

06-Jun-2024

# G-III Apparel Group Ltd. (GIII)

Q1 2025 Earnings Call

## CORPORATE PARTICIPANTS

### Neal Nackman

*Chief Financial Officer, G-III Apparel Group Ltd.*

### Morris Goldfarb

*Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

---

## OTHER PARTICIPANTS

### Ashley Owens

*Analyst, KeyBanc Capital Markets, Inc.*

### Will Gaertner

*Analyst, Wells Fargo Securities LLC*

### Mauricio Serna

*Analyst, UBS Securities LLC*

### Paul Kearney

*Analyst, Barclays Capital, Inc.*

### Dana Lauren Telsey

*Analyst, Telsey Advisory Group LLC*

---

## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day and thank you for standing by. Welcome to G-III Apparel Group First Quarter Fiscal 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there'll be a question-and-answer session. [Operator Instructions] Please note that today's conference is being recorded.

I will now hand the conference over to your speaker host Mr. Neal Nackman, Chief Financial Officer. Please go ahead, sir.

---

### Neal Nackman

*Chief Financial Officer, G-III Apparel Group Ltd.*

Good morning and thank you for joining us. Before we begin, I would like to remind participants that certain statements made on today's call and in the Q&A session may constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements are not guarantees, and actual results may differ materially from those expressed or implied in forward-looking statements. Important factors that could cause actual results of operations or the financial condition of the company to differ are discussed in the documents filed by the company with the SEC. The company undertakes no duty to update any forward-looking statements. In addition, during the call, we will refer to non-GAAP net income, non-GAAP net income per diluted share and adjusted EBITDA, which are all non-GAAP financial measures.

We have provided reconciliations of these non-GAAP financial measures to GAAP measures in our press release, which is also available on our website.

I will now turn the call over to our Chairman and Chief Executive Officer, Morris Goldfarb.

---

**Morris Goldfarb***Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

Thank you, Neal, and thank you, everyone for joining us. For our first quarter, we delivered net sales in line with our expectations and bottom line results well ahead of our guidance. These results are due to our unwavering commitment to disciplined brand building and operational excellence. Leveraging the design and merchandising strengths of our team, we achieved profitable sales growth by focusing on innovative products and assortments for our collections. Despite a dynamic and challenging consumer environment, we continue to see strong opportunities across our business. I'm proud of our best-in-class team who demonstrate resilience and agility every day as we advance our long-term strategic priorities.

Before I review our first quarter results, let me provide some further details on this morning's announcement of our partnership with AWWG, a portfolio company primarily owned by M1 Group, L Catterton and Founder Carlos Ortega. AWWG is a global fashion group and premier platform for international brands, generating revenues of approximately \$650 million. With this investment, we have an ownership interest of just over 12%, by year-end, we expect to own close to 20% and we'll look to expand the ownership over time. With a strong European infrastructure and management team, AWWG has over 3,500 points of sales globally and a presence in 86 countries. They are the owner of Hackett, Pepe Jeans and Façonnable and manage the Iberian business for PVH. With our partnership AWWG will also become the agent for Karl Lagerfeld, DKNY and Donna Karan across Spain and Portugal.

They bring an understanding of brand and product management as well as operational excellence, aligning well with our strategic initiative to expand our European presence. Further, AWWG has a strong presence in India, one of the fastest growing fashion markets in the world. We believe that we can leverage them as our partner to expand DKNY and our other brands in that market. They benefit from our best-in-class operational capabilities in North America to secure a more meaningful foothold here for their brands. We'll also hold one seat on a AWWG's Board to help advise the company and look forward to working with the leadership team to leverage our collective strengths. Our investment will expand both of our businesses. We expect this investment to be accretive from the start.

Now let's review our first quarter 2025 financial results. Net sales for the quarter were \$610 million compared to \$607 million last year and in line with our expectations. Gross margin rate expanded a 130 basis points. The gross margin rate for our own brands is substantially higher than the PVH brands. Non-GAAP earnings per diluted share was \$0.12 compared to \$0.13 last year and well ahead of our expectations. Our inventory remains in good position, down approximately 24% from last year's first quarter. As we announced this morning, we have upsized and extended the maturity of our revolving credit facility. We remain in a very strong financial position, ending the quarter with cash and availability of approximately a \$1 billion. Performance in the first quarter was driven by strong double-digit sales increases in DKNY and Karl Lagerfeld. Despite challenging weather, we're pleased with the spring selling season to-date.

