three months of fiscal 2023. During the three months ended April 30, 2022, 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 April 30,

2022, 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 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 also has 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 Apr 30, 2022	Fair Value at Jan 29, 2022	Derivative Balance Sheet Location
<b>ASSETS:</b>			
Derivatives designated as hedging instruments:			
Cash flow hedges:			
Foreign exchange currency contracts	\$ 11,912	\$ 5,999	Other current assets/ Other assets
Interest rate swap	764	—	Other assets
Total derivatives designated as hedging instruments	12,676	5,999	
Derivatives not designated as hedging instruments:			
Foreign exchange currency contracts	2,374	1,134	Other current assets
Total	<u>\$ 15,050</u>	<u>\$ 7,133</u>	
<b>LIABILITIES:</b>			
Derivatives designated as hedging instruments:			
Cash flow hedges:			
Interest rate swap	\$ —	74	Other long-term liabilities
Total derivatives designated as hedging instruments	—	74	
Derivatives not designated as hedging instruments:			
Foreign exchange currency contracts	—	—	Accrued expenses and other current liabilities
Total	<u>\$ —</u>	<u>\$ 74</u>	

### Derivatives Designated as Hedging Instruments

#### Foreign Exchange Currency Contracts Designated as Cash Flow Hedges

During the three months ended April 30, 2022, the Company purchased U.S. dollar forward contracts in Europe totaling US\$40.0 million that were designated as cash flow hedges. As of April 30, 2022, the Company had forward contracts outstanding for its European operations of US\$149.0 million to hedge forecasted merchandise purchases, which are expected to mature over the next 15 months.

As of April 30, 2022, accumulated other comprehensive income (loss) related to foreign exchange currency contracts included a \$12.8 million net unrealized gain, net of tax, of which \$8.6 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 29, 2022, the Company had forward contracts outstanding for its European operations of US\$146.0 million that were designated as cash flow hedges.

#### Interest Rate Swap Agreement Designated as Cash Flow Hedge

As of April 30, 2022, accumulated other comprehensive income (loss) related to the interest rate swap agreement included a net unrealized gain of \$0.6 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.

The following summarizes the gains (losses) before income taxes recognized on derivative instruments designated as cash flow hedges in OCI and net earnings (in thousands):

	Gains Recognized in OCI		Location of Gains (Losses) Reclassified from Accumulated OCI into Earnings	Gains (Losses) Reclassified from Accumulated OCI into Earnings	
	Apr 30, 2022	May 1, 2021		Apr 30, 2022	May 1, 2021
Three Months Ended					
Derivatives designated as cash flow hedges:					
Foreign exchange currency contracts	\$ 7,826	\$ 1,511	Cost of product sales	\$ 1,674	\$ (462)
Interest rate swap	777	270	Interest expense	(61)	64

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

	Three Months Ended	
	Apr 30, 2022	May 1, 2021
Beginning balance gain (loss)	\$ 7,280	\$ (4,876)
Net gains from changes in cash flow hedges	7,563	1,553
Net (gains) losses reclassified into earnings	(1,443)	460
Ending balance gain (loss)	\$ 13,400	\$ (2,863)

#### *Foreign Exchange Currency Contracts Not Designated as Hedging Instruments*

As of April 30, 2022, the Company had euro foreign exchange currency contracts to purchase US\$23.0 million expected to mature over the next two months. As of January 29, 2022, the Company had euro foreign exchange currency contracts to purchase US\$19.0 million.

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

	Location of Gains Recognized in Earnings	Gains Recognized in Earnings	
		Three Months Ended	
		Apr 30, 2022	May 1, 2021
Derivatives not designated as hedging instruments:			
Foreign exchange currency contracts	Other expense	\$ 1,580	\$ 71

## **(17) Subsequent Events**

### *Credit Agreement*

On May 5, 2022, Guess Europe Sagl, a wholly owned subsidiary of the Company, entered into a credit agreement (the "Credit Agreement") for a €250 million revolving credit facility (the "Facility") with an initial five-year term. The Company has an option to extend the maturity date by up to two years and an option to expand the Facility by up to €100 million, subject to certain conditions. At closing, there were no direct borrowings under the Facility. The Company terminated certain European short-term borrowing arrangements totaling €120 million with various banks in Europe concurrently with the closing of the Credit Agreement. Refer to Note 9 about the replaced short term arrangements.

Borrowings under the Facility bear interest based on the daily balance outstanding at the Euro Interbank Offered Rate (EURIBOR) plus an applicable margin (varying from 0.85% to 1.20%), provided that EURIBOR may not be less than 0.0%. The Facility carries a commitment fee equal to the available but unused borrowing

capacity multiplied by 35% of an applicable margin (varying from 0.85% to 1.20%). The Company is also required to pay a utilization fee on the total amount of the loans outstanding under the Facility at rates varying from 0.10% to 0.20%, depending on the balance outstanding. The applicable margins are calculated quarterly and vary based on the leverage ratio of the guarantor and its subsidiaries as set forth in the Credit Agreement.

The Credit Agreement contains various annual sustainability key performance targets, the achievement of which would result in an adjustment to the interest margin ranging from a plus 5 basis points to a minus 5 basis points per year. The Credit Agreement includes a financial covenant requiring a maximum leverage ratio of the Guarantor and its subsidiaries. In addition, the Credit Agreement includes customary representations and warranties, affirmative and negative covenants and events of default.

#### *Dividends*

On May 25, 2022, the Company announced a regular quarterly cash dividend of \$0.225 per share on the Company's common stock. The cash dividend will be paid on June 24, 2022 to shareholders of record as of the close of business on June 8, 2022. As of a result of this dividend declaration and in accordance with the terms of the indenture governing the Notes, the Company will adjust the conversion rate (which is expected to increase) and the conversion price (which is expected to decrease) of the Notes effective as of June 7, 2022. 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 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 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; results of the accelerated share repurchase and cash needs; statements concerning the our future outlook, including with respect to the second quarter and full year of fiscal 2023; statements concerning share repurchase plans; statements concerning our expectations, goals, future prospects, 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; recent sanctions and export controls targeting Russia and other impacts related to the war in Ukraine; the continuation or worsening of impacts related to the COVID-19 pandemic; risks relating to our indebtedness; changes to estimates related to impairments, inventory and other reserves, 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; the high concentration of our Americas Wholesale business; risks related to the costs and timely delivery of merchandise to our distribution facilities, stores and 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 enhance our global omni-channel capabilities; our ability to expand internationally and operate in regions where we have less experience, including through joint ventures; risks relating to our \$300 million 2.00% convertible senior notes due 2024 (the “Notes”), including our ability to settle the liability in cash; disruptions at our distribution facilities; our ability to attract and retain management and other 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; 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; violations of, or changes to, domestic or international laws and regulations; risks associated with the acts or omissions of our licensees and 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; 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; impacts of inflation and further inflationary pressures; wages; risks relating to activist investor activity; and the significant voting power of our family founders. 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, "Part II, Item 1A. Risk Factors" herein 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. 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 COVID-19 pandemic is continuing to negatively impact certain regions of our business, especially in Asia where our operations were impacted by capacity restrictions and temporary store closures. Overall, this resulted in the closure of less than 2% of our directly operated stores as of April 30, 2022, mostly in China, the impact of which was minimal to our first 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 product and 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 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 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. During fiscal 2021, we made the decision to integrate our G by GUESS brand into our Factory business over time in order to drive further efficiencies.

### ***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. dollars.

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 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.

During the first three months of fiscal 2023, the average U.S. dollar rate was weaker against the Chinese yuan, and stronger against the euro, British pound, Turkish lira, Polish Slotzy, Canadian dollar, Russian rouble, Japanese yen, Korean won, and Mexican peso, compared to the average rate in the same prior-year period. This had an overall unfavorable impact on the translation of our international revenues and on earnings from operations for the three months ended April 30, 2022 compared to the same prior-year period.

If the U.S. dollar strengthens in fiscal 2023 relative to the respective fiscal 2022 foreign exchange rates, foreign exchange could negatively impact our revenues and operating results, as well as our international cash and other balance sheet items, particularly in Canada, Europe (primarily the euro, Turkish lira, British Pound and Russian rouble) and Mexico. Alternatively, if the U.S. dollar weakens relative to the respective fiscal 2022 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 2023, particularly in these regions.

We are currently operating in Russia through our wholesale and retail channels, including through our 70%-owned Russian joint venture. Please refer to “Part II, Item 1A. Risk Factors” herein for a discussion of risks we face relating to the ongoing conflict between Russia and Ukraine.

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. These priorities are: (i) brand relevancy and brand elevation; (ii) product excellence; (iii) customer centricity; (iv) global footprint; and (v) functional capabilities; each as further described below:

**Brand Relevancy and Brand Elevation.** We will continue to optimize our brand architecture to be relevant with our three target consumer groups: Heritage, Millennials, and Generation Z. We have developed and launched one global line of product for all categories. We have also elevated our brand and improved 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 will continue 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 and expand our digital business.

**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 will continue to drive operational improvements 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 share repurchases.

During fiscal 2022, the Board of Directors terminated our previous 2012 \$500 million share repurchase program (which had \$47.8 million capacity remaining) and authorized a new \$200 million share repurchase program. On March 14, 2022, the Board of Directors expanded the repurchase authorization by \$100.0 million, leaving an available capacity of \$249.0 million at that time. On March 18, 2022, in connection with this expanded authorization, we entered into an accelerated share repurchase agreement (the "2022 ASR Contract") with a financial institution (in such capacity, the "2022 ASR Counterparty") to repurchase an aggregate \$175.0 million of our common stock. Under the 2022 ASR Contract, we made a payment of \$175.0 million to the 2022 ASR Counterparty and received an initial delivery of approximately 3.3 million shares of our common stock on March 21, 2022, representing approximately 40% (\$70.0 million) of the total value expected to be repurchased under the 2022 ASR Contract. Refer to "Part I, Item 1. Financial Statements – Note 4 – Stockholders' Equity" for further information on the 2022 ASR Contract. During the three months ended April 30, 2022, we also repurchased approximately 0.5 million shares of our common stock in open market transactions totaling \$11.7 million.

### **Comparable Store Sales**

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.

### ***Other***

We operate on a 52/53-week fiscal year calendar which ends on the Saturday nearest to January 31 of each year. The three months ended April 30, 2022 had the same number of days as the three months ended May 1, 2021.

## **Executive Summary**

### ***Overview***

Net earnings attributable to Guess?, Inc. decreased 33.6% to \$8.0 million, or diluted earnings per share (“EPS”) of \$0.12 per common share, for the quarter ended April 30, 2022, compared to \$12.0 million, or diluted EPS of \$0.18 per common share, for the quarter ended May 1, 2021.

During the quarter ended April 30, 2022, we recognized \$1.5 million in asset impairment charges; \$0.6 million in net gains on lease modifications; \$4.4 million for certain professional service and legal fees and related credits (costs); and \$3.2 million in additional income tax expense from certain discrete income tax adjustments (or a combined \$7.3 million, or \$0.12 per share, negative impact after considering the related tax benefit of \$1.3 million). Excluding the impact of these items, adjusted net earnings attributable to Guess?, Inc. was \$15.2 million and adjusted diluted earnings was \$0.24 per common share for the quarter ended April 30, 2022.

During the quarter ended May 1, 2021, we recognized \$0.4 million in asset impairment charges; \$2.1 million in net gains on lease modifications; \$1.1 million for certain professional services and legal fees and related credits (costs); \$2.8 million of amortization of debt discount related to our Notes; and \$0.1 million in additional income tax expense from certain discrete income tax adjustments (or a combined \$1.9 million, or \$0.03 per share, negative impact after considering the related income tax benefit of these adjustments of \$0.4 million). Excluding the impact of these items, adjusted net earnings attributable to Guess?, Inc. was \$13.9 million and adjusted diluted earnings was \$0.21 per common share for the quarter ended May 1, 2021. References to financial results excluding the impact of these items are non-GAAP measures and are addressed below under “Non-GAAP Measures.”

Highlights of our performance for the quarter ended April 30, 2022 compared to the same prior-year quarter are presented below, followed by a more comprehensive discussion under “Results of Operations”:

### ***Operations***

- Total net revenue increased 14.1% to \$593.5 million for the quarter ended April 30, 2022, compared to \$520.0 million in the same prior-year quarter. In constant currency, net revenue increased by 20.6%.
- Gross margin (gross profit as a percentage of total net revenue) increased 90 basis points to 41.6% for the quarter ended April 30, 2022, compared to 40.7% in the same prior-year quarter.
- Selling, general and administrative (“SG&A”) expenses as a percentage of total net revenue (“SG&A rate”) decreased 60 basis points to 35.3% for the quarter ended April 30, 2022, compared to 35.9% in the same prior-year quarter. SG&A expenses increased 12.4% to \$209.8 million for the quarter ended April 30, 2022, compared to \$186.7 million in the same prior-year quarter.



- During the quarter ended April 30, 2022, we recognized \$1.5 million of asset impairment charges, compared to \$0.4 million in the same prior-year quarter.
- During the quarter ended April 30, 2022, we recorded \$0.6 million net gains on lease modifications, compared to \$2.1 million in the same prior-year quarter.
- Operating margin improved 100 basis points to 6.1% for the quarter ended April 30, 2022, compared to 5.1% in the same prior-year quarter. The improvement in operating margin was mainly driven by 410 basis points resulting from expense leverage due to higher sales. This was partially offset by higher store labor costs in Americas Retail and an unfavorable currency impact which negatively impacted operating margin by 120 basis points and 100 basis points, respectively. Higher expenses related to certain professional service and legal fees and related costs unfavorably impacted operating margin by 50 basis points. Lower net gains from lease modifications and higher asset impairment charges negatively impacted operating margin by 50 basis points. Earnings from operations increased 36.9% to \$36.4 million for the quarter ended April 30, 2022, compared to \$26.6 million in the same prior-year quarter.
- Other expense, net, totaled \$16.5 million for the quarter ended April 30, 2022, compared to \$2.7 million in the same prior-year quarter.
- The effective income tax rate increased by 10.1% to 39.9% for the quarter ended April 30, 2022, compared to 29.8% in the same prior-year quarter.

#### ***Key Balance Sheet Accounts***

- We had \$147.9 million in cash and cash equivalents as of April 30, 2022 compared to \$395.1 million in cash and cash equivalents and \$0.2 million in restricted cash at May 1, 2021.
  - As of April 30, 2022, we had \$43.8 million in outstanding borrowings under our term loans and \$42.7 million in outstanding borrowings under our credit facilities compared to \$56.0 million in outstanding borrowings under our term loans and \$5.1 million in outstanding borrowings under our credit facilities as of May 1, 2021.
  - During the quarter ended April 30, 2022, we made a payment of \$175.0 million related to the 2022 ASR Contract and also repurchased 0.5 million shares of our common stock for \$11.7 million in open market transactions. During the quarter ended May 1, 2021, there were no share repurchases.
- 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 decreased by \$10.9 million, or 3.5%, to \$295.4 million as of April 30, 2022 compared to \$306.3 million at May 1, 2021. On a constant currency basis, accounts receivable increased by \$23.8 million, or 7.8%, when compared to May 1, 2021.
- Inventory increased by \$79.1 million, or 19.5%, to \$483.9 million as of April 30, 2022, from \$404.9 million at May 1, 2021. On a constant currency basis, inventory increased by \$124.1 million, or 30.7%, when compared to May 1, 2021.

#### ***Global Store Count***

During the quarter ended April 30, 2022, together with our partners, we opened 34 new stores worldwide, consisting of 25 stores in Europe and the Middle East, six stores in Asia and the Pacific, and three stores in the U.S. Together with our partners, we closed 27 stores worldwide, consisting of 12 stores in Asia and the Pacific, nine stores in Europe and the Middle East, and six stores in the Americas.

We ended the first quarter of fiscal 2023 with stores and concessions worldwide comprised as follows:

Region	Stores			Concessions		
	Total	Directly-Operated	Partner Operated	Total	Directly-Operated	Partner Operated
United States	244	244	—	1	—	1
Canada	74	74	—	—	—	—
Central and South America	101	67	34	29	29	—
Total Americas	419	385	34	30	29	1
Europe and the Middle East	795	564	231	51	51	—
Asia and the Pacific	424	124	300	253	111	142
Total	1,638	1,073	565	334	191	143

Of the total stores, 1,355 were GUESS? stores, 186 were GUESS? Accessories stores, 60 were G by GUESS (GbG) stores and 37 were MARCIANO stores.

## Results of Operations

### Three Months Ended April 30, 2022 and May 1, 2021

#### *Consolidated Results*

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

	Three Months Ended				\$ change	% change
	Apr 30, 2022		May 1, 2021			
Net revenue	\$ 593,473	100.0 %	\$ 520,002	100.0 %	\$ 73,471	14.1 %
Cost of product sales	346,324	58.4 %	308,444	59.3 %	37,880	12.3 %
Gross profit	247,149	41.6 %	211,558	40.7 %	35,591	16.8 %
Selling, general and administrative expenses	209,831	35.3 %	186,684	35.9 %	23,147	12.4 %
Asset impairment charges	1,544	0.3 %	441	0.1 %	1,103	250.1 %
Net gains on lease modifications	(601)	(0.1 %)	(2,145)	(0.4 %)	1,544	(72.0 %)
Earnings from operations	36,375	6.1 %	26,578	5.1 %	9,797	36.9 %
Interest expense, net	(2,519)	(0.4 %)	(5,552)	(1.0 %)	3,033	(54.6 %)
Other expense, net	(16,452)	(2.8 %)	(2,701)	(0.6 %)	(13,751)	509.1 %
Earnings before income tax expense	17,404	2.9 %	18,325	3.5 %	(921)	(5.0 %)
Income tax expense	6,950	1.1 %	5,455	1.1 %	1,495	27.4 %
Net earnings	10,454	1.8 %	12,870	2.4 %	(2,416)	(18.8 %)
Net earnings attributable to noncontrolling interests	2,484	0.5 %	864	0.1 %	1,620	187.5 %
Net earnings attributable to Guess?, Inc.	\$ 7,970	1.3 %	\$ 12,006	2.3 %	(4,036)	(33.6 %)
Net earnings per common share attributable to common stockholders:						
Basic	\$ 0.13		\$ 0.19		\$ (0.06)	
Diluted	\$ 0.12		\$ 0.18		\$ (0.06)	
Effective income tax rate	39.9 %		29.8 %			

**Net Revenue.** Net revenue increased by \$73.5 million or 14%, compared to the same prior-year quarter. In constant currency, net revenue increased by 20.6%. Almost 60% of the increase was driven by the operation of stores this quarter that had been temporarily closed in the same prior-year quarter and slightly over 25% from higher wholesale shipments. The remaining increase was driven by new stores and higher licensing revenue,

partially offset by permanent store closures. Currency translation fluctuations relating to our non-U.S. operations unfavorably impacted net revenue by \$33.5 million compared to the same prior-year quarter.

