Guess sales fail to meet expectations, updates full year outlook

By Obi Anyanwu - May 26, 2016

Guess, Inc. announced on Wednesday the financial results for its first quarter of fiscal 2017 ended April 30, 2016.

Total net revenue for the quarter decreased 6.3% to $448.8 million from $478.8 million in the previous first quarter, and in constant currency, the total net revenue decreased 5.0%.

Americas Retail revenue decreased 5% in US dollars and 3% in constant currency, and retail comp sales including e-commerce decreased 4% in US dollars and 3% in constant currency. Americas Wholesale revenue also decreased 12% in US dollars and decreased 7% in constant currency. Europe revenues decreased 1% in US dollars and 3% in constant currency, and Asia revenues decreased 15% in US dollars and 11% in constant currency.

The Americas retail business struggled especially in April, while the Europe retail business delivered positive comp store sales in the mid-teens. For the Asia business, Korea posted positive comps, but this was offset by the performance of Greater China, which was below expectations.

GAAP operating loss for the first quarter decreased $33.3 million to $29.0 million from operated earnings of $4.4 million in the previous year. Operating margin for all segments decreased due to lower gross margins with the exception of the company’s licensing segment, which increased 240 basis points to 91.4% from 89%.

Victor Herrero, Chief Executive Officer, commented, "Our first quarter adjusted operating loss finished at the low-end of our guidance as sales finished below our expectations. I had highlighted on our last earnings call that the first six months of the year would be a transition period. The start to the year has been a bit more challenging than we anticipated especially in the Americas and to a lesser extent in Greater China. These developments are reflected in our guidance for the second quarter as well as our updated guidance for the full year. We are still confident that we will be able to achieve the three year plan goals we provided in March this year, but with a different cadence than initially planned."
For the second quarter, Guess expects its consolidated net revenues to increase between 0.5% and 2.5% in US dollars and diluted earnings per share to range between $0.04 and $0.08.

The company expects its full year consolidated net revenues to increase between 5.5% and 7.5% in US dollars and GAAP diluted earnings per share to be in range of $0.48 to $0.68.

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