We continue to meet the ever changing needs of our customers by reinventing in our omni-channel capabilities, which is reflected in the strong performance of our wholesale business. Additionally, our North American retail business transformation is underway and we're gaining traction with both Karl Lagerfeld Paris and DKNY stores seeing strong double-digit comp increases. Growing brands is a core capability of ours and we remain on track for net sales of our go-forward portfolio to approach approximately 70% of our total sales for the full fiscal 2025 as we continue to reduce the penetration of Calvin Klein and Tommy Hilfiger. Our best-in-class design and product development teams, field merchandisers, marketing and overall investments in our brands are key differentiators for G-III.

These capabilities make us a partner of choice to retailers who have confidence in our ability to execute and deliver the right product at the right time. This is clearly evident as retailers are supporting our evolution by allocating their purchasing dollars to our go-forward businesses through significant door counts and floorspace expansion. This fall, we expect to add over 2,500 points of sale at our retail partners across better department stores as we expand categories and launch new brands. These efforts have directly translated into sales growth, which we expect to continue as we scale these businesses. As part of our focus on our own brands, we made our largest and most visible investments in marketing, which have already resulted in an increased global interest in sales that have exceeded our expectations. Our brands, particularly Donna Karan, already a strong established brand equity.

These supercharged campaigns serve to re-energize and create excitement amongst consumers. We're continuing the momentum and plan to invest meaningfully in marketing to further drive brand equity, accelerate sales and increase resonance for long-term. As previously mentioned, we relaunched Donna Karan with new designs, along with an updated website and new fragrance collection, which has been extremely well-received season to-date. On average, Donna Karan's AURs are significantly highest, sell-throughs are about 50% better and retailer margins are double-digit higher than our other businesses making it our most successful launch to-date. Almost immediately, our retail partners have accelerated their investment in the brand, which expanded door counts and floorspace. We launched about 200 doors and are expanding to over 500 doors in the fall.

We're incredibly pleased to see Donna Karan exceeding our expectations. As I mentioned, this relaunch was supported by a powerful marketing campaign with some of the biggest names in fashion, including Cindy Crawford, Linda Evangelista, Carolyn Murphy, Amber Valletta and Karlie Kloss, which brought the story of the brand's iconic legacy back to life with renewed relevance. The resulting 7.4 billion impressions equates to more than \$15 million in earned marketing value and drove significant industry and consumer engagement. We're currently working on several initiatives to expand into complementary categories through licensing to better class – better-in-class partners. Our fragrance business with Inter Parfums is expected to grow by strong double-digits, supported by brand launches. This important licensing extension further supports visibility, attracting new and wider audiences to the world of Donna Karan.

This is just the beginning. We see many opportunities ahead for this business globally. DKNY delivered strong double-digit increases this quarter, the brand's spring marketing featuring Kaia Gerber who brought excitement and fresh energy to the brand and is driving more brand engagement through her social platforms and boosting DKNY's relevance and affinity amongst the younger audiences globally. We further elevated visibility by re-establishing our long-term partnership with the New York Yankees. DKNY is now prominently featured on the right-field billboard, enhancing the visibility at the stadium, as well as on broadcast TV and social media channels.

In April, DKNY launched the Heart of New York Capsule Collection with a series of international pop-up shops and events which we believe further reinforces our European expansion across key wholesale accounts. This capsule featured exclusive events and dedicated space in La Rinascente, Harrods, and Zalando as well as DKNY freestanding boutiques. DKNY is well-established as a lifestyle brand reaching a broader and younger audience across the globe, especially in Europe. We're creating energy around key activations which help us deliver excitement and newness, driving brand awareness and engagement. In Asia, we're repositioning the DKNY brand in China. We're pleased with the double-digit growth in Korea this quarter and are evaluating other opportunities to accelerate our growth in the broader Asian market. Karl Lagerfeld grew by almost 50% in North America this quarter, a truly incredible start to the year.