**Gross Margin.** Gross margin increased 0.9% for the quarter ended April 30, 2022 compared to the same prior-year quarter, driven entirely by a lower occupancy rate. The lower occupancy rate was due to a 180 basis point favorable impact from leveraging of expenses as a result of higher revenues and business mix, partially offset by 70 basis points due to rent relief in the same prior-year quarter. Product margin remained flat to the same prior-year quarter as favorable business mix and lower markdowns were offset by unfavorable currency translation fluctuations and lower initial markups.

**Gross Profit.** Gross profit increased \$35.6 million for the quarter ended April 30, 2022 compared to the same prior-year quarter. The increase in gross profit, which included an unfavorable impact from currency translation, was driven by \$43 million due to higher net revenue, partially offset by \$9 million due to rent relief in the same prior-year quarter and lower initial markups. Currency translation fluctuations relating to our foreign operations unfavorably impacted gross profit by \$16.7 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 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 decreased 0.6% for the quarter ended April 30, 2022 from the same prior-year quarter. The favorable change in SG&A rate was driven by a 240 basis point favorable impact resulting from an overall leveraging of expenses, partially offset by 120 basis points from higher store labor costs in Americas Retail and 50 basis points from higher expenses related to certain professional service and legal fees and related (credits) costs.

**SG&A Expenses.** SG&A expenses increased \$23.1 million for the quarter ended April 30, 2022 from the same prior-year quarter, mainly driven by approximately \$18 million of higher store expenses as stores were fully open compared to last year and store labor costs were higher in Americas Retail. Currency translation fluctuations relating to our foreign operations favorably impacted SG&A expenses by \$10.3 million.

**Asset Impairment Charges.** During the quarters ended April 30, 2022 and May 1, 2021, we recognized \$1.5 million and \$0.4 million of property and equipment impairment charges related to certain retail locations resulting from under-performance and expected store closures, respectively.

**Net Gains on Lease Modifications.** During the quarters ended April 30, 2022 and May 1, 2021, we recorded net gains on lease modifications of \$0.6 million and \$2.1 million related primarily to the early termination of lease agreements for certain retail locations, respectively.

**Operating Margin.** Operating margin increased 1.0% for the quarter ended April 30, 2022 compared to the same prior-year quarter. The improvement in operating margin was mainly driven by 410 basis points resulting from expense leverage due to higher sales. This was partially offset by higher store labor costs in Americas Retail and an unfavorable currency impact which negatively impacted operating margin by 120 basis points and 100 basis points, respectively. Higher expenses related to certain professional service and legal fees and related (credits) costs unfavorably impacted operating margin by 50 basis points. Excluding the impact of higher asset impairment charges and lower net gains on lease modifications, our operating margin would have increased 2.0% compared to the same prior-year quarter.

**Earnings from Operations.** Earnings from operations increased by \$9.8 million for the quarter ended April 30, 2022 compared to the same prior-year quarter. Currency translation fluctuations relating to our foreign operations unfavorably impacted earnings from operations by \$6.4 million.

**Other Expense, Net.** Other expense, net for the quarter ended April 30, 2022 was \$16.5 million compared to \$2.7 million in the same prior-year quarter. The change was primarily due to higher net unrealized and realized losses from foreign currency exposures and higher net unrealized losses on our Supplemental Executive Retirement Plan (“SERP”) related assets compared to the same prior-year quarter.

**Income Tax Expense.** Income tax expense for the quarter ended April 30, 2022 was \$7.0 million, or a 39.9% effective income tax rate, compared to \$5.5 million, or a 29.8% effective income tax rate in the same prior-year quarter. 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. The change in the effective income tax rate was primarily due to: (1) a shift in the distribution of earnings among our tax jurisdictions compared to the same prior-year quarter; and (2) losses during the current quarter in certain tax jurisdictions for which we did not recognize an income tax benefit.

**Net Earnings Attributable to Guess?, Inc.** Net earnings attributable to Guess?, Inc. decreased \$4.0 million for the quarter ended April 30, 2022 compared to the same prior-year quarter. Diluted EPS decreased \$0.06 for the quarter ended April 30, 2022 compared to the same prior-year quarter. We estimate a net positive impact of \$0.04 from our adoption of new accounting guidance related to our Notes and share buybacks and a negative impact from currency of \$0.14 on diluted EPS in the quarter ended April 30, 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 quarters ended April 30, 2022 and May 1, 2021. Excluding the impact of these non-GAAP items, adjusted net earnings attributable to Guess?, Inc. increased \$1.4 million and adjusted diluted EPS increased \$0.03 for the quarter ended April 30, 2022 compared to the same prior-year quarter. We estimate a net positive impact from our share buybacks of \$0.01 and a net negative impact from currency of \$0.14 on adjusted diluted EPS in the quarter ended April 30, 2022 when compared to the same prior-year quarter.

## Information by Business Segment

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

	<b>Three Months Ended</b>		<b>\$ change</b>	<b>% change</b>
	<b>Apr 30, 2022</b>	<b>May 1, 2021</b>		
<b>Net revenue:</b>				
Americas Retail	\$ 166,485	\$ 155,535	\$ 10,950	7.0 %
Americas Wholesale	68,357	45,430	22,927	50.5 %
Europe	276,009	241,852	34,157	14.1 %
Asia	56,222	55,660	562	1.0 %
Licensing	26,400	21,525	4,875	22.6 %
Total net revenue	<u>\$ 593,473</u>	<u>\$ 520,002</u>	73,471	14.1 %
<b>Earnings (loss) from operations:</b>				
Americas Retail	\$ 14,266	\$ 20,274	(6,008)	(29.6 %)
Americas Wholesale	17,397	11,555	5,842	50.6 %
Europe	17,890	4,198	13,692	326.2 %
Asia	(3,487)	(1,808)	(1,679)	92.9 %
Licensing	24,444	19,431	5,013	25.8 %
Total segment earnings from operations	70,510	53,650	16,860	31.4 %
Corporate overhead	(33,192)	(28,776)	(4,416)	15.3 %
Asset impairment charges	(1,544)	(441)	(1,103)	250.1 %
Net gains on lease modifications	601	2,145	(1,544)	(72.0 %)
Total earnings from operations	<u>\$ 36,375</u>	<u>\$ 26,578</u>	9,797	36.9 %
<b>Operating margins:</b>				
Americas Retail	8.6 %	13.0 %		
Americas Wholesale	25.5 %	25.4 %		
Europe	6.5 %	1.7 %		
Asia	(6.2 %)	(3.2 %)		
Licensing	92.6 %	90.3 %		
Total Company	6.1 %	5.1 %		

### *Americas Retail*

Net revenue from our Americas Retail segment increased by \$11.0 million, or 7.0% for the quarter ended April 30, 2022 from the same prior-year quarter. In constant currency, net revenue increased by 7.1% compared to the same prior-year quarter. Over 80% of the increase was driven by the operation of stores this quarter that had been temporarily closed in the same prior-year quarter and 40% of the increase was driven by positive comparable store sales, partially offset by permanent store closures. Comparable sales (including e-commerce) increased 3% in U.S. dollars and constant currency compared to the same prior-year quarter. The inclusion of our e-commerce sales decreased the comparable sales percentage by 1% in U.S. dollars and constant currency. As of April 30, 2022, we directly operated 385 stores in the Americas compared to 388 stores at May 1, 2021, excluding concessions, which represents a 0.8% decrease from the same prior-year quarter. Currency translation fluctuations relating to our non-U.S. retail stores and e-commerce sites had an immaterial impact on net revenue.

Operating margin decreased 4.4% for the quarter ended April 30, 2022 from the same prior-year quarter. Approximately 320 basis points of the decrease was driven by higher store labor costs, and approximately 150 basis points for both higher markdowns and higher government subsidies received in the same prior-year quarter. This was partially offset by 280 basis points of favorable impact from higher initial markups.

Earnings from operations from our Americas Retail segment decreased by \$6.0 million, or 29.6% for the quarter ended April 30, 2022 from the same prior-year quarter. Higher store expenses drove \$7.3 million of the decrease and approximately \$2.5 million in decreases resulted from both higher markdowns and higher

government subsidies received in the same prior-year quarter. This was partially offset by \$6.8 million of favorable impact due to higher revenues and \$4.7 million driven by higher initial markups.

### ***Americas Wholesale***

Net revenue from our Americas Wholesale segment increased by \$22.9 million, or 50.5% for the quarter ended April 30, 2022 from the same prior-year quarter. In constant currency, net revenue increased by 50.4%. Approximately 65% of the increase was driven by our U.S. wholesale business, almost 20% from our Mexico wholesale business, and the remaining increase was driven by our Canada wholesale business. Overall, the growth compared to the same prior-year quarter was driven by a favorable timing of this year's deliveries to some of our partners. Currency translation fluctuations relating to our non-U.S. wholesale businesses had an immaterial impact on net revenue.

Operating margin increased 0.1% for the quarter ended April 30, 2022 compared to the same prior-year quarter. The slight improvement was driven by expense leverage resulting from higher sales, offset by slightly lower product margins.

Earnings from operations from our Americas Wholesale segment increased by \$5.8 million, or 50.6% for the quarter ended April 30, 2022 from the same prior-year quarter, mainly driven by higher revenues.

### ***Europe***

Net revenue from our Europe segment increased by \$34.2 million, or 14.1% for the quarter ended April 30, 2022 compared to the same prior-year quarter. In constant currency, net revenue increased by 26.4%. The increase in constant currency was driven over 60% by the operation of stores this quarter that had been temporarily closed in the same prior-year quarter, nearly 20% by higher wholesale revenues, 10% by net new store impact and almost 5% by positive comparable store sales. Comparable sales (including e-commerce) decreased 6% in U.S. dollars and increased 3% in constant currency compared to the same prior-year quarter. The inclusion of our e-commerce sales decreased the comparable sales percentage by 2% in U.S. dollars and decreased 4% in constant currency. As of April 30, 2022, we directly operated 564 stores in Europe compared to 511 stores at May 1, 2021, excluding concessions, which represents a 10.4% increase from the same prior-year quarter. Currency translation fluctuations relating to our European operations unfavorably impacted net revenue by \$29.7 million.

Operating margin increased 4.8% for the quarter ended April 30, 2022 compared to the same prior-year quarter. The increase was mainly driven by a 730 basis point improvement due to expense leverage resulting from higher sales and a 190 basis point improvement due to lower markdowns, partially offset by a 390 basis point unfavorable impact from lower initial markups due to higher freight costs and a 200 basis point unfavorable impact from currency exchange rate.

Earnings from operations from our Europe segment increased by \$13.7 million, or 326.2% for the quarter ended April 30, 2022 compared to the same prior-year quarter. Higher revenue, including the benefits from lower markdowns, was the main driver for the increase in earnings from operations and resulted in an increase of \$25.0 million compared to the same prior-year quarter. This was partially offset by \$11.7 million increase in freight expenses. Currency translation fluctuations relating to our European operations unfavorably impacted earnings from operations by \$6.4 million.

### ***Asia***

Net revenue from our Asia segment increased by \$0.6 million, or 1.0% for the quarter ended April 30, 2022 from the same prior-year quarter. In constant currency, net revenue increased by 7.7% driven by the impact of the direct operation of some of our stores in South Korea, which we acquired from one of our wholesale partners, which was slightly offset by the impact of the COVID-19 pandemic in China. Comparable sales (including e-commerce) decreased 11% in U.S. dollars and 5% in constant currency compared to the same prior-year quarter. The inclusion of our e-commerce sales negatively impacted the comparable sales percentage by 1% in U.S. dollars and constant currency. Currency translation fluctuations relating to our Asian operations unfavorably impacted net revenue by \$3.7 million.

Operating margin decreased 3.0% for the quarter ended April 30, 2022 from the same prior-year quarter. Approximately 800 basis points of margin decrease were driven by the lower profitability in our China business mainly due to the impact of the COVID-19 pandemic in that market. This was partially offset by 400 basis points of impact driven by the profitability improvement in South Korea mainly due to the direct operation of some of our stores.

Earnings from operations from our Asia segment decreased by \$1.7 million, or 92.9% for the quarter ended April 30, 2022 compared to the same prior-year quarter. Approximately \$4.0 million was driven by the lower profit in China due to the impact of the COVID-19 pandemic, partially offset by \$1.7 million of higher profit in South Korea. Currency translation fluctuations relating to our Asia operations unfavorably impacted the loss from operations by \$0.2 million.

#### ***Licensing***

Net royalty revenue from our Licensing segment increased by \$4.9 million, or 22.6% for the quarter ended April 30, 2022 from the same prior-year quarter mainly driven by higher royalties in our handbag category.

Earnings from operations from our Licensing segment increased by \$5.0 million, or 25.8% for the quarter ended April 30, 2022 from the same prior-year quarter. The increase was driven by the favorable impact to earnings from higher revenues.

#### ***Corporate Overhead***

Unallocated corporate overhead increased by \$4.4 million, or 15.3% for the quarter ended April 30, 2022 compared to the same prior-year quarter primarily due to higher expenses related to certain professional service and legal fees and related (credits) costs.

#### **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 months ended April 30, 2022 and May 1, 2021, the adjusted results exclude the impact of certain professional service and legal fees and related (credits) costs, asset impairment charges, net gains on lease modifications, non-cash amortization of debt discount on our 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):

	<b>Three Months Ended</b>	
	<b>Apr 30, 2022</b>	<b>May 1, 2021</b>
Reported GAAP net earnings attributable to Guess?, Inc.	\$ 7,970	\$ 12,006
Certain professional service and legal fees and related (credits) costs <sup>1</sup>	4,417	1,078
Asset impairment charges <sup>2</sup>	1,544	441
Net gains on lease modifications <sup>3</sup>	(601)	(2,145)
Amortization of debt discount <sup>4</sup>	—	2,781
Discrete tax adjustments <sup>5</sup>	3,188	147
Income tax impact from adjustments <sup>6</sup>	(1,281)	(435)
Total adjustments affecting net earnings attributable to Guess?, Inc.	7,267	1,867
Adjusted net earnings attributable to Guess?, Inc.	<u>\$ 15,237</u>	<u>\$ 13,873</u>
<b>Net earnings per common share attributable to common stockholders:</b>		
GAAP diluted <sup>7</sup>	\$ 0.12	\$ 0.18
Adjusted diluted <sup>7</sup>	\$ 0.24	\$ 0.21

*Notes:*

- <sup>1</sup> 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.
- <sup>2</sup> 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 under-performance and expected store closures.
- <sup>3</sup> Amounts recorded represent net gains on lease modifications related primarily to the early termination of certain lease agreements.
- <sup>4</sup> In April 2019, we issued \$300 million principal amount of the Notes in a private offering. Prior to adoption of ASU 2020-06, we separated the Notes into liability (debt) and equity (conversion option) components. The debt discount, which represented an amount equal to the fair value of the equity component, was amortized as non-cash interest expense over the term of the Notes. We adopted ASU 2020-06 under the modified retrospective method as of January 30, 2022. Upon adoption, the equity component was eliminated in the current period and recorded as an adjustment to retained earnings. Prior periods are not affected.
- <sup>5</sup> 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, impacts from cumulative valuation allowances and the income tax benefits from an income tax rate change due to net operating loss carrybacks.
- <sup>6</sup> The income tax effect of certain professional service and legal fees and related (credits) costs, asset impairment charges, net gains on lease modifications and the amortization of debt discount was based on the 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.
- <sup>7</sup> Prior to adoption of ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40), for GAAP purposes, we incurred dilution above the initial strike price of our Notes of \$25.78. At May 1, 2021, there was no dilution related to the Notes for the period.

We adopted ASU 2020-06 under the modified retrospective method as of January 30, 2022. Upon adoption, we prospectively utilize the if-converted method to calculate GAAP diluted EPS. For GAAP purposes, we incur dilution of our Notes based on the initial conversion rate associated with the Notes. For the three months ended April 30, 2022, shares used in computing diluted EPS increased by 11.8 million shares due to the change from the treasury stock method to the if-converted method. Diluted net income per share for the three months ended April 30, 2022 is calculated based on GAAP net income and diluted weighted-average shares of 74.5 million, which also includes the potentially dilutive effect of our stock options, restricted stock units and the Notes.

For adjusted diluted shares, we exclude the dilutive impact of the Notes at stock prices below \$46.88, based on the bond hedge contracts in place that will deliver shares to offset dilution. At stock prices in excess of \$46.88, we would have an obligation to deliver additional shares in excess of the dilution protection provided by the bond hedges.

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, translate the estimated foreign earnings (loss) at the comparable prior-year rates and exclude 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, compensation expenses, other existing operations, expansion plans, international growth and potential acquisitions and investments. If we experience a sustained decrease in consumer demand, we may require access to additional credit, which may not be available to us on commercially acceptable terms, or at all. Generally, our working capital needs are highest during the late summer and fall as our inventories increase before the holiday selling period. In addition, in the U.S., we need liquidity to fund share repurchases and payment of dividends to our stockholders.

During the three months ended April 30, 2022, 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 for at least 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. (Such arrangements are described further in “Part I, Item 1. Financial Statements – Note 9 – Borrowings and Finance Lease Obligations” in the Form 10-Q.) Due to the seasonality of our business and cash needs, we may increase borrowings under our established credit facilities from time-to-time during the next 12 months and beyond. On May 5, 2022, we entered into a €250 million revolving credit facility through a European subsidiary, which replaced certain European short-term borrowing arrangements. Refer to “Part I, Item 1. Financial Statements – Note 17 - Subsequent Events” for further information. If we experience a sustained decrease in consumer demand related to the COVID-19 pandemic or to economic, political or other conditions or events, we may require access to additional credit, which may not be available to us on commercially acceptable terms or at all.

We expect to settle the principal amount of our outstanding Notes in 2024 in cash and any excess in shares. Our outstanding 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 April 30, 2022, none of the conditions allowing holders of the 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 Notes (currently \$25.53) 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 Notes would have the right to convert their convertible notes during the next calendar quarter. In accordance with the terms of the indenture governing the Notes, we have adjusted the conversion rate and the conversion price of the Notes for quarterly dividends exceeding \$0.1125 per share. 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 Notes. The convertible note hedge transaction we entered into in connection with our issuance of the Notes is expected generally to reduce the potential dilution upon conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of the Notes that are converted, as the case may be.

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 indefinite 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. As of April 30, 2022, we determined that approximately \$12.7 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 the 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 April 30, 2022, we had cash and cash equivalents of \$147.9 million, of which approximately \$16.5 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 refer to “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 29, 2022 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 and in “Part 1, Item 1. Financial Statements - Note 1 - Basis of Presentation” 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. We 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. We also have successfully negotiated with several landlords, including some of our larger landlords and received rent abatement benefits as well as new lease terms for some of our affected leases. In some instances, where negotiations with landlords proved unsuccessful, we were engaged in litigation related to rent obligations both during the COVID-19 pandemic and through the term of the lease.

### **Three Months Ended April 30, 2022 and May 1, 2021**

#### ***Operating Activities***

Net cash provided by operating activities was \$54.6 million for the three months ended April 30, 2022, compared to \$53.6 million for the three months ended May 1, 2021, or a deterioration of \$0.9 million. This deterioration was driven primarily by unfavorable changes in working capital partially offset by higher cash flows generated from net earnings. The unfavorable changes in working capital were due primarily to higher inventory levels as we placed orders earlier in order to mitigate some of the supply chain disruptions.

#### ***Investing Activities***

Net cash used in investing activities was \$29.2 million for the three months ended April 30, 2022 compared to \$7.8 million for the three months ended May 1, 2021. Net cash used in investing activities for the

three months ended April 30, 2022 related primarily to investments in existing store remodeling programs and retail expansion and, to a lesser extent, technology and other infrastructure.

The increase in cash used in investing activities was driven primarily by higher retail remodel and expansion costs and higher investments in technology and other infrastructure during the three months ended April 30, 2022 compared to the same prior-year period. During the three months ended April 30, 2022, we opened 20 directly-operated stores compared to 11 directly-operated stores that were opened in the same prior-year period.

#### ***Financing Activities***

Net cash used in financing activities was \$176.8 million for the three months ended April 30, 2022 compared to \$9.7 million for the three months ended May 1, 2021. Net cash used in financing activities for the three months ended April 30, 2022 related primarily to our entrance into the 2022 ASR Contract to repurchase an aggregate of \$175.0 million of our common stock.

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

During the three months ended April 30, 2022, the change in foreign currency translation rates decreased our reported cash, cash equivalents and restricted cash balance by \$7.1 million compared to a decrease of \$2.8 million during the three months ended May 1, 2021. Refer to “Foreign Currency Volatility” for further information on fluctuations in exchange rates.

#### ***Working Capital***

As of April 30, 2022, we had net working capital (including cash and cash equivalents) of \$264.9 million compared to \$466.2 million at January 29, 2022 and \$497.5 million at May 1, 2021.

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 decreased by \$10.9 million, or 3.5%, to \$295.4 million as of April 30, 2022, from \$306.3 million at May 1, 2021. On a constant currency basis, accounts receivable increased by \$23.8 million, or 7.8%, when compared to May 1, 2021. As of April 30, 2022, approximately 45% of our total net trade receivables and 61% 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 \$79.1 million, or 19.5%, to \$483.9 million as of April 30, 2022, from \$404.9 million at May 1, 2021. On a constant currency basis, inventory increased by \$124.1 million, or 30.7%, when compared to May 1, 2021, driven primarily by management initiatives to mitigate supply chain disruptions, including accelerating product orders.

#### ***Capital Expenditures***

Gross capital expenditures totaled \$28.7 million for the three months ended April 30, 2022. This compares to gross capital expenditures of \$9.1 million, before deducting lease incentives of \$1.1 million, for the three months ended May 1, 2021.

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

#### ***Dividends***

On May 25, 2022, we announced a regular quarterly cash dividend of \$0.225 per share on our common stock. The cash dividend will be paid on June 24, 2022 to shareholders of record as of the close of business on June 8, 2022. In accordance with the terms of the indenture governing the Notes, we will adjust the conversion rate (which is expected to increase) and the conversion price (which is expected to decrease) of the Notes effective as of June 7, 2022.

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***

During fiscal 2022, the Board of Directors terminated its previous 2012 \$500 million share repurchase program and authorized a new \$200 million share repurchase program. On March 14, 2022, the Board of Directors expanded its repurchase authorization by \$100.0 million. 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.

On March 18, 2022, pursuant to existing share repurchase authorizations, we entered into the 2022 ASR Contract with the 2022 ASR Counterparty to repurchase an aggregate of \$175.0 million of our common stock. Under the 2022 ASR Contract, we made an initial payment of \$175.0 million to the 2022 ASR Counterparty and received an initial delivery of approximately 3.3 million shares of common stock on March 21, 2022, representing approximately 40% (\$70.0 million) of the total shares expected to be repurchased under the 2022 ASR Contract. The remaining balance of \$105.0 million was classified as an equity forward contract and recorded in additional paid-in capital within shareholders' equity as of March 21, 2022.

The exact number of shares we will repurchase under the 2022 ASR Contract will be based generally upon the average daily volume weighted average price of the common stock during the repurchase period, less a discount. At settlement, under certain circumstances, the 2022 ASR Counterparty may be required to deliver additional shares of common stock to us, or under certain circumstances, we may be required either to deliver shares of common stock or to make a cash payment to the 2022 ASR Counterparty. Final settlement of the transactions under the 2022 ASR Contract is expected to be completed by the end of July 2022. The terms of the 2022 ASR Contract are subject to adjustment, including, but not limited to, adjustments arising if we were to enter into or announce certain types of transactions or to take certain corporate actions. The 2022 ASR Contract contains the principal terms and provisions governing the accelerated share repurchases, including, but not limited to, the mechanism used to determine the number of shares that will be delivered, the required timing of delivery of the shares, the circumstances under which the 2022 ASR Counterparty is permitted to make adjustments to valuation and calculation periods and various acknowledgments, representations and warranties made by us and the 2022 ASR Counterparty to one another.

During the three months ended April 30, 2022, we repurchased 3,789,576 shares under our share repurchase program at an aggregate cost of \$81.7 million, which is inclusive of the shares repurchased under the 2022 ASR Contract. As of April 30, 2022, we had remaining authority under the share repurchase program to purchase \$62.3 million of our common stock. There were no shares repurchased during the three months ended May 1, 2021.

### ***Borrowings and Finance Lease Obligations and Convertible Senior Notes***

Refer to "Part I, Item 1. Financial Statements – Note 9 – Borrowings and Finance Lease Obligations," "Part I, Item 1. Financial Statements – Note 10 – Convertible Senior Notes and Related Transactions" and "Part I, Item 1. Financial Statements – Note 17 – Subsequent Events" 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 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 \$67.1 million and \$70.9 million as of April 30, 2022 and January 29, 2022, 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 losses of \$3.3 million and minimal unrealized losses in other expense during the three months ended April 30, 2022 and May 1, 2021, respectively. The projected benefit obligation was \$49.3 million and \$49.4 million as of April 30, 2022 and January 29, 2022, 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 were made during each of the three months ended April 30, 2022 and May 1, 2021.

### **Material Cash Requirements**

As of April 30, 2022, there were no material changes to our material cash requirements from known contractual and other obligations, including commitments for capital expenditures, outside the ordinary course of business compared to the disclosures included under “Liquidity and Capital Resources - Material Cash Requirements” in Item Part II, Item 7 in our Form 10-K for the fiscal year ended January 29, 2022. Refer to “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 29, 2022 filed with the SEC on March 24, 2022. There have been no significant changes to our critical accounting policies other than the January 30, 2022 adoption of ASU 2020-06 which impacted the accounting and financial statement presentation of our Notes and our calculation of diluted earnings per common share. Refer to “Part I, Item 1. Financial Statements – Note 3 - Earnings per Share” and “Part I, Item 1. Financial Statements – Note 10 -Convertible Senior Notes and Related Transactions” for further information.

### **Recently Issued Accounting Guidance**

Refer to “Part I, Item 1. Financial Statements – Note 1 – Basis of Presentation” 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 three months ended April 30, 2022 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 29, 2022.

#### *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 three months ended April 30, 2022, the total foreign currency translation adjustment decreased stockholders' equity by \$17.9 million, driven primarily by the strengthening 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 \$10.6 million and \$4.1 million were included in the determination of net earnings for the three months ended April 30, 2022 and May 1, 2021, 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 three months ended April 30, 2022, we purchased U.S. dollar forward contracts in Europe totaling US\$40.0 million that were designated as cash flow hedges. As of April 30, 2022, we had forward contracts outstanding for our European operations of US\$149.0 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.

As of April 30, 2022, accumulated other comprehensive income (loss) related to foreign exchange currency contracts included a \$12.8 million net unrealized gain, net of tax, of which \$8.6 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 April 30, 2022, the net unrealized gain of the remaining open forward contracts recorded in our condensed consolidated balance sheet was approximately \$11.9 million.

At January 29, 2022, we had forward contracts outstanding for our European operations of US\$146.0 million that were designated as cash flow hedges. At January 29, 2022, the net unrealized gain of these open forward contracts recorded in our condensed consolidated balance sheet was approximately \$6.0 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 three months ended April 30, 2022, we recorded a net gain of \$1.6 million for our euro dollar foreign exchange currency contracts not designated as hedges, which has been included in other income (expense). As of April 30, 2022, we had euro foreign exchange currency contracts to purchase US\$23.0 million expected to mature over the next two months. As of April 30, 2022, the net unrealized gain of these open forward contracts recorded in our condensed consolidated balance sheet was approximately \$2.4 million.

At January 29, 2022, we had euro foreign exchange currency contracts to purchase US\$19.0 million. At January 29, 2022, the net unrealized gain of these open forward contracts recorded in our condensed consolidated balance sheet was approximately \$1.1 million.

#### *Sensitivity Analysis*

As of April 30, 2022, 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\$172.0 million, the fair value of the instruments would have decreased by \$19.1 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 \$15.6 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 the Notes in a private offering. The fair value of the Notes is subject to interest rate risk, market risk and other factors due to a conversion feature. The fair value of the 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 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 Notes at face value, less any unamortized discount of debt issuance costs 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 April 30, 2022, accumulated other comprehensive income (loss) related to the interest rate swap agreement included a net unrealized gain of \$0.6 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 April 30, 2022, the net unrealized gain of the interest rate swap recorded in our condensed consolidated balance sheet was approximately \$0.8 million. As of January 29, 2022, the net unrealized loss of the interest rate swap recorded in our condensed consolidated balance sheet was approximately \$0.1 million.

*Sensitivity Analysis*

As of April 30, 2022, we had indebtedness related to term loans of \$43.8 million, finance lease obligations of \$21.8 million and the Mortgage Debt of \$17.7 million. The term loans provide for annual interest rates ranging between 1.3% 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 April 30, 2022 and January 29, 2022, 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 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 first quarter of fiscal 2023 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.**

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

### **ITEM 1A. Risk Factors.**

Other than the risk factor noted below, there have not been any material changes in the Risk Factors as previously disclosed in our Annual Report on Form 10-K for the year ended January 29, 2022 filed with the SEC on March 24, 2022.

#### ***Our business may also be affected by existing or future sanctions and export controls targeting Russia and other responses to Russia's invasion of Ukraine.***

As a result of Russia's invasion of Ukraine, the United States, the United Kingdom and the European Union governments, among others, have developed coordinated sanctions and export-control measures. Based on the public statements to date, these measures include: (i) comprehensive financial sanctions against major Russian banks; (ii) additional designations of Russian individuals with significant business interests and government connections; (iii) designations of individuals and entities involved in Russian military activities; and (iv) enhanced export controls and trade sanctions targeting Russia's import of various goods. We are currently operating in Russia through our wholesale and retail channels, including through our 70%-owned Russian joint venture. While we have no direct presence in Ukraine, we operate with a local distributor in Ukraine. Slightly less than 3% of our revenues for fiscal 2022 were generated from sales in these regions. The imposition of the current or possible future enhanced export controls and economic sanctions on transactions with Russia and Russian entities could limit or prevent us from (i) operating all or a portion of our business in Russia, (ii) performing under existing contracts involving our Russia business (including with respect to our Russian joint venture and the potential purchase by us of the remaining 30% interest held by our joint venture partner) or (iii) pursuing new business opportunities or maintaining adequate insurance coverage to protect our products and facilities in Russia. Additionally, the conflict in Ukraine could disrupt the operations of our distributor in that region and surrounding regions. Any of the foregoing could adversely affect our business, supply chain, partners or customers. In addition, the conflict between Russia and Ukraine could lead to disruption, instability and volatility in global markets and industries that could negatively impact our operations. The scope of the impact of sanctions, export controls and the ongoing conflict in Ukraine is impossible to predict at this time, and could have an adverse impact on our business.

**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 first quarter of fiscal 2023 were as follows:

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs</b>
<b>January 30, 2022 to February 26, 2022</b>				
Repurchase program <sup>1</sup>	—	—	—	\$ 149,004,273
Employee transactions <sup>2</sup>	—	—	—	
<b>February 27, 2022 to April 2, 2022</b>				
Repurchase program <sup>1</sup>	3,531,646	\$ 21.49	3,531,646	\$ 68,096,855
Employee transactions <sup>2</sup>	512	\$ 23.32	—	
<b>April 3, 2022 to April 30, 2022</b>				
Repurchase program <sup>1</sup>	257,930	\$ 22.60	257,930	\$ 62,267,634
Employee transactions <sup>2</sup>	—	—	—	
<b>Total</b>				
Repurchase program <sup>1</sup>	3,789,576	\$ 21.57	3,789,576	
Employee transactions <sup>2</sup>	512	\$ 23.32	—	

*Notes:*

<sup>1</sup> During fiscal 2022, the Board of Directors terminated our previous 2012 \$500 million share repurchase program (which had \$47.8 million capacity remaining) and authorized a new \$200 million share repurchase program. On March 14, 2022, the Board of Directors expanded the repurchase authorization by \$100 million, leaving an available capacity of \$249.0 million at that time.

On March 18, 2022, pursuant to existing stock repurchase authorizations, we entered into an accelerated share repurchase agreement (the "2022 ASR Contract") with a financial institution (the "2022 ASR Counterparty") to repurchase an aggregate of \$175.0 million of our common stock. Under the terms of the 2022 ASR Contract, we made a payment of \$175.0 million and received an initial delivery of 3.3 million shares on March 21, 2022, representing approximately 40% (\$70 million) of the total shares expected to be repurchased under the 2022 ASR Contract. The total number of shares to be repurchased will be based on the average of our daily volume-weighted average stock price, less a discount, during the repurchase period, which is expected to be completed by the end of July 2022. The number of shares purchased and average purchase price paid per share does not include the \$105.0 million equity forward contract expected to settle by the end of July 2022. The maximum dollar value of shares that may yet be purchased under the program does reflect the full \$175.0 million payment of the equity forward contract. Refer to "Part I, Item 1. Financial Statements – Note 4 – Stockholders' Equity" for further information.

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.

<sup>2</sup> 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 5. Other Information.**

On April 22, 2022, the Company's stockholders approved an amendment and restatement of the Guess?, Inc. 2004 Equity Incentive Plan (the "2004 Plan"). The amendment and restatement of the 2004 Plan (a) increased the aggregate number of shares of the Company's common stock available for award grants under the 2004 Plan by 680,000 shares (from 29,100,000 shares to 29,780,000 shares), (b) changed the ratio at which a "Full-Value Award" (any award granted under the 2004 Plan other than a stock option or stock appreciation right) counts against the total share limit under the 2004 Plan from 3.54 shares for every one share actually issued in connection with such award to 1.6 shares for every one share actually issued in connection with such award, (c) extended the Company's ability to grant new awards under the 2004 Plan through March 26, 2032, and (d) made members of the Company's Board of Directors who are not employees of the Company or any of its subsidiaries eligible to receive award grants under the 2004 Plan. The foregoing summary of the amendment of the 2004 Plan is qualified in its entirety by reference to the text of the amended and restated 2004 Plan, which is filed as Exhibit 10.1 hereto and incorporated herein by reference.