We further built out the brand's lifestyle collection, launching the suit separates category and expanding doors for the dress category, resulting in approximately 500 new points of distribution for Karl Lagerfeld. The brand will now

be prominently featured in a total of 1,200 points of distribution across the [ph] vetted (00:13:16) department store space in just North America. Globally, our reach continues to grow through wholesale and entry into new markets and categories like the recently launched Karl Lagerfeld Jeans line. In collaboration with sustainability ambassador Amber Valletta, we introduced the latest collection for fall 2024 featuring bags created from MIRUM, a cutting-edge sustainable leather alternative. This summer, we will capture some of the Olympic buzz by partnering with new sports – with the new sport of three-on-three basketball which is being included in this year's games.

We will sponsor several playoff tournaments, launch a product collaboration, and host athletes in our Paris store. We're also revamping our global flagship store in London's Regent Street with a fresh concept just in time for September Fashion Week. And please be on the lookout for a mini-series releasing tomorrow on Hulu called *Becoming Karl Lagerfeld*; this series chronicles the early career of iconic legendary designer Karl Lagerfeld. We continue to leverage the power of the Karl Lagerfeld name to extend the lifestyle, appeal and international awareness of the brand while delivering incremental licensing revenue. Our launch of luxury villas in the heart of Dubai will be Karl Lagerfeld's inaugural real estate project in the Middle East. Additionally, we're capitalizing on licensing opportunities in key categories and will be launching an additional fragrance in July.

Vilebrequin remains focused on extending its lifestyle product categories, licensing opportunities, and expanding its beach club concept. During the quarter, Vilebrequin opened a third store in Palma, Spain and a beach club in Abu Dhabi. We continue to build upon our beach club experiences which feature our shops and expect to drive business this summer. We're developing new products for existing and new categories heading into the peak selling season. Since taking over the beach club in Cannes, we're pleased with the sales and profitability improvements to-date. Currently, we have seven beach club projects in various stages of opening and are making progress toward our goal of opening 15 partner-operated beach clubs in exclusive global locations over the next three years.

We've been able to quickly develop our new initiatives with Nautica, Halston, and Champion outerwear. The consumer response to our Nautica spring jeans collection has been positive and will be expanding to a broad range of additional categories over time. We're looking forward to our Halston Lifestyle collection and Champion outerwear hitting retail floors this fall. Our brands DKNY, Donna Karan, Karl Lagerfeld, and Vilebrequin have tremendous runway. In the last fiscal year, these brands along with the rest of our go-forward portfolio resulted in \$1.8 billion in net sales. And together with our new launches, we see a \$5 billion long-term net sales potential. Additionally, AWWG represents a sizable international opportunity from a revenue and infrastructure perspective. We've strong growth ahead between the organic acceleration of our brands and our new opportunities.

In conclusion, we have a solid start to our fiscal year 2025 delivering non-GAAP earnings that beat our expectations. We're controlling the controllables while utilizing a data-driven approach to strategically invest in our brands, to drive profitability and long-term brand health. Looking ahead, we continue to believe that the consumer environment will remain under pressure and remain cautiously optimistic. We're reaffirming our top line while raising bottom line guidance and now expect earnings per diluted share to be in the range of \$3.58 to \$3.68. Our proven track record of success and our strong balance sheet give us ample flexibility to invest in our business. We're making good progress on many of our objectives including a strong results delivered through outside performance of our own brands DKNY, Karl Lagerfeld and the successful relaunch of Donna Karan.

Our announced partnership with AWWG, which accelerates our international expansion. Our reduced reliance on the PVH brands and the turnaround plans for the retail segment. We have significant long-term opportunities to expand our business and I'm confident that this is just the beginning.

I'll now pass the call to Neal for a discussion of our first quarter, as well as our fiscal 2025 outlook.

## Neal Nackman

*Chief Financial Officer, G-III Apparel Group Ltd.*

Thank you, Morris. Net sales for the first quarter ended April 30, 2024 were \$610 million compared to \$607 million in the same period last year and in line with our expectations. Net sales of our wholesale segment were \$598 million compared to \$587 million in the previous year. Net sales of our retail segment were \$31 million for the quarter compared to net sales of \$30 million in last year's first quarter, despite the closing of nine doors. Our gross margin percentage was 42.5% in the first quarter of fiscal 2024, compared to 41.2% in the previous year's first quarter. The wholesale segment's gross margin percentage was 40.9%, compared to 39.9% in last year's comparable quarter. We continue to drive gross margins through a combination of growth of our higher margin go-forward brands and product mix.

The gross margin percentage in our retail operation segment was 47% compared to 50.9% in the prior year's period. Non-GAAP SG&A expenses were \$237 million compared to \$226 million in the previous year's first quarter. As you recall, we had guided a higher investment in expenses for this year primarily associated with the marketing for Donna Karan and DKNY and the expansion of our operational capabilities through technology and talent investments. The marketing expenses are weighted to the first and third quarters in line with the spring and fall marketing campaigns. While marketing expenses are up in the first quarter, they were slightly lower than we had planned. In addition, there was a shift of some marketing spend from the first quarter to the second quarter. These increases were partially offset by better than expected efficiencies in our warehousing operations driven by disciplined inventory management.

Non-GAAP net income for the first quarter was \$5.8 million or \$0.12 per diluted share, compared to \$6 million or \$0.13 per diluted share in the previous year's first quarter. These results were significantly better than our expectations, driven by improvements in gross margin percentage and efficiencies in our SG&A. Turning to the balance sheet, we continue to make good progress with respect to our inventory levels. Inventory decreased 24% to \$480 million at the end of the quarter from the previous year's \$630 million. Our inventory levels are well-aligned with future sales. We ended the quarter with a net cash position of approximately \$80 million compared to a net debt position of \$253 million in the prior year's first quarter. This swing from a net debt to a net cash position is primarily a result of cash flows from operations, which includes the large decrease in our inventory levels.

During the quarter, we bought back \$28 million of our stock. We remain in a very strong financial position with approximately \$1 billion of liquidity. The cost of our investment in AWWG will be reflected in our second quarter. As we announced this morning, we have further solidified our capital structure with an upsized amendment and five-year extension of our asset-based revolving credit facility from \$650 million to \$700 million. This maturity extension further provides flexibility to invest in our business and pursue additional strategic opportunities. As for our guidance, we're pleased with our first quarter results and remain cautiously optimistic about the remainder of the fiscal year.

For the full fiscal year 2025, we are reaffirming our net sales guidance of approximately \$3.2 billion, a growth of approximately 3% compared to the previous year's net sales driven by our own brands and launches of the new initiatives. Importantly, this growth is happening as sales of Calvin Klein and Tommy Hilfiger continue to decline. For fiscal 2025, we continue to anticipate sales of our go-forward portfolio to represent approximately 70% of our total net sales. The second half sales guidance reflects a higher rate of growth, which is attributable to both the planned organic growth in our existing go-forward brands as well as our new launches. On a non-GAAP basis, we're raising our guidance to reflect our outperformance in the first quarter and now expect net income for fiscal 2025 of between \$170 million and \$175 million, or between \$3.58 and \$3.68 per diluted share.

This compares to non-GAAP net income of \$190 million or \$4.04 per diluted share for fiscal 2024. Fiscal 2025, adjusted EBITDA is expected to be between \$295 million and \$300 million compared to adjusted EBITDA of \$324 million in fiscal 2024. As previously mentioned, we continue to expect incremental expenses of approximately \$60 million, primarily related to marketing expenses to support the launch of Donna Karan and further drive brand engagement for DKNY, as well as investments in technology and talent to expand our operational capabilities. For the second quarter of fiscal year 2025, we expect net sales of approximately \$650 million compared to \$660 million in the same period of fiscal 2024. We expect non-GAAP net income per diluted share for the second quarter of fiscal 2025 to be between \$10 million and \$15 million or between \$0.22 and \$0.32 per diluted share.

This compares to non-GAAP net income of \$19 million or \$0.40 per diluted share in fiscal 2024. Let me provide some additional context around modeling. As for the gross margin rate, for the second quarter, we expect gross margins to be up as compared to the previous year, but not as much as the first quarter. For the third quarter, we expect gross margins to be down as a result of the mix of programs, including a greater concentration of sales of our licensed brands. So taken together, as we had noted last quarter, we continue to expect the full fiscal year 2025 gross margin rate to be similar to fiscal year 2024. Regarding SG&A, in line with our previous plan, we continue to make several investments to support the growth of our business for the long-term with the future marketing spend expected to be skewed higher in the third quarter, in line with the full marketing campaign and related activations.