**ITEM 6. Exhibits.**

<b>Exhibit Number</b>	<b>Description</b>
<a href="#">3.1.</a>	<a href="#">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).</a>
<a href="#">3.2.</a>	<a href="#">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).</a>
<a href="#">3.3.</a>	<a href="#">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).</a>
*†10.1.	<a href="#">2004 Equity Incentive Plan (amended and restated as of March 26, 2022).</a>
*†10.2.	<a href="#">2002 Employee Stock Purchase Plan (amended and restated as of March 26, 2022).</a>
<a href="#">10.3.</a>	<a href="#">Revolving Credit Facility Agreement dated as of May 5, 2022, among Guess Europe Sagl, as borrower, Guess? Europe B.V., as guarantor, UBS Switzerland AG ("UBS") and Credit Suisse (Switzerland) Ltd ("Credit Suisse"), as lead arrangers and joint bookrunners, UBS, as agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on May 9, 2022).</a>
†31.1.	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
†31.2.	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
††32.1.	<a href="#">Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
††32.2.	<a href="#">Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
†101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
†101.SCH	XBRL Taxonomy Extension Schema Document
†101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
†101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
†101.LAB	XBRL Taxonomy Extension Label Linkbase Document
†101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
†104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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\* Management Contract or Compensatory Plan

† Filed herewith

†† Furnished herewith

**SIGNATURES**

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

**Guess?, Inc.**

Date: June 2, 2022

By: /s/ CARLOS ALBERINI

Carlos Alberini  
Chief Executive Officer

Date: June 2, 2022

By: /s/ DENNIS SECOR

Dennis Secor  
Interim Chief Financial Officer  
(Principal Financial Officer)

**GUESS?, INC.**  
**2004 EQUITY INCENTIVE PLAN**  
**(Amended and Restated as of March 26, 2022)**

1. *Purpose.* The purposes of the Guess?, Inc. 2004 Equity Incentive Plan (the “*Plan*”) are to attract, retain and motivate officers and other key employees, directors and consultants of Guess?, Inc., a Delaware corporation (the “*Company*”), and its Subsidiaries (as hereinafter defined), to compensate them for their contributions to the growth and profits of the Company and to encourage ownership by them of stock of the Company.

2. *Definitions.* For purposes of the Plan, the following terms shall be defined as follows:

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

“*Award*” means an award made pursuant to the terms of the Plan to an Eligible Individual (as hereinafter defined) in the form of Stock Options, Restricted Stock Awards, Stock Units, Performance Share Awards, Performance Units, Stock Appreciation Rights, or Dividend Equivalent Rights.

“*Award Agreement*” means a written or electronic award agreement or notice evidencing the terms of an Award in a form approved by the Committee and, in each case and if and to the extent required by the Committee, which is executed or otherwise electronically accepted by the Participant and by an officer on behalf of the Company in such form and manner as the Committee may require, and containing such terms and conditions as the Committee deems appropriate and that are not inconsistent with the terms of 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.

“*Change in Control*” of the Company 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 trustees, 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 Entity (as defined in Section 17 hereof) or any Parent of such Surviving Entity) more than 50% 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. The foregoing definition of "Change in Control" shall be effective as to Awards granted on or after May 19, 2017. "Change in Control" for purposes of Awards granted prior to May 19, 2017, as well as any employment agreement entered into by the Company prior to May 19, 2017 that uses the term "Change in Control" as defined in the Plan, shall have the meaning given to such term in the Plan as in effect immediately prior to that date.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable rulings and regulations thereunder.

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

"Committee" means the Compensation Committee of the Board, any successor committee thereto or any other committee appointed by the Board (or a subcommittee appointed by another committee acting within its delegated authority) to administer the Plan; provided that, as to Section 13 and any Award granted to an individual who, at the time of grant of the Award, is a

Non-Employee Director, the Committee shall mean the Board. The Committee shall consist of at least two directors or such number of directors as may be required under applicable law and shall serve at the pleasure of the Board. The Board or another committee (within its delegated authority) may delegate different levels of authority to different committees or persons with administrative and grant authority under this Plan, and the Board may also take any action within the authority of such a Committee. “*Committee*” shall also mean the Board, if and to the extent the Board assumes administration of the Plan.

“*Common Stock*” means the Common Stock, par value \$.01 per share, of the Company and such other securities or property as may become the subject of Awards under this Plan, or may become subject to such Awards, pursuant to an adjustment made under Section 16(b) of the Plan.

“*Disability*” means, with respect to any Participant and unless otherwise provided by the Committee in the applicable Award Agreement, (i) a “total and permanent disability” within the meaning of Section 22(e)(3) of the Code with respect to Incentive Stock Options and, (ii) with respect to Awards other than Incentive Stock Options, that as a result of incapacity due to physical or mental illness, such Participant is, or is reasonably likely to become, unable to perform his or her duties for more than six (6) consecutive months or six (6) months in the aggregate during any twelve (12) month period.

“*Eligibility Date*” means each annual meeting of the Company’s shareholders at which one or more individuals are to be elected to the Board, commencing with the annual meeting of the Company’s shareholders in calendar year 2022.

“*Eligible Individuals*” means the individuals described in Section 7 who are eligible for Awards under the Plan.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, and the applicable rules and regulations thereunder.

“*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 Committee.

“*Full-Value Award*” means any Award under this Plan that is not a Stock Option or Stock Appreciation Right.

“*Incentive Stock Option*” means a Stock Option which is an “incentive stock option” within the meaning of Section 422 of the Code and designated by the Committee as an Incentive Stock Option in an Award Agreement.

“*Non-Employee Director*” means a member of the Board who is not employed by the Company or any of its Subsidiaries.



“*Nonqualified Stock Option*” means a Stock Option which is not an Incentive Stock Option.

“*Parent*” means any corporation which is a “parent corporation” within the meaning of Section 424(e) of the Code with respect to the relevant entity.

“*Participant*” means an Eligible Individual to whom an Award has been granted under the Plan.

“*Performance Share Award*” means a conditional Award of shares of Common Stock granted to an Eligible Individual pursuant to Section 11 hereof.

“*Performance Unit*” means a conditional Award to receive all or some portion of the appreciation on shares of Common Stock granted to an Eligible Individual pursuant to Section 12 hereof.

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

“*Restricted Stock Award*” means an Award of shares of Common Stock granted to an Eligible Individual pursuant to Section 9 hereof.

“*Restricted Stock Unit*” means a Stock Unit subject to such conditions on vesting and payout as the Committee may determine.

“*Retirement*” means retirement from active employment with the Company and its Subsidiaries on or after the attainment of age 55, or such other retirement date as may be approved by the Committee for purposes of the Plan and specified in the applicable Award Agreement.

“*Securities Act*” means the Securities Act of 1933, as amended, and the applicable rules and regulations thereunder.

“*Stock Appreciation Right*” means an Award to receive all or some portion of the appreciation on shares of Common Stock granted to an Eligible Individual pursuant to Section 10 hereof.

“*Stock Option*” means an Award to purchase shares of Common Stock granted to an Eligible Individual pursuant to Section 8 hereof.

“*Stock Unit*” means a bookkeeping entry that serves as a unit of measurement relative to a share of Common Stock for purposes of determining the payment of the Stock Unit grant.

“*Subsidiary*” means (i) with respect to an Incentive Stock Option, 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 Committee designates as a Subsidiary for the purposes of the Plan.

“*Ten Percent Shareholder*” means an Eligible Individual who, at the time an Incentive Stock Option is to be granted to him or her, owns (within the meaning of Section 422(b)(6) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, or of a Parent or a Subsidiary.

“*2022 Annual Meeting Date*” means the date that shareholders approve the 2022 amendment and restatement of the Plan.

### 3. *Administration of the Plan.*

(a) The Plan shall be administered by the Committee. Award grants, and transactions in or involving Awards, intended to be exempt under Rule 16b-3 under the Exchange Act, should be duly and timely authorized by the Board or a committee consisting solely of two or more directors each of whom the Board has determined is a non-employee director (as this requirement is applied under Rule 16b-3 promulgated under the Exchange Act). To the extent required by any applicable listing agency, this Plan shall be administered by a committee composed entirely of directors each of whom the Board has determined is an independent director (within the meaning of the applicable listing agency). However, the failure to satisfy any requirement set forth in the preceding two sentences shall not affect the validity of any action of any committee otherwise duly authorized and acting in the matter.

(b) The Committee shall have full power and authority, subject to the express provisions hereof (including the repricing provision below), to do all things necessary or desirable in connection with the authorization of awards and the administration of this Plan, including, without limitation, the authority (i) to determine eligibility and select Participants from the Eligible Individuals, (ii) to determine the type and form of Awards to be granted and to grant Awards in accordance with the Plan, (iii) to determine the number of Shares subject to each Award or the cash amount payable in connection with an Award, (iv) to determine the price (if any) at which securities will be offered or awarded (in the case of securities-based awards) and to determine the form in which such price may be paid (which may include any form of consideration permitted by applicable law including, without limitation, services rendered), (v) to determine the terms and conditions of each Award, including, without limitation, those related to any vesting, forfeiture, payment or exercisability provisions, and including the authority to grant an Award that is fully-vested at grant, (vi) to amend the terms and conditions of an Award, waive any right of the Company with respect to an Award, accelerate, waive or extend the vesting or exercisability, or modify or extend the term of, any or all outstanding Awards (in the case of Stock Options and Stock Appreciation Rights, within the maximum term of such awards) in such circumstances as the Committee may deem appropriate (including, without limitation, in connection with a retirement or other termination of employment or services), subject to any required Participant consent under Section 18, (vii) to specify and approve the form and provisions of the Award

Agreements delivered to Participants in connection with their Awards, (viii) to determine whether, and the extent to which, adjustments are required pursuant to Section 16 and to take any actions it may determine to be advisable pursuant to Section 17, (ix) to acquire or settle rights under Awards (subject to the no repricing provision below); (x) to construe and interpret any Award Agreement delivered under the Plan, (xi) to prescribe, amend and rescind rules and procedures relating to the Plan, (xii) to vary the terms of Awards to take account of tax, securities law and other regulatory requirements of foreign jurisdictions or any other factors or circumstances that the Committee may determine to be appropriate and (xiii) to make all other determinations and to formulate such procedures as may be necessary or advisable for the administration of the Plan.

(c) The Committee shall have full power and authority, subject to the express provisions hereof, to construe and interpret the Plan.

(d) Any action taken by, or inaction of, the Company, any Subsidiary, or the Committee relating or pursuant to this 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 this Plan (or any Award made 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 this Plan, the Board or a Committee, 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. The Committee may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Company or to third parties.

(e) Notwithstanding the foregoing and except for an adjustment pursuant to Section 16 or a repricing approved by shareholders, in no case may the Committee (1) amend an outstanding Stock Option or Stock Appreciation Right to reduce the exercise price or base price of the Award, (2) cancel, exchange, or surrender an outstanding Stock Option or Stock Appreciation Right in exchange for cash or other awards for the purpose of repricing the Award, or (3) cancel, exchange, or surrender an outstanding Stock Option or Stock Appreciation Right in exchange for a Stock Option or Stock Appreciation Right with an exercise or base price that is less than the exercise or base price of the original Award.

4. *Duration of Plan.* The Plan shall remain in effect until terminated by the Board and thereafter until all Awards granted under the Plan are satisfied by the issuance of shares of Common Stock or the payment of cash or are terminated or expire under the terms of the Plan or under the Award Agreement entered into in connection with the grant thereof. Notwithstanding

the foregoing, no Awards may be granted under the Plan after the tenth anniversary of the Effective Date (as defined in Section 19(m)). After the termination of this Plan either upon such stated expiration date or its earlier termination by the Board, no additional Awards may be granted under this Plan, but previously granted Awards (and the authority of the Committee 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 this Plan.

5. *Shares of Stock Subject to the Plan.*

(a) The number of shares of Common Stock that may be issued under the Plan pursuant to Awards shall not exceed, in the aggregate, 30,300,000 shares (the “*Share Limit*”). Such shares may be either authorized but unissued shares, treasury shares or any combination thereof.

(b) Except as provided below in this Section 5(b), Shares issued under the Plan in respect of any Full-Value Award granted under the Plan on or after May 1, 2017 shall be counted against the foregoing Share Limit as 3.54 shares for every one share issued in connection with such Award. Shares issued under the Plan in respect of any Full-Value Award granted under the Plan on or after the 2022 Annual Meeting Date, as well as any shares issued under the Plan in excess of the “target” number of shares subject to a Full-Value Award granted under the Plan prior to the 2022 Annual Meeting Date as to which there was a performance-based vesting requirement and such shares are issued under the Plan on or after the 2022 Annual Meeting Date as a result of performance in excess of the applicable “target” level for a performance period ending on or after the 2022 Annual Meeting Date, shall be counted against the foregoing Share Limit as 1.60 shares for every one share issued in connection with such Award.

(c) To the extent that an Award is settled in cash or a form other than shares of Common Stock, the shares that would have been delivered had there been no such cash or other settlement shall not be counted against the Share Limit and shall again be available for subsequent Awards under this Plan.

(d) Except as provided in the next sentence, shares that are subject to or underlie Awards granted under this Plan which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under this Plan shall not count against the Share Limit and shall again be available for subsequent Awards under this 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 Stock Appreciation Right granted under this 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 Stock Appreciation Right granted under this Plan, shall count against the Share Limit and shall not be available for subsequent Awards under this Plan. Shares of Common Stock that are exchanged by a Participant or withheld by the Company as full or partial payment in connection with any Full-Value Award granted under this 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 Full-Value Award granted under this Plan, shall not count against the Share Limit and shall be available for subsequent Awards under this Plan.

(e) In the event that shares of Common Stock are delivered in respect of a Dividend Equivalent Right granted under this Plan, the number of shares delivered with respect to the Award shall be counted against the Share Limit (applying, for any such issuance on or after May 1, 2017, the counting rule of Section 5(b)). (For purposes of clarity, if 1,000 Dividend Equivalent Rights are granted and outstanding when the Company pays a dividend, and 50 shares are delivered on or after 2022 Annual Meeting Date in payment of those rights with respect to that dividend, 80 shares shall be counted against the Share Limit.)

(f) To the extent that shares of Common Stock are delivered pursuant to the exercise of a Stock Appreciation Right or Stock Option granted under this Plan, the number of underlying shares as to which the exercise related shall be counted against the Share Limit, as opposed to only counting the shares issued. (For purposes of clarity, if a Stock Appreciation Right relates to 100,000 shares, is to be settled in shares of Common Stock, and is exercised in full at a time when the payment due to the Participant is 15,000 shares, 100,000 shares shall be charged against the Share Limit with respect to such exercise.)

(g) The Company may not increase the Share Limit by repurchasing shares of Common Stock on the market (by using cash received through the exercise of stock options or otherwise). The Share Limit, as well as the share limit in Section 6(a), is subject to adjustment as provided in Section 16(b).

(h) As to shares subject to a Full-Value Award granted under this Plan on or after May 1, 2017 and before the 2022 Annual Meeting Date (i.e., any such shares that were initially counted against the Share Limit as 3.54 shares for every one share subject to the Award pursuant to Section 5(b)) that become available for subsequent Awards under this Plan pursuant to Section 5(c) or 5(d), such shares shall restore the Share Limit on an equivalent basis of 3.54 shares for every one share subject to the Award that becomes so available. As to shares subject to a Full-Value Award granted under this Plan on or after the 2022 Annual Meeting Date (i.e., any such shares that were initially counted against the Share Limit as 1.60 shares for every one share subject to the Award pursuant to Section 5(b)) that become available for subsequent Awards under this Plan pursuant to Section 5(c) or 5(d), such shares shall restore the Share Limit on an equivalent basis of 1.60 shares for every one share subject to the Award that becomes so available.

(i) Unless otherwise provided by the Committee, no fractional shares shall be delivered under the Plan. The Committee may pay cash in lieu of any fractional shares in settlements of Awards under this Plan.

6. *Additional Share Limits.* The limits set forth in Sections 6(a) and 6(b) below shall apply with respect to Awards granted under this Plan. The limit set forth in Section 6(c) below shall apply to all cash compensation provided to a Non-Employee Director in his or her capacity as a member of the Board (under this Plan or otherwise).

(a) The maximum number of shares of Common Stock that may be delivered pursuant to options qualified as Incentive Stock Options granted under this Plan is 10,000,000 shares.

(b) The maximum number of shares of Common Stock subject to those Awards that are granted under this Plan during any one calendar year to an individual who, on the grant date of the Award, is a Non-Employee Director (whether the Award is payable in cash or shares of Common Stock) is the number of shares that produce a grant date fair value for the Award that, when combined with the grant date fair value of any other Awards granted under this Plan during that same calendar year to that individual in his or her capacity as a Non-Employee Director, is \$500,000. For purposes of this Section 6(b), “grant date fair value” means the value of the Award as of the date of grant of the Award and as determined using the equity award valuation principles applied in the Company’s financial reporting. The limits of this Section 6(b) do not apply to, and shall be determined without taking into account, any Award granted to an individual who, on the grant date of the Award, is an officer or employee of the Company or one of its Subsidiaries. The limit set forth in this Section 6(b) applies on an individual basis and not on an aggregate basis to all Non-Employee Directors as a group.

(c) Commencing with fiscal year 2023, the aggregate cash compensation paid to a Non-Employee Director for service as a member of the Board during any one fiscal year of the Company (including, 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) shall not exceed \$300,000. The limit set forth in the preceding sentence does not apply to, and shall be determined without taking into account, the following: (i) any compensation or benefits granted, provided, paid or payable for service to the Company or any of its Subsidiaries in any capacity other than as a member of the Board (such as, without limitation, as an officer, employee, or consultant), (ii) any Award subject to the limitation in Section 6(b), and (iii) the crediting of earnings or losses on deferred compensation. Furthermore, the limit set forth in this Section 6(c) applies on an individual basis and not on an aggregate basis to all Non-Employee Directors as a group.

7. *Eligible Individuals.* Awards may be granted by the Committee only to those persons who the Committee determines to be Eligible Individuals. An “*Eligible Individual*” is any person who is (a) an officer of the Company or any of its Subsidiaries, (b) an employee of the Company or any of its Subsidiaries, (c) a director of the Company or one of its Subsidiaries, or (d) an individual consultant or advisor who renders or has rendered bona fide services (other than services in connection with the offering or sale of securities of the Company or its Subsidiaries in a capital-raising transaction or as a market maker or promoter of the Company’s or its Subsidiaries’ securities) to the Company or any of its Subsidiaries and who is selected to

participate in this Plan by the Committee; provided, however, that a person who is otherwise an Eligible Individual under clause (d) above may participate in this Plan only if such participation would not adversely affect either the Company's eligibility to use Form S-8 to register under the Securities Act the offering and sale of shares issuable under this Plan by the Company or its Subsidiaries or the Company's compliance with any other applicable laws. A Participant may, if otherwise eligible, be granted additional Awards if the Committee shall so determine. Awards may be granted singly, in combination or in tandem. Awards also may be made in combination or in tandem with, in replacement of, as alternatives to, or as the payment form for grants or rights under any other employee or compensation plan of the Company or its Subsidiaries.

8. *Stock Options.* Stock Options granted under the Plan may be in the form of Incentive Stock Options or Nonqualified Stock Options; *provided* that only employees may be granted Incentive Stock Options. Stock Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate:

(a) *Award Agreement.* Stock Options shall be evidenced by an Award Agreement in such form and containing such terms and conditions as the Committee deems appropriate and which are not inconsistent with the terms of the Plan, and shall indicate if the option is intended as an Incentive Stock Option.

(b) *Terms of Stock Options Generally.* Subject to the terms of the Plan and the applicable Award Agreement, each Stock Option shall entitle the Participant to whom such Stock Option was granted to purchase, upon payment of the relevant exercise price, the number of shares of Common Stock specified in the Award Agreement.

(c) *Exercise Price.* The exercise price per share of Common Stock purchasable under a Stock Option shall be determined by the Committee at the time of grant and set forth in the Award Agreement; *provided, however*, that the exercise price per share of a Stock Option shall not be less than one hundred percent (100%) of the Fair Market Value of a share of Common Stock on the date of grant (110% in the case of an Incentive Stock Option granted to a Ten Percent Shareholder), subject to adjustment as contemplated by Section 16(b).

(d) *Option Term.* The term of each Stock Option shall be fixed by the Committee and set forth in the Award Agreement; *provided, however*, that a Stock Option shall not be exercisable after the expiration of ten (10) years after the date the Stock Option is granted (five (5) years in the case of an Incentive Stock Option granted to a Ten Percent Shareholder).

(e) *Exercisability.* A Stock Option shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee. In no case, unless otherwise provided by the Committee, may a Stock Option be exercised as to less than 100 shares at any one time (or the remaining shares covered by the Stock Option if less than 100) during the term of the Stock Option. The Committee may provide that Stock Options shall be exercisable in whole or in part based upon length of service or

attainment of specified performance criteria or such other conditions as the Committee may prescribe, or the Committee may provide that a Stock Option shall be vested and exercisable upon grant. The Committee, in its sole discretion, may provide for the acceleration of vesting of a Stock Option, in whole or in part, based on such factors or criteria (including specified performance criteria) as the Committee may determine.

(f) *Method of Exercise.* The exercise provisions of this Section 8(f) apply to a Stock Option unless otherwise provided by the Committee in the applicable Award Agreement. A Stock Option may be exercised, in whole or in part, by giving written notice of exercise to the Secretary of the Company specifying the number of shares to be purchased, and containing any representations required by the Committee. Such notice shall be accompanied by payment in full of the exercise price either by cash, certified or bank check, or other instrument acceptable to the Committee. As determined by the Committee in its sole discretion, payment of the exercise price may also be made in full or in part by tendering to the Company shares of Common Stock (having a Fair Market Value as of the date of exercise of such Stock Option equal to the exercise price (or such portion thereof)). Common Stock used to pay the exercise price may be shares that are already owned by the Participant, or the Company may withhold shares of Common Stock that would otherwise have been received by the Participant upon exercise of the Stock Option. Unless and until otherwise provided by the Committee and in accordance with procedures established by the Company for this purpose from time to time, a Participant may exercise an Option through a “cashless exercise” procedure involving a third-party broker who provides financing for the purpose of (or otherwise facilitates) the exercise of Stock Options. For clarity, such an arrangement shall not be considered prohibited by Section 15. The manner in which the exercise price may be paid may be subject to certain conditions specified by the Committee, including, without limitation, conditions intended to avoid the imposition of liability against the individual under Section 16 of the Exchange Act and compliance with applicable law. If requested by the Committee, the Participant shall deliver the Award Agreement evidencing an exercised Stock Option to the Secretary of the Company, who shall endorse thereon a notation of such exercise and return such Award Agreement to the Participant exercising the Option.

(g) *Rights as Shareholder.* A Participant shall have no rights as a shareholder with respect to any shares of Common Stock issuable upon exercise of a Stock Option until shares of Common Stock (either in certificate or book entry form) shall have been issued to the Participant and, subject to Section 16(b), no adjustment shall be made for dividends or distributions or other rights in respect of any share for which the record date is prior to the date on which the Participant shall become the holder of record thereof.

(h) *Special Rule for Incentive Stock Options.* With respect to Incentive Stock Options granted under the Plan, if the aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the number of shares with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under all plans of the Company or a Parent or Subsidiary exceeds One Hundred Thousand Dollars (\$100,000) or such other limit as may be required by the



Code, such Incentive Stock Options shall be treated, to the extent of such excess, as Nonqualified Stock Options.

9. *Restricted Stock Awards.* Restricted Stock Awards granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the Plan, as the Committee shall deem appropriate:

(a) *Award Agreement.* Restricted Stock Awards shall be evidenced by an Award Agreement in such form and containing such restrictions, terms and conditions as the Committee deems appropriate and which are not inconsistent with the terms of the Plan, including, without limitation, any applicable restrictions on the sale, assignment, transfer or other disposition of such shares that the Committee may prescribe and any applicable conditions that the Committee may prescribe regarding the vesting and/or forfeiture of such shares. The Committee may determine that a Restricted Stock Award shall be fully vested at grant (including, without limitation in the form of a stock bonus).

(b) *Terms of Restricted Stock Awards Generally.* Restricted Stock Awards may be granted under the Plan in such form as the Committee may from time to time approve. Restricted Stock Awards may be granted for any lawful consideration approved and deemed appropriate by the Committee, including without limitation, services rendered by the Participant. Restricted Stock Awards may be granted alone or in addition to other Awards under the Plan. Subject to the terms of the Plan, the Committee shall determine the number of shares of Common Stock subject to each Restricted Stock Award granted to a Participant, and the Committee may impose different terms and conditions on any particular Restricted Stock Award granted to any Participant. Subject to the following sentence, the Committee, in its sole discretion, may provide for the lapse of any applicable restrictions in installments and may waive or accelerate such restrictions in whole or in part, based on such factors or criteria, including specified performance criteria, as the Committee may determine. Upon expiration of any applicable restriction period or lapse of any restrictions, the Participant shall be vested in the Restricted Stock Award, or applicable portion thereof.

(c) *Evidence of Ownership.* At the time of grant, the Company shall, in its discretion, issue to each Participant receiving a Restricted Stock Award either: (i) a certificate or certificates in respect of such shares of Common Stock or (ii) uncertificated shares in book entry form. In either case, such shares shall be registered in the name of such Participant, and shall bear an appropriate legend or notation, as applicable, referring to the terms, conditions and restrictions applicable to such Award. The Committee may require that, as a condition of any Restricted Stock Award: (x) the Participant shall have delivered a stock power, endorsed in blank, relating to the Common Stock covered by such Award and (y) shares evidencing such Restricted Stock Award (if in certificate form) be held in custody by the Company until the restrictions thereon have lapsed.

(d) *Rights as Shareholder.* Except as otherwise provided by the Committee in its sole discretion, a Participant shall have, with respect to the shares of Common Stock received under a Restricted Stock Award, all of the rights of a shareholder of the

Company, including the right to vote the shares and, subject to Section 9B, the right to receive any cash dividends. Stock dividends issued with respect to shares covered by a Restricted Stock Award shall be treated as additional shares under the Restricted Stock Award and shall be subject to the same restrictions and other terms and conditions that apply to the shares with respect to which such dividends are issued.

9A. *Stock Units*. Awards of Stock Units granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the Plan, as the Committee shall deem appropriate:

(a) *Terms and Conditions of Stock Units Generally; Award Agreement*. The Committee may, in its discretion, (1) authorize and grant to any Eligible Individual an Award of Stock Units, (2) credit to any Eligible Employee Stock Units, (3) permit an Eligible Employee to irrevocably elect to defer by means of Stock Units or receive in Stock Units all or a portion of any Award hereunder, or (4) grant Stock Units in lieu of, in exchange for, in respect of, or in addition to any other compensation or Award under this Plan. The specific terms, conditions, and provisions relating to each Stock Unit grant or election, including any applicable vesting and payout provisions of the Stock Units and the form of payment to be made at or following the vesting thereof, shall be set forth in or pursuant to the applicable Award Agreement and any relevant Company bonus, performance or other service or deferred compensation plan, in form substantially as approved by the Committee. The Committee may determine that an Award of Stock Units shall be fully vested at grant. The Committee, in its sole discretion, may provide for the acceleration of vesting of an Award of Stock Units, in whole or in part, based on such factors or criteria (including specified performance criteria) as the Committee may determine.

(b) *Payment of Awards*. The Committee, in the applicable Award Agreement or other award agreement or the relevant Company deferred compensation plan, may permit an Eligible Individual to elect the form and time of payout of vested Stock Units on such conditions or subject to such procedures as the Committee may impose, and may permit Stock Unit offsets or other provisions for payment of any applicable taxes that may be due on the crediting, vesting or payment in respect of the Stock Units.

(c) *Dividend Equivalent Rights*. In its discretion, the Committee may grant to any Eligible Individual “*Dividend Equivalent Rights*” concurrently with the grant of any Award of Stock Units, on such terms as set forth by the Committee in the applicable Award Agreement. Dividend Equivalent Rights shall be based on all or part of the amount of dividends declared on shares of Common Stock and shall be credited as of dividend payment dates during the period between the date of grant (or such later date as the Committee may set) and the date the Award of Stock Units expires (or such earlier date as the Committee may set), as determined by the Committee. Dividend Equivalent Rights shall be payable in cash or shares of Common Stock, and may be subject to such conditions, as may be determined by the Committee.

(d) *Cancellation of Restricted Stock Units.* Unless the Committee otherwise expressly provides, and subject to Section 14 hereof, Restricted Stock Units that remain subject to any conditions to vesting at the time of termination of employment or service or are subject to other conditions to vesting that have not been satisfied by the time specified in the applicable Award Agreement shall not vest and shall be cancelled, unless the Committee otherwise provides in or by amendment to the applicable terms of the Award.

(e) *Rights as Shareholder.* A Participant shall have no rights as a shareholder with respect to an Award of Stock Units. Stock Units may, however, by express provision in the applicable Award Agreement, entitle a Participant to Dividend Equivalent Rights as provided under Section 9A(c) hereof.

9B. *Dividend Equivalent Rights.* In addition to Dividend Equivalent Rights contemplated by Section 9A(c), Dividend Equivalent Rights may be granted as a separate Award or in connection with another Award under this Plan; provided, however, that Dividend Equivalent Rights may not be granted in connection with a Stock Option or Stock Appreciation Right granted under this Plan. In addition, any dividends and/or Dividend Equivalent Rights as to the unvested portion of a Restricted Stock Award that is subject to performance-based vesting requirements or the unvested portion of a Stock Unit Award that is subject to performance-based vesting requirements will be subject to termination and forfeiture to the same extent as the corresponding portion of the Award to which they relate.

10. *Stock Appreciation Rights.* Stock Appreciation Rights granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate.

(a) *Award Agreement.* Stock Appreciation Rights shall be evidenced by an Award Agreement in such form and containing such terms and conditions as the Committee deems appropriate and which are not inconsistent with the terms of the Plan.

(b) *Terms of Stock Appreciation Rights Generally.* Subject to the terms of the Plan and the applicable Award Agreement, each Stock Appreciation Right shall entitle the Participant to whom such Stock Appreciation Right was granted to receive, upon exercise thereof, the amount specified in Section 10(e). A Stock Appreciation Right may be granted alone or in addition to other Awards, or in tandem with a Stock Option. If granted in tandem with a Stock Option, a Stock Appreciation Right shall cover the same number of shares of Common Stock as covered by the Stock Option (or such lesser number of shares as the Committee may determine).

(c) *Exercise Price.* The exercise price per share of Common Stock subject to a Stock Appreciation Right shall be determined by the Committee at the time of grant and set forth in the Award Agreement; *provided, however*, that the exercise price per share of a Stock Appreciation Right shall not be less than one hundred percent (100%) of the Fair Market Value of a share of Common Stock on the date of grant, subject to adjustment as contemplated by Section 16(b).

(d) *Exercise.* A Stock Appreciation Right may be exercised by a Participant in accordance with procedures established by the Committee. A Stock Appreciation Right granted in tandem with a Stock Option shall be exercisable only at such time or times and to the extent the related Stock Option shall be exercisable, and shall have the same term and exercise price as the related Stock Option. A Stock Appreciation Right unrelated to a Stock Option shall contain such terms and conditions as to exercisability and duration as the Committee shall determine, but in no event shall any such Stock Appreciation Right have a term of greater than ten (10) years. The Committee may provide that a Stock Appreciation Right shall be fully vested and exercisable upon grant. The Committee, in its sole discretion, may provide for the acceleration of vesting of a Stock Appreciation Right, in whole or in part, based on such factors or criteria (including specified performance criteria) as the Committee may determine. Upon exercise of a Stock Appreciation Right granted in tandem with a Stock Option, the related Stock Option shall be cancelled automatically to the extent of the number of shares covered by such exercise, and such shares shall no longer be available for grant under the Plan. If the related Stock Option is exercised as to some or all of the shares covered by the tandem grant, the related Stock Appreciation Right shall be cancelled automatically to the extent of the number of shares covered by the Stock Option exercise. A Stock Appreciation Right granted in tandem with an Incentive Stock Option may be exercised only when the Fair Market Value of the Common Stock subject to the Incentive Stock Option exceeds the exercise price of such Stock Option.

(e) *Amount of Payment.* In the event a Participant exercises a Stock Appreciation Right, such Participant shall be entitled to receive an amount determined by multiplying (a) the positive difference (if any) between the Fair Market Value of one share of Common Stock on the date of exercise and the exercise price per share specified for the Stock Appreciation Right by (b) the number of shares in respect of which the Stock Appreciation Right shall have been exercised. Notwithstanding the foregoing, the Committee may limit in any manner the amount payable with respect to any Stock Appreciation Right by including such a limit in the Award Agreement at the time the Stock Appreciation Right is granted.

(f) *Form of Payment.* Payment upon exercise of a Stock Appreciation Right shall be made in cash, in shares of Common Stock, or some combination thereof, as the Committee shall determine in its sole discretion.

(g) *Rights as Shareholder.* A Participant shall have no rights as a shareholder with respect to any Stock Appreciation Right unless and until shares of Common Stock (either in certificate or book entry form) are issued to the Participant as payment upon exercise of such Stock Appreciation Right, and, subject to Section 16(b), no adjustment shall be made for dividends or distributions or other rights in respect of any share for which the record date is prior to the date on which the Participant shall become the holder of record thereof.

11. *Performance Share Awards.* Performance Share Awards granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the Plan, as the Committee shall deem appropriate:

(a) *Award Agreement.* Performance Share Awards shall be evidenced by an Award Agreement in such form and containing such terms and conditions as the Committee deems appropriate and which are not inconsistent with the terms of the Plan. Each Award Agreement shall set forth the number of shares of Common Stock to be received by a Participant upon satisfaction of certain specified performance criteria and subject to such other terms and conditions as the Committee deems appropriate.

(b) *Terms of Performance Share Awards Generally.* Performance Share Awards may be granted under the Plan in such form as the Committee may from time to time approve. Performance Share Awards may be granted for such consideration as the Committee deems appropriate including, without limitation, services rendered by the Participant. Performance Share Awards may be granted alone or in addition to other Awards under the Plan. Subject to the terms of the Plan, the Committee shall determine the number of shares of Common Stock subject to each Performance Share Award granted to a Participant.

(c) *Performance Goals.* Performance Share Awards may provide that, in order for a Participant to be entitled to receive shares of Common Stock under such Award, the Company, a Subsidiary, an applicable division or business unit of any of them, and/or the Participant must achieve one or more specified performance goals ("*Performance Goals*") over a designated performance period ("*Performance Period*") or satisfy such other vesting criteria as the Committee may prescribe. The Performance Goal(s) and Performance Period shall be established by the Committee in its sole discretion. The Committee may establish the Performance Goals for each Performance Period before or after the commencement of the Performance Period. In setting Performance Goals, the Committee may use such measures as it deems appropriate and it may adjust the performance objectives (or performance) to reflect any circumstances it deems appropriate. The extent to which a Participant is entitled to payment of a Performance Share Award at the end of the Performance Period shall be determined by the Committee, in its sole discretion, based on the Committee's determination of whether the Performance Goals established by the Committee in the granting of such Performance Share Award have been met. The Committee, in its sole discretion, may provide for the acceleration of vesting of a Performance Share Award, in whole or in part, based on such factors or criteria (including specified performance criteria) as the Committee may determine.

(d) *Payment of Awards.* Payment in settlement of a Performance Share Award shall be made as soon as practicable following the conclusion of the respective Performance Period, or at such other time as the Committee shall determine, in shares of Common Stock.