We continue to expect capital expenditures of approximately \$50 million. This is higher than our spend in previous years, principally driven by the build-outs of shop-in-shops through our new brand launches and new technology to support our business. We're estimating a tax rate of 28.5% for fiscal 2025. And we've not anticipated any future potential share repurchases in our guidance.

That concludes my comments, I will now turn the call back to Morris for closing remarks.

---

## Morris Goldfarb

*Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

Thank you, Neal, and thank you all for joining us today. I'm proud of what the team continues to achieve and confident in G-III's future as a global leader in fashion. I'd also like to thank our entire organization, our many partners and all our stakeholders for their continued support.

Operator, we're now ready to take some questions.

## QUESTION AND ANSWER SECTION

**Operator:** Certainly. [Operator Instructions] And our first question coming from the line of Ashley Owens with KeyBanc Capital Markets. Your line is open.

**Ashley Owens**

*Analyst, KeyBanc Capital Markets, Inc.*

Q

Hi. Good morning. I guess maybe just start on the top line. We heard from Macy's already that there's been good response to Donna Karan with price resistance and expanded distribution of a few other brands, Karl, DKNY are holding up nicely as well. Is there anything that maybe came in a little soft from a brand or category perspective relative to your expectations that was offset by these owned brands? And then second, just hoping you guys could speak to the level of comfortability with the order book today and what you're seeing out in the market in terms of buys, if there's been any shift in the past three months at all? Thank you.

**Morris Goldfarb**

*Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

A

Thank you for your question. Our brands are all doing well. I can't think of a brand including Tommy Hilfiger and Calvin Klein which are brands that there's no secret that we're exiting, they're all doing well. Our business pretty much on our larger brands which include Calvin, Tommy, DKNY, Karl Lagerfeld, the launch of Donna Karan, some of our private label initiatives, they're all working. I can't cite a disappointing brand in sales or progress for the future, so we're in a really good space. We're garnering the seeds of the past and we're planting new seeds for the future and both areas are working. As far as our order book, our order book is fine. We're in line with what's happened historically.

My view is as the door count expansion for Donna Karan and Karl Lagerfeld and maybe we catch a little bit of our new licenses with Nautica and Champion and Halston, I think our order book will grow I think exponentially in – maybe it's the fourth quarter. We're chasing production for the demand that we've created on Donna Karan. The door expansion for Karl Lagerfeld came a little faster than we expected, so we're trying to match our production with the demand and I believe that our order book expansion will be much more obvious in the coming months.

**Ashley Owens**

*Analyst, KeyBanc Capital Markets, Inc.*

Q

Great. Thanks so much.

**Operator:** Thank you. And our next question coming from the line of Will Gaertner with Wells Fargo. Your line is open.

**Will Gaertner**

*Analyst, Wells Fargo Securities LLC*

Q

Hey, guys. Thanks for taking my question. Just wanted to expand on what Ashley asked. I mean, you guys guided – or maybe asked in a different way, you guys guided 1Q \$650 million; came in a little light. Can you just talk about what was the drag in the quarter?



**Neal Nackman***Chief Financial Officer, G-III Apparel Group Ltd.*

A

Yeah. Well, look, we have an approximate range of where we expect sales to be. Of course, we would always love to beat them and I'm sure that it's a wholesale business with a lot of activity that happens at the end of our quarter, could have very easily been ahead of this with a few orders that came in 24 hours earlier. So we were very comfortable with where we came in top line, very comfortable again with what we see for the order book and what we see in the rest of the business as far as top line.

**Morris Goldfarb***Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

A

And we're talking about a relatively small amount that possibly finds its way into Q2. We're dealing with transit times that were altered slightly, we're dealing with conservative retailers that are measuring the inventory levels they'd like to have at the end of the quarter. So all of that – it's not an exact science as you know and we're pretty pleased with where we wound up.

**Will Gaertner***Analyst, Wells Fargo Securities LLC*

Q

Got it. And just on the second half guide, it looks like it's a pretty substantial ramp from where you are in 1H. Just can you frame what's giving you confidence? It sounds like you have some launches in the pipeline, you're expanding distribution. Just can you sort of frame out what gives you confidence to hit that sort of mid-single-digit [indiscernible] (00:32:01) for second half?