(e) *Rights as Shareholder.* Except as otherwise provided by the Committee in the applicable Award Agreement, a Participant shall have no rights as a shareholder with respect to a Performance Share Award until shares of Common Stock (either in certificate or book entry form) shall have been issued to the Participant following the conclusion of the Performance Period, and, subject to Section 16(b), no adjustment shall be made for dividends or distributions or other rights in respect of any share for which the record date is prior to the date on which the Participant shall become the holder of record thereof.

12. *Performance Units.* Awards of Performance Units shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate:

(a) *Award Agreement.* Awards of Performance Units shall be evidenced by an Award Agreement in such form and containing such terms and conditions as the Committee deems appropriate and which are not inconsistent with the terms of the Plan.

(b) *Terms of Performance Units Generally.* Each Performance Unit shall entitle the Participant to whom such Performance Unit was granted to receive, upon satisfaction of certain specified performance criteria and subject to such other terms and conditions as the Committee deems appropriate, the amount specified in Section 12(d). Performance Units may be granted alone or in addition to other Awards under the Plan.

(c) *Performance Goals.* Awards of Performance Units may provide that, in order for a Participant to be entitled to payment under such Award, the Company, a Subsidiary, an applicable division or business unit of any of them, and/or the Participant must achieve one or more specified Performance Goals over a designated Performance Period or satisfy such other vesting criteria as the Committee may prescribe. The Performance Goal(s) and Performance Period shall be established by the Committee in its sole discretion. The Committee may establish the Performance Goals for each Performance Period before or after the commencement of the Performance Period. In setting Performance Goals, the Committee may use such measures as it deems appropriate and it may adjust the performance objectives (or performance) to reflect any circumstances it deems appropriate. The extent to which a Participant is entitled to payment of a Performance Unit Award at the end of the Performance Period shall be determined by the Committee, in its sole discretion, based on the Committee's determination of whether the Performance Goals established by the Committee in the granting of such Performance Unit Award have been met. The Committee, in its sole discretion, may provide for the acceleration of vesting of a Performance Unit, in whole or in part, based on such factors or criteria (including specified performance criteria) as the Committee may determine.

(d) *Payment of Awards.* Payment in settlement of a Performance Unit Award shall be made as soon as practicable following the conclusion of the respective Performance Period, or at such other time as the Committee shall determine, in cash. The amount of any such payment shall be determined by multiplying (i) the difference between the Fair Market Value of one share of Common Stock on the relevant date and the price per share specified for the Performance Unit by (ii) the number of Performance Units.

Notwithstanding the foregoing, the Committee may limit in any manner the amount payable with respect to any Performance Unit by including such a limit in the Award Agreement at the time the Performance Unit is granted.

(e) *Rights as Shareholder.* A Participant shall have no rights as a shareholder with respect to an Award of Performance Units.

13. *Non-Employee Director Awards.*

(a) *Annual Award Grants.* On each Eligibility Date, each Non-Employee 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 each Eligibility Date, a Non-Employee 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 13(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 a Non-Employee 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 provided for in this Section 13, and the grant date Dollar value of the Restricted Stock Awards provided for in this Section 13, from time to time (including, without limitation, the authority to provide for an initial Restricted Stock Award to a Non-Employee Director who is first appointed or elected to the Board or to make discretionary grants of Restricted Stock Awards to one or more Non-Employee 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). Notwithstanding anything to the contrary in the preceding paragraphs of this Section 13, to the extent that any award otherwise provided for in this Section 13 would cause the limit set forth in Section 6(c) to

be exceeded, the size of the award shall be reduced to the extent necessary such that the limit set forth in Section 6(c) is not exceeded.

(b) *Vesting.* Except as provided in the next sentence, each Restricted Stock Award granted under this Section 13 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, (ii) a termination of service on the Board if such Non-Employee Director has completed a full term of service and he or she does not stand for re-election at the completion of such term, or (iii) the occurrence of a Change in Control. 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.

(c) *Voting; Dividends.* After the applicable date of grant of a Restricted Stock Award pursuant to this Section 13, 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 an Award pursuant to this Section 13 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 13(d).

(d) *Effect of a Termination of Service.* As to an Award granted pursuant to this Section 13 and unless otherwise provided by the Board, 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.

(e) *Awards to Certain Non-U.S. Participants.* As to any Award granted pursuant to this Section 13 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.

14. *Termination of Employment.*

(a) *Death, Disability or Retirement.* Except as may otherwise be provided by the Committee in its sole discretion at the time of grant or subsequent thereto and subject to Section 13 in the case of any Award granted pursuant to Section 13, if a Participant ceases to be employed by and ceases to provide services to the Company and its Subsidiaries by reason of the Participant's death, Disability or Retirement, (i) any Stock Option or Stock Appreciation Right held by the Participant may thereafter be exercised, to the extent it was exercisable on the date of termination of such employment and services, for a period (the "*Exercise Period*") of one year from the date of such death, Disability or Retirement or until the expiration of the stated term of the Stock Option or Stock Appreciation Right, whichever period is shorter, and to the extent not exercisable on the date of termination of employment and services, such Stock Option or Stock Appreciation Right shall be forfeited as of such termination of employment and services; *provided, however,* that if a Participant terminates employment by reason of Retirement and such Participant holds an Incentive Stock Option, the Exercise Period shall not exceed the shorter of three months from the date of Retirement and the remainder of the stated term of such Incentive Stock Option; *provided further, however,* that if the Participant dies during the Exercise Period, any unexercised Stock Option or Stock Appreciation Right held by such Participant may (unless otherwise provided by the Committee in the applicable Award Agreement) thereafter be exercised to the extent it was exercisable on the date of Disability or Retirement, by the legal representative of the estate or legatee of the Participant under the will of the Participant, for a period of one year from the date of such death or until the expiration of the stated term of such Stock Option or Stock Appreciation Right, whichever period is shorter (or, in the case of an Incentive Stock Option, for a period equal to the remainder of the Exercise Period), (ii) with respect to a Restricted Stock Award, if such termination of employment and services is prior to the end of any applicable restriction period, the number of shares of Common Stock subject to such Award which have not become vested as of the date of death, Disability or Retirement shall be forfeited as of such termination of employment and services, (iii) with respect to a Restricted Stock Unit Award, if such termination of employment and services is prior to the end of any applicable conditions to vesting, the number of Restricted Stock Units subject to such Award that have not become vested as of the date of death, Disability or Retirement shall be forfeited as of such termination of employment and services and (iv) with respect to a Performance Share Award or a Performance Unit Award, if such termination of employment and services is prior to the end of any applicable Performance Period, the number of shares of Common Stock subject to such Award which have not been earned or the corresponding Award payment, as the case may be, as of the date of death, Disability or Retirement shall be forfeited as of such termination of employment and services. In determining whether to exercise its discretion under the first sentence of this Section 14(a) with respect to an Incentive Stock

Option the Committee may consider the provisions of Section 422 of the Code. Notwithstanding any longer exercise period otherwise contemplated by this Section 14, each Stock Option and Stock Appreciation Right shall be subject to earlier termination pursuant to Section 17.

(b) *Other Terminations.* Unless the Committee determines otherwise in its sole discretion at the time of grant or subsequent thereto and subject to Section 13 in the case of any Award granted pursuant to Section 13, if a Participant ceases to be employed by and ceases to provide services to the Company and its Subsidiaries for any reason other than death, Disability or Retirement, (i) any Stock Option or Stock Appreciation Right held by the Participant may thereafter be exercised, to the extent it was exercisable on the date of such termination of employment and services, for a period of sixty (60) days from the date of such termination of employment and services or until the expiration of the stated term of such Stock Option or Stock Appreciation Right, whichever period is shorter, and to the extent not exercisable on the date of termination of employment or services, such Stock Option or Stock Appreciation Right shall be forfeited as of such termination of employment and services, and (ii) with respect to a Restricted Stock Award, if such termination of employment and services is prior to the end of any applicable restriction period, the number of shares of Common Stock subject to such Award which have not become vested as of the date of termination of employment and services shall be forfeited as of such termination of employment and services, (iii) with respect to a Restricted Stock Unit Award, if such termination of employment and services is prior to the end of any applicable conditions to vesting, the number of Restricted Stock Units subject to such Award that have not become vested as of the date of termination of employment and services shall be forfeited as of such termination of employment and services and (iv) with respect to a Performance Share Award or a Performance Unit Award, if such termination of employment and services is prior to the end of any applicable Performance Period, the number of shares of Common Stock subject to such Award which have not been earned or the corresponding Award payment, as the case may be, as of the date of termination of employment and services shall be forfeited as of such termination of employment and services. In determining whether to exercise its discretion under the first sentence of this Section 14(b) with respect to an Incentive Stock Option, the Committee may consider the provisions of Section 422 of the Code. Notwithstanding any longer exercise period otherwise contemplated by this Section 14, each Stock Option and Stock Appreciation Right shall be subject to earlier termination pursuant to Section 17.

(c) *Events Not Deemed Terminations of Service; Effect of Change of Subsidiary Status.* Unless Company policy or the Committee otherwise provides, the employment relationship shall not be considered terminated in the case of (a) sick leave, (b) military leave, or (c) any other leave of absence authorized by the Company or one of its Subsidiaries or the Committee; provided that unless reemployment upon the expiration of such leave is guaranteed by contract or law, such leave is for a period of not more than 90 days. In the case of any employee of the Company or one of its Subsidiaries on an approved leave of absence, continued vesting of the award while on leave from the employ of the Company or one of its Subsidiaries may be suspended until the employee

returns to service, unless the Committee otherwise provides or applicable law otherwise requires. In no event shall an award be exercised after the expiration of the term set forth in the award agreement. For purposes of this Plan and any award, if an entity ceases to be a Subsidiary of the Company a termination of employment and service shall be deemed to have occurred with respect to each Eligible Individual in respect of such Subsidiary who does not continue as an Eligible Individual in respect of another entity within the Company after giving effect to the Subsidiary's change in status unless that Subsidiary is sold, spun-off or otherwise divested (or its successor or a direct or indirect parent of such Subsidiary or successor) and assumes the Eligible Individual's award(s) in connection with such transaction.

(d) If the Participant is not an employee of the Company or one of its Subsidiaries, and is not a member of the Board, and provides other services to the Company or one of its Subsidiaries, the Committee shall be the sole judge for purposes of this Plan (unless a contract or the award otherwise provides) of whether the Participant continues to render services to the Company or one of its Subsidiaries and the date, if any, upon which such services shall be deemed to have terminated. Unless otherwise expressly provided by the Committee, an individual being subject to restrictive covenants (such as, without limitation, confidentiality, non-solicitation, non-competition, and non-disparagement covenants), or a general cooperation obligation, shall not constitute "service" for purposes of this Plan or any Award. The Committee may also specify additional rules for determining if and when a termination of employment or services has occurred for purposes of this Plan.

15. *Non-transferability.* No Award granted under the Plan or any rights or interests therein shall be sold, transferred, assigned, pledged or otherwise encumbered or disposed of except (a) to the Company, (b) by will or by the laws of descent and distribution, (c) (other than in the case of an Incentive Stock Option) to a family member (or former family member) pursuant to a domestic relations order that is received by the Committee, or (d) if the Participant has suffered a disability, permitted transfers or exercises on behalf of the participant by his or her legal representative; *provided, however*, that the Committee may, subject to such terms and conditions as the Committee shall specify, permit the transfer of an Award that is not an Incentive Stock Option to a Participant's family members or to one or more trusts established in whole or in part for the benefit of one or more of such family members; *provided further* that the restrictions in this sentence shall not apply to the shares received in connection with an Award after the date that the restrictions on transferability of such shares set forth in the applicable Award Agreement have lapsed. During the lifetime of a Participant, a Stock Option or Stock Appreciation Right shall be exercisable only by, and payments in settlement of Awards shall be payable only to, the Participant or, if applicable, the "alternate payee" under a domestic relations order received by the Committee or the family member or trust to whom such Stock Option, Stock Appreciation Award or other Award has been transferred in accordance with the previous sentence.

16. *Recapitalization or Reorganization.*

(a) The existence of the Plan, the Award Agreements and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the

shareholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) Notwithstanding any provision of the Plan or any Award Agreement, in the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, reorganization, reclassification, merger, combination, consolidation, conversion, stock split, reverse stock split, combination, extraordinary dividend or distributions, spinoff, split-up, or exchange of shares (a "*Change in Capitalization*") (i) the Committee shall make such proportionate adjustments as may be necessary (in the form determined by the Committee in its sole discretion) to reflect such change 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 (including the specific share limits, maximums and numbers of shares set forth elsewhere in the Plan), the number of shares of Common Stock covered by each outstanding Award, and the exercise or Award prices in respect thereof, the securities, cash or other property deliverable upon exercise or payment of any outstanding Awards or the performance standards applicable to any outstanding Awards and (ii) the Committee may make such other adjustments, consistent with the foregoing, as it deems appropriate in its sole discretion. Notwithstanding the foregoing, in each case, no adjustment shall be made to any Award that would subject the holder of such Award to additional tax under Section 409A of the Code with respect to such Award.

17. *Change in Control.* The provisions of this Section 17 shall be effective as to Awards granted on or after May 19, 2017. Awards granted prior to May 19, 2017 shall continue to be subject to the provisions of this Section 17 as in effect immediately prior to that date.

(a) Upon any Change in Control event in which the Company does not survive, or does not survive as a public company in respect of its Common Stock, then the Committee may make provision for a cash payment in settlement of, or for the termination, assumption, substitution or exchange of any or all outstanding Awards or the cash, securities or property deliverable to the holder of any or all outstanding Awards, based upon, to the extent relevant under the circumstances, the distribution or consideration payable to holders of the Common Stock upon or in respect of such event. Upon the occurrence of any event described in the preceding sentence in connection with which the Committee has made provision for the Award to be terminated (and the Committee has not made a provision for the substitution, assumption, exchange or other continuation or settlement of the Award) then, unless otherwise provided in the applicable Award Agreement, (i) all Stock Options or Stock Appreciation Rights then outstanding shall become fully exercisable as of the Change in Control, whether or not then exercisable, (ii) all restrictions and conditions of all Restricted Stock Awards then

outstanding shall lapse as of the Change in Control, (iii) all restrictions and conditions of all Restricted Stock Units then outstanding shall lapse and such Restricted Stock Units shall become payable as of the Change in Control, (iv) each other Award that is granted under this Plan shall become payable to the holder of such Award as of the Change in Control. Notwithstanding the foregoing, an Award shall not be accelerated and/or become payable pursuant to this Section 17 to the extent that such acceleration and/or payment shall cause the holder of such Award to be subjected to additional tax under Section 409A of the Code with respect to such Award and, in such circumstances as to any Award, the consideration to be paid with respect to the Award (which, for clarity, may be adjusted as provided above) shall be payable at the same time as the Award would have otherwise become payable in accordance with its terms without giving effect to any change in the time or manner of payment because of the Change in Control (subject to any termination or acceleration that may be permitted, without resulting in any tax under, Section 409A of the Code).

(b) The Committee may provide for the accelerated vesting of an Award, as and to the extent determined by the Committee, in connection with any Change in Control or other circumstances.

(c) For purposes of this Section 17, an Award shall be deemed to have been “assumed” if (without limiting other circumstances in which an Award is assumed) the Award continues after an event referred to above in Section 17(a), and/or is assumed and continued by the surviving entity following such event (the “*Surviving Entity*”) (including, without limitation, an entity that, as a result of such event, owns the Company or all or substantially all of the Company’s assets directly or through one or more subsidiaries (a “*Parent*”), and confers the right to purchase or receive, as applicable and subject to vesting and the other terms and conditions of the Award, for each share of Common Stock subject to the Award immediately prior to the event, the consideration (whether cash, shares, or other securities or property) received in the event by the shareholders of the Company for each share of Common Stock sold or exchanged in such event (or the consideration received by a majority of the shareholders participating in such event if the shareholders were offered a choice of consideration); provided, however, that if the consideration offered for a share of Common Stock in the event is not solely the ordinary common stock of a successor corporation or a Parent, the Committee may provide for the consideration to be received upon exercise or payment of the Award, for each share subject to the award, to be solely ordinary common stock of the successor corporation or a Parent equal in fair market value to the per share consideration received by the shareholders participating in the event.

(d) The Committee may adopt such valuation methodologies for outstanding Awards as it deems reasonable in the event of a cash or property settlement and, in the case of Stock Options, Stock Appreciation Rights or similar rights, but without limitation on other methodologies, may base such settlement solely upon the excess if any of the per share amount payable upon or in respect of such event over the exercise or base price of the Award. In the case of a Stock Option or Stock Appreciation Right or similar right as to which the per share amount payable upon or in respect of such event is less than or

equal to the exercise or base price of the Award, the Committee may terminate such award in connection with an event referred to in Section 17(a) without any payment in respect of such Award.

(e) In any of the events referred to in Section 17(a), the Committee may take such action contemplated by this Section 17 immediately prior to such event (as opposed to on the occurrence of such event) to the extent that the Committee deems the action necessary to permit the participant to realize the benefits intended to be conveyed with respect to the underlying shares and, in such circumstances, will reinstate the original terms of the Award if an event giving rise to an acceleration and/or termination does not occur.

(g) The Committee may override the provisions of this Section 17 by express provision in the Award Agreement and may accord any Eligible Individual a right to refuse any acceleration, whether pursuant to the Award agreement or otherwise, in such circumstances as the Committee may approve. The portion of any Incentive Stock Option accelerated in connection with an event referred to in this Section 17 (or such other circumstances as may trigger accelerated vesting of the Award) shall remain exercisable as an Incentive Stock Option only to the extent the applicable \$100,000 limitation on Incentive Stock Options is not exceeded (with the balance of such Stock Option then a Nonqualified Stock Option).