**Morris Goldfarb***Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

A

It's pretty much the same thing that I just referred to on the last question. We have door expansion by pretty much every retailer. We're not losing anything of merit with Tommy and Calvin; those businesses are good. The givebacks really occur not this year, they occur a little bit the next year and the following year. So embedded in our planning is a stable, to the extent it can be stable, Tommy and Calvin business and the growth of our own brands that are showing a good deal of strength. All the new launches and the sell-throughs, they're supporting pretty much our strategy and our projections.

**Will Gaertner***Analyst, Wells Fargo Securities LLC*

Q

Just maybe if I could squeeze in one more. Just maybe provide a little color on that expansion. I think you mentioned you're expanding to 2,500 more points of distribution. I mean, who are you taking shelf space from? What channels are you gaining shelf space in? If you could just give some color on that.

**Morris Goldfarb***Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

A

We're taking some shelf space from some of the private label initiatives that have not expanded into some of our accounts. We're taking shelf space and expanding space with some of our own brands. And quite honestly, our pricing has become a little bit – I guess you might say that we now have pricing power with our own brands, so the space requirements for our 50% more ticket is not a big deal. So the average unit retail on Donna Karan is 50% higher than the Calvin Klein's ticket. So in a similar space, we're able to house if the budget is there with great comfort, more inventory. And we're managing our inventory well. We monitor our sales. We take our

markdowns. We were aggressive and conservative. We cancelled what's not selling to the extent that we can with our vendor partners. And so it's – so we're comfortable with what we're putting out there.

**Will Gaertner**

*Analyst, Wells Fargo Securities LLC*

Got it. Thank you. I'll pass it on.

Q

**Morris Goldfarb**

*Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

Thank you, Will.

A

**Operator:** Thank you. And our next question coming from the line of Mauricio Serna with UBS. Your line is open.

**Mauricio Serna**

*Analyst, UBS Securities LLC*

Great. Good morning and thanks for taking my questions. First, I'd like to ask about the new partnership with AWWG maybe you could talk a little bit more about. It seems that you're very excited about the opportunity in Europe and in India, maybe you could remind us, like how much, like the European business is currently? Where do you think it could go with through this partnership? And then just on the gross margin, just wanted to understand, like it seems that it was driven by just essentially mix and a lot of from the go-forward, like could you remind us like how much of a gross margin differential you have between your go-forward brands and on the PVH brands or licensing brands? Thank you.

Q

**Morris Goldfarb**

*Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

So I'm going to let Neal respond to your second question and then I'll come back to the first one.

A

**Neal Nackman**

*Chief Financial Officer, G-III Apparel Group Ltd.*

Yeah. So Mauricio, so really, simply the differential between the own brands and licensed brands tends to be the royalty and that royalty runs about 8%. So for starters, we've got an 8% lift on our own brands. And then, of course, to the extent that, that grows, we seek incremental licensing income and of course that's dollar-for-dollar drop through – to our gross margin. So both of those things provide a much healthier gross margin and then operating margin for us.

A

**Morris Goldfarb**

*Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

So in response to the AWWG initiative and our distribution in Europe, we have – currently, we have approximately, all told, somewhere around \$400 million of European distribution between Karl Lagerfeld, Vilebrequin, DKNY in its early stages. And we've – I think if you go back the last couple of years, we have cited as one of our major opportunities in go-forward growth is conquering Europe. And this is a big step for us and we've taken an equity stake in AWWG. We'll grow that equity stake – double the equity stake in about 30 days, we believe and we have the ability of buying it all. And they're a dominant European distributor of three very important brands. They do about \$650 million. In current sales, with our contribution, I think their growth would be a little bit more aggressive sourcing.

A

Sourcing seems to be a little bit more competitive because of the scale of our business overall. We're reviewing all the opportunities. We're going down a path of high-intensive focus on the opportunities that sit in Europe, both in direct-to-consumer with additional digital opportunities that we've cited as well as additional door count and outlet centers as well as main street locations. There's a major focus on Europe and which is primarily the rationale for this acquisition. It's a great best-in-class operating team. We have – our people have had a pretty long history with some of the leaders of AWWG. You can't ask for a better partner than L Catterton and the team that holds the majority stake. They're aggressive. They have a mission. Their mission is to make money and we're aligned. I think we see just a major step forward in our mission of conquering Europe.

**Mauricio Serna***Analyst, UBS Securities LLC*

Q

Nice. Really helpful. And then just a quick follow-up on Donna Karan. It seems the brand – the expansion is really doing very well with your partners. Do you have – and I know we talked about the long-term aspiration for that brand, but any thoughts on how much you think it could contribute to, to this year's revenues? Thank you.

**Morris Goldfarb***Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

A

To this year's revenue, no. We're – the demand is greater than our ability to service the demand, the production – chasing for production on new initiatives is something we don't care to do. We're careful on where we produce, how we produce the piece goods that we choose. First time, there's pretty good focus on hardware for many of our items and that takes a little longer to develop and service. So we see just a killer year coming next year. It's supported by all the initiatives and all the steps that our team has taken to position the brand in its right space. And we are – we took time to review the archives that were created by Donna and the brilliant team that supported Donna. And Sammy Aaron and his team brought to market. And just – product that is unimaginable at the price point that we're delivering. We might do it as you know 50% higher than a Calvin product.

But if you look at it, I think the value that the consumer is getting for Donna Karan is incredible. And the product is so well-designed, well-produced, so well-chosen in fabrics and materials that it could command double the retail that we're getting today. So – and the consumer sees it immediately. We've – we're little cautious. Historically, we're brought up to believe that consumer walks into a retail venue and only has X amount of dollars to spend. If you give her what she wants and create excitement around it, she'll dig a little deeper. And we're finding that clearly evident in all of our touch points for Donna Karan.

**Mauricio Serna***Analyst, UBS Securities LLC*

Q

Great. Thanks again for the color and congrats on the results.

**Morris Goldfarb***Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

A

Thank you.

**Operator:** Thank you. And our next question coming from the line of Paul Kearney with Barclays. Your line is open.

**Paul Kearney***Analyst, Barclays Capital, Inc.*

Q

Hey, good morning. Thanks for taking my question. Can you talk about the sell-through trends that you're seeing at wholesale? And then secondarily, there are significant number of doors being expanded. Can you talk about how you see that evolving into next year for your brands? And of that long-term \$5 billion opportunity you cite, how much is new door growth? Thank you.

**Morris Goldfarb***Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

A

So let me clear that up. It's not new door growth, it's new points of sale. Department stores are not growing. We're not finding new doors. We're finding more space within the department stores in multiple categories. So when you launch Donna Karan, you can almost immediately find a dozen points of sale in every door. When you launch Halston, it's similar. And so all the brands, all the new initiatives are about points of sale. They're not about new doors. So I'm sorry, if we've confused you in any degree. It's points of sale that we generally refer to, not doors. The new doors for me are highlighted by the European and global expansion those for us are new doors. And we're working hard at cultivating new doors with multiple locations that are not typical of what designer brands do.

We're creating multiple points of sale in our department stores overseas, whereas historically or at least for the last decade or so, they've consolidated into a collection space. We're finding opportunities, where we're expanding within European doors by classification, same as we do it in Macy's and Dillard's and Belk and Bloomingdale's, so we're succeeding in bringing a little bit of America to Europe. And I just came back from South Korea and love the way they were merchandising our product. The appetite for more is there and we seem to have gotten South Korea right. And the good news is there's still plenty that we do wrong that we're fixing that's going to help our bottom line dramatically over the next couple years. And I'm sorry, did I respond to your entire question or was there...?

**Paul Kearney***Analyst, Barclays Capital, Inc.*

Q

Yeah, the only other one was sell-through – what you're seeing on sell-through trends at wholesale and kind of how that progressed through the quarter. Thanks.

**Morris Goldfarb***Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

A

No real highlights. The good news is we're not seeing retailers being highly promotional, we're not seeing sales out there. The average unit retails have gone up from last year which is good news. We like it when our retailers make money; that's a true partner. And as I mentioned before, Donna Karan is outselling or turning better than our other brands for the moment. But there's – it doesn't have the penetration of inventory that some of our more mature brands have, so can't wait till we get the scale up in Donna Karan in our new initiatives. That'll be a good day.

**Paul Kearney***Analyst, Barclays Capital, Inc.*

Q

Thank you. Best of luck.