18. *Amendment of the Plan.* The Board or Committee may at any time and from time to time terminate, modify, suspend or amend the Plan in whole or in part, except that no termination, modification, suspension or amendment shall be effective without shareholder approval if shareholder approval for the change is required by applicable law. No termination, modification, suspension or amendment of the Plan shall, without the consent of a Participant to whom any Awards shall previously have been granted, materially and adversely affect his or her rights under such Awards. Notwithstanding any provision herein to the contrary, the Board or Committee shall have broad authority to amend the Plan or any Stock Option to take into account changes in applicable tax laws, securities laws, accounting rules and other applicable state and federal laws. In addition, changes contemplated by Sections 16(b) and 17 of this Plan shall not be deemed to constitute changes or amendments for purposes of this Section 18.

19. *Miscellaneous.*

(a) *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 under the Plan, the Participant shall pay to the Company or make arrangements satisfactory to the Committee regarding the payment of any federal, state or local taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Committee, in accordance with rules and procedures established by the Committee, the required withholding obligations may be settled with Common Stock, including Common Stock that is part of the award that gives rise to the withholding requirement, valued in a consistent manner at their fair market value. The obligation of the Company under the Plan shall be conditioned upon such payment or

arrangements and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant.

(b) *ISO Notice of Sale.* Unless otherwise provided by the Committee, the applicable Award Agreement for an Incentive Stock Option shall provide that if a Participant makes a disposition, within the meaning of Section 424(c) of the Code and the regulations promulgated thereunder, of any share of Common Stock issued to such Participant pursuant to the exercise of an Incentive Stock Option within the two-year period commencing on the day after the date of the grant or within the one-year period commencing on the day after the date of transfer of such share of Common Stock to the Participant pursuant to such exercise, the Participant shall, within ten (10) days of such disposition, notify the Company thereof, by delivery of written notice to the Company at its principal executive office.

(c) *Loans.* On such terms and conditions as shall be approved by the Committee and subject to compliance with applicable law, the Company may directly or indirectly lend money to a Participant to accomplish the purposes of the Plan, including to assist such Participant to acquire or carry shares of Common Stock acquired upon the exercise of Stock Options granted hereunder, and the Committee may also separately lend money to any Participant to pay taxes with respect to any of the transactions contemplated by the Plan.

(d) *No Right to Grants or Employment.* No Eligible Individual or Participant shall have any claim or right to receive grants of Awards under the Plan. Nothing in the Plan or in any Award or Award Agreement shall confer upon any employee of the Company or any Subsidiary or any other service provider any right to continued employment or service with the Company or any Subsidiary, as the case may be, or interfere in any way with the right of the Company or a Subsidiary to terminate the employment of any of its employees at any time, or to terminate the service of any other service provider at any time, with or without cause.

(e) *Unfunded Plan.* Awards payable under this Plan shall be payable in shares or from the general assets of the Company, and no special or separate reserve, fund or deposit shall be made to assure payment of such Awards. No Participant, beneficiary or other person shall have any right, title or interest in any fund or in any specific asset (including shares of Common Stock, except as expressly otherwise provided) of the Company by reason of any Award hereunder. Neither the provisions of this Plan (or of any related documents), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan shall create, or be construed to create, a trust of any kind or a fiduciary relationship between the Company and any of its Subsidiaries and any Participant, beneficiary or other person. To the extent that a Participant, beneficiary or other person acquires a right to receive payment pursuant to any Award hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company. In its sole discretion, the Committee 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.

(f) *Other Employee Benefit Plans.* Unless otherwise provided by the Committee, payments received by a Participant under any Award made pursuant to the provisions of the Plan shall not be included in, nor have any effect on, the determination of benefits under any other employee benefit plan or similar arrangement provided by the Company.

(g) *Securities Law Restrictions.* The Committee may require each Eligible Individual purchasing or acquiring shares of Common Stock pursuant to a Stock Option or other Award under the Plan to represent to and agree with the Company in writing that such Eligible Individual is acquiring the shares for investment and not with a view to the distribution thereof. All shares of Common Stock delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, the New York Stock Exchange or any other exchange upon which the Common Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such shares issued in certificate form, or a notation to be made on any such shares issued in book entry form, as applicable, to make appropriate reference to such restrictions. No Award shall be granted or shares of Common Stock shall be issued hereunder unless the Company shall have determined that such grant or issuance is in compliance with, or pursuant to an exemption from, all applicable federal and state securities laws.

(h) *Plan Construction.* The Plan and each Award Agreement is intended to comply with, and not result in any tax, penalty or interest under, Section 409A of the Code. The Plan and each Award Agreement shall be construed and interpreted consistent with that intent.

(i) *No Liability.* Neither the Board nor any other Committee, nor any member thereof or person acting at the direction thereof, nor the Company or any of its Affiliates, shall be liable for any damages of a Participant or any other person should a Stock Option intended as an Incentive Stock Option fail to meet the requirements of the Code applicable to Incentive Stock Options, should any other Award(s) fail to qualify for any intended tax treatment, should any Award grant or other action with respect thereto not satisfy Rule 16b-3 promulgated under the Exchange Act, or otherwise for any tax (including, without limitation, under Section 409A of the Code) or other liability imposed on a Participant with respect to an Award.

(j) *Award Agreement.* Each Eligible Individual receiving an Award under the Plan shall enter into an Award Agreement in a form specified by the Committee agreeing to the terms and conditions of the Award and such other matters as the Committee shall, in its sole discretion, determine. In the event of any conflict or inconsistency 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.

(k) *Expenses.* The costs and expenses of administering the Plan shall be borne by the Company.



(l) *Applicable Law*. Except as to matters of federal law and unless otherwise provided by the Committee, the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to conflicts of law principles.

(m) *Effective Date*. This amended and restated version of the Plan shall be effective March 26, 2022 (the “*Effective Date*”), provided that the Plan is approved by the Company’s shareholders within 12 months after that date.

(n) *Privileges of Stock Ownership*. Except as otherwise expressly authorized by the Committee or this Plan, 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. No adjustment will be made for dividends or other rights as a shareholder for which a record date is prior to such date of delivery.

(o) *Severability*. If a court of competent jurisdiction holds any provision invalid and unenforceable, the remaining provisions of this Plan shall continue in effect.

(p) *Captions*. Captions and headings are given to the sections and subsections of this Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision thereof.

(q) *Non-Exclusivity of Plan*. Nothing in this Plan shall limit or be deemed to limit the authority of the Board or the Committee to grant awards or authorize any other compensation, with or without reference to the Common Stock, under any other plan or authority.

(r) *Clawback Policy*. The Awards granted under this Plan are subject to the terms of the Company’s recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of awards or any shares of Common Stock or other cash or property received with respect to the Awards (including any value received from a disposition of the shares acquired upon payment of the Awards).

(s) *International Awards*. One or more Awards may be granted to Eligible Individuals who provide services to the Company or an Affiliate outside of the United States. Any Awards granted to such persons may be granted pursuant to the terms and conditions of any applicable sub-plans, if any, to this Plan and approved by the Committee from time to time. The Awards so granted need not comply with other specific terms of the Plan, provided that shareholder approval of any deviation from the specific terms of the Plan is not required by applicable law or any applicable listing agency. The Committee may adopt a different methodology for determining Fair Market Value with respect to one or more Awards if a different methodology is necessary or

advisable to secure any intended favorable tax, legal or other treatment for the particular Award(s) and such different methodology may include, without limitation, determining the fair market value based on an average of closing prices (or the average of high and low daily trading prices) for a specified day or period on or preceding the relevant date.

(t) *Assumed Awards*. Awards may be granted to Eligible Individuals in substitution for or in connection with an assumption of employee stock options, stock appreciation rights, restricted stock, restricted stock units, or other stock-based awards granted by other entities to persons who are or who will become Eligible Individuals in respect of the Company or one of its Affiliates, in connection with a distribution, merger or other reorganization by or with the granting entity or an affiliated entity, or the acquisition by the Company or one of its Affiliates, directly or indirectly, of all or a substantial part of the stock or assets of the employing entity. The awards so granted need not comply with other specific terms of the Plan, provided the awards reflect adjustments giving effect to the assumption or substitution consistent with any conversion applicable to the common stock (or the securities otherwise subject to the award) in the transaction and any change in the issuer of the security. Any shares of Common Stock that are delivered and any awards that are granted by, or become obligations of, the Company, as a result of the assumption by the Company of, or in substitution for, outstanding awards previously granted or assumed by an acquired company (or previously granted or assumed by a predecessor employer (or direct or indirect parent thereof) in the case of persons that become employed by the Company or one of its Affiliates in connection with a business or asset acquisition or similar transaction) shall not be counted against the Share Limit or other limits on the number of shares available for issuance under the Plan.

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GUESS?, INC.

**2002 EMPLOYEE STOCK PURCHASE PLAN  
(Amended and Restated Effective March 26, 2022)**

1. **Purpose.** The Corporation maintains the Guess?, Inc. 2002 Employee Stock Purchase Plan, as amended and restated. The purpose of the Plan is to provide employees of the Company with an opportunity to purchase Common Stock of the Corporation through accumulated payroll deductions. This version of the Plan is effective for Offering Periods (as defined below) under the Plan commencing on and after March 26, 2022. For Offering Periods under the Plan ending on or before that date, refer to the version of the Plan as in effect for the applicable Offering Period.

2. **Definitions.**

(a) “Board” shall mean the Board of Directors of the Corporation.

(b) “Code” shall mean the Internal Revenue Code of 1986, as amended.

(c) “Commission” shall mean the Securities and Exchange Commission.

(d) “Committee” shall mean the Compensation Committee of the Board, which shall administer the Plan pursuant to Section 14.

(e) “Common Stock” shall mean the Common Stock of the Corporation.

(f) “Company” shall mean the Corporation and any of its Designated Subsidiaries.

(g) “Compensation” shall have the same meaning as given under the Guess?, Inc. 401(k) Plan and Trust (or any successor plan) or such other definition as may be determined by the Committee, provided, however, that amounts deferred by eligible employees pursuant to the terms of the Guess?, Inc. Nonqualified Deferred Compensation Plan shall also be included as “Compensation” for all purposes hereunder.

(h) “Corporation” shall mean Guess?, Inc., a Delaware corporation.

(i) “Designated Subsidiary” shall mean any Subsidiary which has been designated by the Committee from time to time in its sole discretion as eligible to participate in the Plan. Any such designation by the Committee shall not require stockholder approval.

(j) “Employee” shall mean any individual who is an employee of the Company for tax purposes and whose customary employment with the Company is at least twenty (20) hours per week and more than five (5) months in any calendar year. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company. Where the period of leave exceeds three (3) months and the individual’s right to reemployment is not guaranteed either by

statute or by contract, the employment relationship shall be deemed to have terminated on the first day immediately following such three-month period. Prior to the start of an Offering Period, the Committee may, without stockholder approval, change the eligibility requirements set forth above in this definition as applicable to such Offering Period.

(k) "Enrollment Date" shall mean the first day of each Offering Period.

(l) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(m) "Exercise Date" shall mean the last day of each Offering Period.

(n) "Fair Market Value" shall mean, on any given date,

(i) if the Common Stock is listed or admitted to trade on a national securities exchange, the closing price of a share of Common Stock on such date on the principal national securities exchange on which the Common Stock is so listed or admitted to trade, or, if there is no trading of the Common Stock on such date, then the closing price of a share of Common Stock on such exchange on the next preceding date on which there was trading in the shares of Common Stock; or

(ii) in the absence of exchange data required to determine Fair Market Value pursuant to the foregoing, the value as established by the Committee as of the relevant time for purposes of this Plan.

(o) "Offering Period" shall mean a period of approximately three (3) months, commencing on the last Monday of the second fiscal month of each fiscal quarter of the Company and terminating on the penultimate Friday of the second fiscal month of the immediately following fiscal quarter of the Company. The timing and duration of Offering Periods may be changed pursuant to Section 4 of this Plan.

(p) "Plan" shall mean this 2002 Employee Stock Purchase Plan, as amended from time to time.

(q) "Purchase Price" shall mean an amount equal to eighty-five percent (85%) of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower; provided, however, that the Committee may provide prior to the start of any Offering Period that the Purchase Price for that Offering Period shall be determined by applying a discount amount (not to exceed 15%) to either (i) the Fair Market Value of a share of Common Stock on the Enrollment Date of that Offering Period, or (ii) the Fair Market Value of a share of Common Stock on the Exercise Date of that Offering Period, or (iii) the lesser of the Fair Market Value of a share of Common Stock on the Enrollment Date of that Offering Period or the Fair Market Value of a share of Common Stock on the Exercise Date of that Offering Period; and provided, further, that in no event shall the Purchase Price per share be less than the par value of a share of Common Stock.

(r) “Rule 16b-3” means Rule 16b-3 as promulgated by the Commission under Section 16 of the Exchange Act, as amended from time to time.

(s) “Subsidiary” shall mean a corporation, domestic or foreign, of which not less than fifty percent (50%) of the voting shares are held by the Corporation or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Corporation or a Subsidiary.

3. Eligibility.

(a) Any Employee who shall be employed by the Company on a given Enrollment Date shall be eligible to participate in the Plan for the corresponding Offering Period.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) to the extent that, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options (granted under this Plan or otherwise) to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any parent corporation (if any) or any Subsidiary, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans of the Company and its parent corporation (if any) and its Subsidiaries qualified under Section 423 of the Code accrues at a rate which exceeds Twenty-Five Thousand Dollars (\$25,000.00) worth of stock (determined at the Fair Market Value of the shares at the time such option is granted) for each calendar year in which such option is outstanding at any time. For purposes of the foregoing clause (ii), a right to purchase stock accrues when it first become exercisable during the calendar year.

4. Offering Periods. The Plan shall be implemented by consecutive Offering Periods with a new Offering Period commencing on the last Monday of the second fiscal month of each fiscal quarter of the Company and terminating on the penultimate Friday of the second fiscal month of the immediately following fiscal quarter of the Company. Offering Periods shall continue until this Plan is terminated in accordance with Section 19 or Section 20 hereof (or, if earlier, until no shares of Common Stock remain available for options pursuant to Section 13(a)). The Committee shall have the power, with respect to any future Offering Period and without stockholder approval if such change is announced at least five (5) days prior to the beginning of such Offering Period, (a) to change the timing and duration of such Offering Period, including the Enrollment Date and Exercise Date thereof (provided, however, that no Offering Period shall be shorter than one (1) month or longer than twenty-seven (27) months) and/or (b) to provide that such Offering Period will consist of multiple “purchase periods,” with an Exercise Date to occur at the end of each such purchase period.

5. Participation.

(a) An eligible Employee may become a participant in the Plan by (i) enrolling online in the manner and through the website designated by the Company or (ii) completing and submitting a subscription agreement in such form as the Company may prescribe from time to time, in each case authorizing payroll deductions under the Plan. Such online

(a) enrollment or filing of a subscription agreement with the Company must occur at least five (5) business days prior to the applicable Enrollment Date (or such other date prior to the applicable Enrollment Date as the Committee may designate).

(b) Payroll deductions for a participant shall commence on the first payroll date on or following the Enrollment Date and shall end on the last payroll date in the Offering Period to which such authorization is applicable, unless sooner terminated by the participant as provided in Section 10 hereof.

(c) For purposes of this Plan, if a Designated Subsidiary ceases to be a Subsidiary, each person employed by that Subsidiary will be deemed to have terminated employment for purposes of this Plan and will no longer be an Employee unless the person continues as an Employee in respect of another Company entity.

#### 6. Payroll Deductions.

(a) At the time a participant enrolls online or files a subscription agreement, he or she shall elect to have payroll deductions made on each payroll date during the Offering Period in an amount not less than one percent (1%) and not in excess of fifteen percent (15%) of the participant's Compensation during the Offering Period, such election to be stated (unless the Committee otherwise provides) as a whole percentage of the participant's Compensation.

(b) Subject to Section 6(a), all payroll deductions made for a participant shall be credited to his or her account under the Plan. A participant may not make any additional payments into such account.

(c) A participant may discontinue his or her participation in the Plan as provided in Section 10 hereof. A participant's online enrollment or subscription agreement shall remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof or by re-enrolling online or filing a new subscription agreement with the Company at least five (5) business days prior to the Enrollment Date of the immediately following Offering Period (or such other date prior to such Enrollment Date as the Committee may designate). Except as contemplated by Section 6(d), Section 10 and Section 11, changes in a participant's payroll deduction levels may not take effect during an Offering Period, and other modifications and suspensions of a participant's subscription agreement are not permitted.

(d) Notwithstanding the foregoing, to the extent necessary to comply with Section 7 hereof or Section 423(b) (8) of the Code and Section 3(b) hereof, a participant's payroll deductions may be automatically decreased to zero percent (0%) at any time during an Offering Period. Payroll deductions shall recommence at the rate provided in such participant's subscription agreement at the beginning of the first Offering Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 10 hereof.

(e) At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At

any time, the Company may, but shall not be obligated to, withhold from the participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Employee. Notwithstanding anything herein to the contrary, with respect to any withholding obligation that may arise upon the exercise of an option, the Company may, but shall not be obligated to, deduct from a participant's account balance as of an Exercise Date, before the exercise of the participant's option is given effect, the amount which the Company reasonably determines to be required to withhold with respect to such exercise. In such event, the maximum number of whole shares subject to the option (subject to the other limits set forth in the Plan) shall be purchased at the Purchase Price with the balance of the participant's account (after reduction for the tax withholding amount).