**Morris Goldfarb***Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

A

Thank you.

**Operator:** Thank you. And our last question in queue coming from the line of Dana Telsey with Telsey Advisory Group. Your line is open.

---

**Dana Lauren Telsey**

*Analyst, Telsey Advisory Group LLC*

Q

Hi. Good morning, everyone, and nice to see the progress. As you think of the portfolio, and obviously you've spoken about Donna Karan – I've seen it in Macy's, right, when you get off the escalator, great positioning, whether it's in handbags or apparel – what are you seeing with the rest of the other brands, Morris, whether it's Karl Lagerfeld, Nautica, Halston? How are you seeing those and the progress as we go through the year? And then when you think about just today's trends, there does seem newness and innovation driving demand. What are you seeing from your brands and is it helping you deliver or get a better AUR? Thank you.

---

**Morris Goldfarb**

*Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

A

So thanks for your question, Dana, and thanks for citing the locations of where our products sit. We have an entire team that fights very hard for appropriate location within department stores. We're not simply satisfied by being given an order; we fight hard for what the visuals of the product are going to look like. Whether it's a store buildout, whether it's a location near the escalator or behind the bathroom, we all know where you want to be, not everybody can be there. We succeed in most cases of fighting the battle and maintaining the space. One of our best assets is the field merchandisers that we have. We have several hundred field merchandisers that are in department stores. They're on our payroll, they're trained by us, they report to us and they spice up the inventory, they assure us that inventory is in the right position.

There's so much traffic in department stores that spaces at the end of the day is in total disarray. And if we're not managing and improving the appearance of not only the location but the visuals of how the product looks, we're not doing our job. We're not helping the retailer and we are doing our job. We spend probably \$25 million a year on this staff of people and it's worth every penny, so that'll go for locations. As far as your question on our other brands, the progress of Karl Lagerfeld is off the charts. We're probably going to close to double the size of that business in North America this year. We've got great sell-through, we've added and improved our design, we've sourced more effectively better product and quite honestly at better prices in many cases. So we're on a solid path to build what we thought we could build which is taking one of the premier designers of our world or any world who's iconic.

Karl, you couldn't choose a more important designer of this era to be the brand that you market. We're going to see a little bit of that hopefully. I have not seen the series, but the series comes – starts to come out Saturday, I believe, funded by Disney on Hulu, so hopefully that's an add-on for us. And there's another movie behind it, not as quickly as I thought. The writers' strike and some other impediments held that back a little bit, but we have another movie coming with Jared Leto within the next 12 months, I believe. So there's lots of stuff that's following on Karl. We have a lot of paid marketing. There's not an editorial – a day that an editorial is not written about Karl. So we love the brand. We love the sell-throughs of the brand. We had some hiccups in the early stage on design and the team that supported design. Today, we're on a clear path to success and the integration of the European team and the American team is working well.

And there's a joint collaboration in design as well as sourcing. It's all kind of working the way we wrote the script. And DKNY. DKNY is – picked up its pace as well. DKNY is today, a second most important brand and we believe it's got plenty of runway, clearly, globally. In North America, we've done incredibly well on marketing DKNY, the brand and the underlying categories within the brand. So hope I'm not getting too wordy. We have – we're not a mono brand manager. We have lots to talk about. We have lots of pieces in our – what we look at it's kind of

simple puzzle. Hopefully, you're understanding it all. Hopefully you're seeing the strategy come into fruition. And where – we couldn't be happier as to where we are today. We've got capital to grow. There's – we're not a highly levered company.

We've got investors that are sitting on the sidelines waiting for us to call them for money or deal with where we're in a demand – we're a company that's in high demand from the investor point of view as well as the retailer point of view is. We're in a good spot. So...

---

**Dana Lauren Telsey**

*Analyst, Telsey Advisory Group LLC*

Q

Thank you.

---

**Morris Goldfarb**

*Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

A

...Dana, thank you for your question.

---

**Morris Goldfarb**

*Chairman & Chief Executive Officer, G-III Apparel Group Ltd.*

And with that, I wish you all a great day and look forward to speaking to you again in September.

---

**Operator:** Ladies and gentlemen, that does conclude our conference for today. Thank you all for your participation and you may now disconnect.

**Disclaimer**

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2024 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.