7. Grant of Option. On the Enrollment Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on the Exercise Date of such Offering Period (at the applicable Purchase Price) up to a number of shares of the Company's Common Stock determined by dividing such Employee's payroll deductions accumulated prior to such Exercise Date and retained in the Participant's account as of the Exercise Date by the applicable Purchase Price; provided that, in no event, shall an Employee be permitted to purchase during any particular Offering Period more than 200,000 shares (subject to any adjustment pursuant to Section 19), and provided further that such purchase shall be subject to the limitations set forth in Section 3(b) and 13 hereof. Exercise of the option shall occur as provided in Section 8 hereof, unless the participant has withdrawn pursuant to Section 10 hereof. The option shall expire on the last day of the Offering Period. Notwithstanding the foregoing, the Committee may without stockholder approval, amend the limit set forth above in this Section 7 on the number of shares that an Employee may purchase in any Offering Period, effective no earlier than the first Offering Period commencing after the adoption of such amendment.

8. Exercise of Option. Unless a participant withdraws from the Plan as provided in Section 10 hereof, his or her option for the purchase of shares shall be exercised automatically on the Exercise Date, and the maximum number of full shares subject to the option shall be purchased for such participant at the applicable Purchase Price with the accumulated payroll deductions in his or her account. No fractional shares shall be purchased; any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full share shall be retained in the participant's account for the subsequent Offering Period, subject to earlier withdrawal by the participant as provided in Section 10 hereof. Any other monies left over in a participant's account after the Exercise Date shall be returned to the participant. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

9. Delivery. As promptly as practicable after each Exercise Date on which a purchase of shares occurs, the Corporation shall, in its discretion, either: (a) arrange the delivery to the participant or to a record keeping service of a certificate, as appropriate, or (b) issue shares in book entry form to the participant or his or her designated broker, registered in the name of such participant or broker, or (c) provide for an alternative arrangement for the delivery of such

shares to a broker or recordkeeping service for the benefit of the participant, in each case, representing the shares purchased upon exercise of his or her option.

10. Withdrawal.

(a) A participant may withdraw all but not less than all the payroll deductions credited to his or her account during an Offering Period and not yet used to exercise his or her option under the Plan at any time by (i) withdrawing online in the manner and through the website designated by the Company or (ii) giving written notice to the Company in such form as the Company may prescribe from time to time. A withdrawal election pursuant to this Section 10(a) with respect to an Offering Period shall be effective only if it is completed online or received by the Company, in each case no later than two (2) business days prior to the Exercise Date of that Offering Period. All of the participant's payroll deductions credited to his or her account shall be paid to such participant promptly after receipt of notice of withdrawal and such participant's option for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of shares shall be made for such Offering Period. A participant may also withdraw from participation in a succeeding Offering Period by (i) withdrawing online in the manner and through the website designated by the Company or (ii) giving written notice to the Company in such form as the Company may prescribe from time to time, provided that the notice of withdrawal is completed online or received by the Company, in each case no later than one (1) business day prior to the Enrollment Date of the succeeding Offering Period (or such other date as the Committee may designate).

(b) A participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the participant withdraws. A participant's termination from Plan participation shall be deemed to be a revocation of that participant's online enrollment or subscription agreement and such participant must re-enroll online or file a new subscription agreement to resume Plan participation in any succeeding Offering Period.

11. Termination of Employment.

(a) Except as provided in Section 11(b) below, if a participant ceases to be an Employee for any reason (including, without limitation, due to the participant's death, disability, resignation or retirement, or due to a layoff or other termination of employment with or without cause) at any time prior to the last day of an Offering Period in which he or she participates, such participant's account shall be paid to him or her (or, in the event of the participant's death, to the person or persons entitled thereto under Section 13) in cash, and such participant's option and participation in the Plan shall automatically terminate as of the time that the participant ceased to be an Employee.

(b) If a participant (i) ceases to be an Employee during an Offering Period but remains an employee of the Company through the Exercise Date (for example, and without limitation, if the participant's employer ceases to maintain the Plan as a Designated Subsidiary but otherwise continues as a Subsidiary, or if the participant's customary level of employment no longer satisfies the requirements set forth in the definition of Employee), or (ii) during an



Offering Period commences a sick leave, military leave, or other leave of absence approved by the Company, and the leave meets the requirements of Treasury Regulation Section 1.421-1(h)(2) and the participant is an employee of the Company or on such leave as of the applicable Exercise Date, such participant's payroll deductions shall cease, and the accumulated payroll deductions previously credited to the participant's account for that Offering Period shall be used to exercise the participant's option as of the applicable Exercise Date in accordance with Section 8 (unless the participant makes a timely withdrawal election in accordance with Section 10, in which case such participant's account shall be paid to him or her in cash in accordance with Section 10).

12. Interest. No interest shall accrue on the payroll deductions of a participant in the Plan.

13. Stock.

(a) The maximum number of shares of Common Stock which shall be made available for sale under the Plan shall be four million (4,000,000) shares, subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof. Shares that are subject to or underlie options, which (i) for any reason are cancelled or terminated, are forfeited, or (ii) for any other reason are not paid or delivered under the Plan shall again, except to the extent prohibited by law, be available for subsequent options under the Plan. If, on a given Exercise Date, the number of shares with respect to which options are to be exercised exceeds the number of shares then available under the Plan, the Company shall make a pro rata allocation of the shares remaining available for purchase in as uniform a manner as shall be practicable and as it shall determine to be equitable.

(b) The participant shall have no interest or voting right in shares covered by his option until such option has been exercised.

(c) Shares to be delivered to a participant under the Plan shall be registered in the name of the participant (or the participant and his or her spouse) or his or her designated broker.

14. Administration.

(a) The Board shall appoint the Committee, which shall be composed of not less than two members of the Board. The Board may, at any time, increase or decrease the number of members of the Committee, may remove from membership on the Committee all or any portion of its members, and may appoint such person or persons as it desires to fill any vacancy existing on the Committee, whether caused by removal, resignation, or otherwise. The Board may also, at any time, assume the administration of all or a part of this Plan, in which case references (or relevant references in the event the Board assumes the administration of only certain aspects of this Plan) to the "Committee" shall be deemed to be references to the Board.

(b) The Committee shall supervise and administer this Plan and shall have full power and discretion to adopt, amend and rescind any rules deemed desirable and appropriate for the administration of this Plan and not inconsistent with the terms of this Plan, and to make all

other determinations necessary or advisable for the administration of this Plan. The Committee shall act by majority vote or by unanimous written consent. No member of the Committee shall be entitled to act on or decide any matter relating solely to himself or herself or solely to any of his or her rights or benefits under this Plan. The Committee shall have full power and discretionary authority to construe and interpret the terms and conditions of this Plan, which construction or interpretation shall be final and binding on all parties including the Company, participants and beneficiaries. The Committee may delegate ministerial non-discretionary functions to third parties, including individuals who are officers or employees of the Company. Notwithstanding anything else contained in this Plan to the contrary, the Committee may also adopt rules, procedures or sub-plans applicable to particular Subsidiaries or locations, which sub-plans may be designed to be outside the scope of Section 423 of the Code and need not comply with the otherwise applicable provisions of this Plan.

(c) Subject only to compliance with the express provisions hereof, the Board and Committee may act in their absolute discretion in matters within their authority related to this Plan. Any action taken by, or inaction of, the Company, any Designated Subsidiary, the Board or the Committee relating or pursuant to this Plan shall be within the absolute discretion of that entity or body and will be conclusive and binding upon all persons. In making any determination or in taking or not taking any action under this Plan, the Board or Committee, as the case may be, may obtain and may rely on the advice of experts, including professional advisors to the Company. Neither the Board nor any 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, and all such persons shall be entitled to indemnification and reimbursement by the Corporation 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.

#### 15. Designation of Beneficiary.

(a) If the Committee so permits, a participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such participant of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to exercise of the option. If a participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. The Committee may rely on the last designation of a beneficiary filed by a participant in accordance with this Plan. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant,

if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

16. Transfer Restrictions.

(a) Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 15 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

(b) Unless the Board or the Committee determines otherwise prior to the start of any Offering Period, the shares of Common Stock purchased by a participant on each Exercise Date must be held and not sold by the participant for a minimum period of six (6) months following the applicable Exercise Date. Accordingly, the participant shall not sell, make any short sale of, loan, hypothecate, assign, transfer, pledge, grant any option for the purchase of, or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to any shares purchased by the participant under the Plan until those shares have been held for at least a six (6) month period measured from the applicable Exercise Date. (By way of example, shares purchased on an Exercise Date of June 26 may not be sold or otherwise transferred by the participant until at least December 26 of the same year.) This transfer restriction shall hereafter be referred to as the "Holding Period Requirement." Notwithstanding the foregoing, the Board or Committee may at any time elect to reduce or waive the Holding Period Requirement, provided that any such reduction or waiver with respect to a particular Offering Period shall apply equally to all participants in that Offering Period.

(c) A participant shall have, with respect to purchased shares that are subject to the Holding Period Requirement, all of the rights of a shareholder of the Corporation, including the right to vote the shares and the right to receive any cash or other dividends with respect to the shares. Any new, substituted or additional securities which are, by reason of any stock split, stock dividend, recapitalization, combination or reclassification of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, distributed with respect to any purchased shares shall be subject to the same Holding Period Requirement, if any, applicable to those shares.

(d) In order to enforce the Holding Period Requirement, the Corporation may impose stop-transfer instructions or take such other actions it deems necessary or advisable with respect to the purchased shares until the end of the applicable six (6) month period.

(e) Upon a participant's ceasing to be an Employee for any reason, any shares held by such participant that are then subject to a Holding Period Requirement shall no longer be subject to the Holding Period Requirement.

17. Use of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

18. Reports. Individual accounts shall be maintained for each participant in the Plan. Statements of account shall be given to participating Employees as soon as administratively practicable following each Exercise Date, which statements shall set forth the amounts of payroll deductions, the Purchase Price, the number of shares purchased and the remaining cash balance, if any.

19. Adjustments; Corporate Transactions.

(a) Adjustments of and Changes in the Stock. Upon or in contemplation of any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend), or reverse stock split; any merger, combination, consolidation, or other reorganization; split-up, spin-off, or any similar extraordinary dividend distribution in respect of the Common Stock (whether in the form of securities or property); any exchange of Common Stock or other securities of the Corporation, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; or a sale of substantially all the assets of the Corporation as an entirety occurs; then the Committee shall equitably and proportionately adjust (i) the number and type of shares or the number and type of other securities that thereafter may be made the subject of options (including the specific maxima and numbers of shares set forth elsewhere in this Plan), (ii) the number, amount and type of shares (or other securities or property) subject to any or all outstanding options, (iii) the Purchase Price of any or all outstanding options, and/or (iv) the securities, cash or other property deliverable upon exercise of any outstanding options, in each case to the extent necessary to preserve (but not increase) the level of incentives intended by this Plan and the then-outstanding options. Upon the occurrence of any event described in the preceding sentence, or any other event in which the Corporation does not survive (or does not survive as a public company in respect of its Common Stock); then the Committee may make provision for a cash payment or for the substitution or exchange of any or all outstanding options for cash, securities or property to be delivered to the holders of any or all outstanding options based upon the distribution or consideration payable to holders of the Common Stock upon or in respect of such event. The Committee may adopt such valuation methodologies for outstanding options as it deems reasonable in the event of a cash or property settlement and, without limitation on other methodologies, may base such settlement solely upon the excess (if any) of the amount payable upon or in respect of such event over the Purchase Price of the option. In any of such events, the Committee may take such action sufficiently prior to such event to the extent that the Committee deems the action necessary to permit the participant to realize the benefits intended to be conveyed with respect to the underlying shares in the same manner as is or will be available to stockholders generally.

(b) Possible Early Termination of Plan and Options. Upon a dissolution or liquidation of the Corporation, or any other event described in Section 19(a) that the Corporation does not survive or does not survive as a publicly-traded company in respect of its Common Stock, as the case may be, this Plan and, if prior to the last day of an Offering Period, any outstanding option granted with respect to that Offering Period shall terminate, subject to any provision that has been expressly made by the Board for the survival, substitution, assumption,

exchange or other settlement of the Plan and options. In the event a participant's option is terminated pursuant to this Section 19(b) without a provision having been made by the Board for a substitution, exchange or other settlement of the option, such participant's account shall be paid to him or her in cash without interest.

20. Amendment or Termination.

(a) The Board may at any time and for any reason terminate, suspend or amend the Plan. Except as provided in Section 19 hereof, no such termination can affect options previously granted. Except as provided in Section 19 hereof, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other applicable law, regulation or stock exchange rule), the Company shall obtain stockholder approval in such a manner and to such a degree as required. No options may be granted during any suspension of this Plan or after the termination of this Plan, but the Committee will retain jurisdiction as to options then outstanding in accordance with the terms of this Plan.

(b) Without stockholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the Board (or its committee) shall be entitled to change future Offering Periods, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment period and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Board (or its committee) determines in its sole discretion advisable which are consistent with the Plan.

21. Notices. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. Conditions Upon Issuance of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance. As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. Term of Plan.

(a) The Plan shall become effective upon its adoption by the Board. No new Offering Periods shall commence on or after March 26, 2032, and the Plan shall terminate as of the Exercise Date on or immediately following such date unless sooner terminated under Section 19 or 20 hereof.

(b) Notwithstanding anything else contained herein to the contrary, the effectiveness of this amendment and restatement of the Plan is subject to the approval of this amendment and restatement of the Plan by the stockholders of the Company within twelve (12) months after March 26, 2022.

24. Employees' Rights.

(a) Nothing in this Plan (or in any other documents related to this Plan) will confer upon any Employee or participant any right to continue in the employ or other service of the Company, constitute any contract or agreement of employment or other service or effect an employee's status as an employee at will, nor shall interfere in any way with the right of the Company to change such person's compensation or other benefits or to terminate his or her employment or other service with or without cause. Nothing contained in this Section 24(a), however, is intended to adversely affect any express independent right of any such person under a separate employment or service contract other than a subscription agreement.

(b) No participant or other person will have any right, title or interest in any fund or in any specific asset (including shares) of the Company by reason of any option hereunder. Neither the provisions of this Plan (or of any related documents), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan will create, or be construed to create, a trust of any kind or a fiduciary relationship between the Company and any participant or other person. To the extent that a participant or other person acquires a right to receive payment pursuant to this Plan, such right will be no greater than the right of any unsecured general creditor of the Corporation. No special or separate reserve, fund or deposit will be made to assure any such payment.

(c) A participant will not be entitled to any privilege of stock ownership as to any shares not actually delivered to the participant pursuant to Section 9. 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.

25. Plan Construction.

(a) Section 16. It is the intent of the Corporation that transactions involving options under this Plan (other than "Discretionary Transactions" as that term is defined in Rule 16b-3(b)(1) promulgated by the Commission under Section 16 of the Exchange Act, to the extent there are any Discretionary Transactions under this Plan), in the case of participants who are or may be subject to the prohibitions of Section 16 of the Exchange Act, satisfy the requirements for exemption under Rule 16b-3(c) promulgated by the Commission under Section 16 of the Exchange Act to the maximum extent possible. Notwithstanding the foregoing, the Corporation

shall have no liability to any participant for Section 16 consequences of options or other events with respect to this Plan.

(b) Section 423. Except as the Committee may expressly provide in the case of one or more sub-plans adopted pursuant to Section 14(b), this Plan and options are intended to qualify under Section 423 of the Code. Accordingly, all participants are to have the same rights and privileges (within the meaning of Section 423(b)(5) of the Code and except as not required thereunder to qualify this Plan under Section 423) under this Plan, subject to differences in compensation among participants and subject to the payroll deduction and share limits of this Plan.

(c) Interpretation. If any provision of this Plan or of any option would otherwise frustrate or conflict with the intents expressed above, that provision to the extent possible shall be interpreted so as to avoid such conflict. If the conflict remains irreconcilable, the Committee may disregard the provision if it concludes that to do so furthers the interest of the Company and is consistent with the purposes of this Plan as to such persons in the circumstances.

26. Miscellaneous.

(a) This Plan, the options, and related documents shall be governed by, and construed in accordance with, the laws of the State of Delaware. If any provision shall be held by a court of competent jurisdiction to be invalid and unenforceable, the remaining provisions of this Plan shall continue in effect.

(b) Captions and headings are given to the sections of this Plan solely as a convenience to facilitate reference. Such captions and headings shall not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision hereof.

(c) The adoption of this Plan shall not affect any other Company compensation or incentive plans in effect. Nothing in this Plan will limit or be deemed to limit the authority of the Board or Committee (i) to establish any other forms of incentives or compensation for employees of the Company (with or without reference to the Common Stock), or (ii) to grant or assume options (outside the scope of and in addition to those contemplated by this Plan) in connection with any proper corporate purpose; to the extent consistent with any other plan or authority.

(d) Benefits received by a participant under an option granted pursuant to this Plan shall not be deemed a part of the participant's compensation for purposes of the determination of benefits under any other employee welfare or benefit plans or arrangements, if any, provided by the Company, except where the Committee or the Board expressly otherwise provides or authorizes in writing.

27. Notice of Sale. Any person who has acquired shares under this Plan shall give prompt written notice to the Company of the sale or other transfer of the shares if such sale or transfer occurs (a) within the two (2) year period after the Enrollment Date (date the option is granted) of the Offering Period with respect to which such shares were acquired or (b) within the

twelve (12) month period after the Exercise Date of the Offering Period with respect to with such shares were acquired.



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: June 2, 2022

By: /s/ CARLOS ALBERINI

Carlos Alberini  
*Chief Executive Officer*

I, Dennis Secor, 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: June 2, 2022

By: /s/ DENNIS SECOR

Dennis Secor  
*Interim Chief Financial Officer*

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 April 30, 2022, 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: June 2, 2022

By: /s/ CARLOS ALBERINI

Carlos Alberini  
*Chief Executive Officer*

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

I, Dennis Secor, Interim 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 April 30, 2022, 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: June 2, 2022

By: /s/ DENNIS SECOR

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Dennis Secor  
*Interim Chief Financial Officer*