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# G-III Apparel Group Ltd. (GIII)

Q4 2026 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.*

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## OTHER PARTICIPANTS

### Robert Scott Drbul

*Analyst, BTIG LLC*

### Victoria Apostolico

*Analyst, KeyBanc Capital Markets, Inc.*

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### Mauricio Serna

*Analyst, UBS Securities LLC*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day and thank you for standing by. Welcome to the G-III Apparel Group Fourth Quarter and Full Year Fiscal 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Neal Nackman. Please go ahead, sir.

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### 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 guaranteed, 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.

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### Morris Goldfarb

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

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Thank you, Neal, and thank you everyone for joining us. Fiscal 2026 was a pivotal year for G-III. I'm proud of the results our team has delivered and the meaningful progress we made advancing our long-term strategy despite a tough environment. As we transition out of our Calvin Klein and Tommy Hilfiger businesses, we accelerated the strategic transformation of our portfolio, unlocked new growth opportunities and strengthened the foundation of G-III. The power and global recognition of our brands, combined with our disciplined operating model and strong balance sheet, enabled us to deliver a compelling product and differentiated brand experiences despite a highly dynamic retail environment, including evolving tariff conditions and cost pressures.

As we reshape the portfolio, we're sharpening our focus on a brand builder and long-term steward of both our owned and licensed brands. At the same time, we've made targeted investments in infrastructure, technology and talent to support the next phase of growth. In the fourth quarter, our underlying results were strong; excluding the impact of the Saks bankruptcy, full-year EPS would have exceeded the high end of our guidance.

For the full year, our key owned brands DKNY, Donna Karan, Karl Lagerfeld, and Vilebrequin collectively delivered mid-single digit growth, helping offset the impact of the exited PVH licenses. These brands are growing with improving quality of revenue, higher full-price sell-throughs and increasing global relevance, the clear validation of our strategic direction.

With that, I'll now review our fourth quarter and full-year fiscal 2026 results. Net sales were \$771 million in the fourth quarter and \$2.96 billion for the full year. Relative to guidance, sales were negatively impacted by approximately \$20 million as we stopped shipments to Saks in December ahead of the bankruptcy filing. Strong margin for the fourth quarter and the full year was ahead of expectations driven by higher full-price selling and more balanced distribution with less penetration in the off-price channel. We're successfully establishing higher price points with our newer brands and seeing healthy consumer response further supporting our margin expansion opportunity.

Non-GAAP earnings per diluted share were \$0.30 in the fourth quarter and \$2.61 for the full year. In the fourth quarter, we took an approximate \$17.5 million bad debt expense associated with the Saks bankruptcy, which negatively impacted earnings by \$0.30.

Turning to our balance sheet, our working capital remains in great shape. We exited the year with clean inventories down 4% year-over-year and lower units. We ended the year with more than \$400 million in cash and over \$900 million in total liquidity. This is after returning more than \$50 million to shareholders through share repurchases and our new cash dividend. We remain in a strong financial position with ample flexibility to continue investing in our brands and infrastructure to support long-term growth.

Turning to our strategic priorities. Over the past several years, we've been very clear about our strategy, simplifying our portfolio, leaning into our most powerful owned brands, and building a company with greater control and long-term growth potential. Fiscal 2026 was another important step in that journey. Capturing the long-term potential of our owned brands is a top strategic priority. These brands are powerful, sustainable drivers of profitability, delivering higher margins and incremental licensing income.

During the year, our owned brands demonstrated strong consumer resonance, supported by compelling product, disciplined distribution and effective marketing. We saw solid, full-price sell-throughs, healthy margins and increased brand engagement. Our key owned brands delivered mid-single digit growth accounting for close to 60% of revenue this year, up from roughly 50% last year.

We're driving this growth through four key areas. First, product and consumer engagement. We continue to invest in brand-building initiatives through an always-on marketing strategy that leverages top tier talent, elevated content and targeted global activations to expand the reach and drive conversion.

Second, driving direct-to-consumer. We're focused on strengthening our digital business to boost traffic and conversion across owned and partner sites. Meanwhile, we're executing well on our retail segment turnaround initiatives in North America, optimizing the footprint to improve productivity and profitability.

Third, international expansion. With just over 20% of fiscal 2026 net sales generated outside the United States, the opportunity remains significant. We're pursuing global expansion with discipline, prioritizing the right markets, partners and infrastructure to ensure long-term sustainable growth.

Fourth, category expansion through licensing. Our partners have helped us expand the lifestyle offerings into complementary categories that broaden our brand reach and deepen consumer connections.

In return, G-III earns a highly accretive licensing income stream, the vast majority of which rolls directly to our bottom line. We see significant opportunity to grow our brands through new licensing partners over time.

I will now walk you through brand highlights from the year. Donna Karan continues to be one of our most powerful new-to-market growth engines delivering strong profitability supported by healthy AURs and sell-throughs. In fiscal 2026, the brand delivered approximately 40% growth, underscoring the strength of the relaunch and the momentum we're seeing across channels.

Touching on a few highlights. In North America, we're expanding distribution of key wholesale accounts supported by consistent sell-throughs that continue to build retailer confidence. We ended the year with approximately 1,900 points of sale, with an additional 400 expected by fall. Sales on donnakaran.com grew close to 170% this year, driven by more than 120% increase in traffic. Repeat customers represented close to 20% of sales, and we acquired nearly 100,000 new customers during the year. The brand continued to perform well on retailer sites and we expect digital momentum to continue as we expand the lifestyle offerings online.

Category diversification through licensing and product expansion is broadening the brand's reach. Donna Karan Weekend launched in November to strong reception while licensed categories continue to perform well. The fragrance business grew approximately 20% this year, led by the continued strength of the Cashmere Mist franchise, which remained one of the top products in prestige fragrance.

Our new jewelry line is off to a good start and will roll out in select department stores this spring. Our marketing investments are reinforcing the brand's authority and cultural relevance across key markets globally. This year, our campaigns have featured iconic empowered women like Kate Moss and Claudia Schiffer, who embody the brand and bring authenticity to the collection. At the same time, we've seen strong organic momentum with A-list celebrities choosing the brand, underscoring that it continues to capture how women want to dress today with confidence and effortless ease.

Looking ahead, as we build on our success in North America, we remain focused on thoughtfully scaling across categories, doors and geographies while protecting its premium positioning and strong brand equity. With increasing brand awareness and multiple growth levers still ahead, we expect strong growth in fiscal 2027 and remain highly confident in Donna Karan's long-term trajectory and a \$1 billion annual G-III net sales potential.

Karl Lagerfeld delivered another exceptional year growing high-single digits. Brand heat was reinforced through our impactful marketing campaigns with Paris Hilton, strengthening consumer engagement at key touch points on a global scale. Building on that momentum, we're continuing our partnership with Paris for spring and summer this year.

In North America, sales grew high-teens for the year as we broadened the lifestyle assortment and expanded distribution across key accounts. Our footprint in the region grew to approximately 3,000 points of sale, with more than 300 new points of sale expected by fall. In our North American direct-to-consumer business, we continue to optimize the retail footprint and enhance digital. This year, the brand saw positive comp sales increases across stores and e-comm, fueled by over 20% growth on karl.com.

Internationally, the brand grew mid-single digits with expanding margins despite softer consumer trends in Europe. The Karl Lagerfeld jeans line remained a primary growth driver delivering 30% growth for the year, helping to engage a younger consumer. We're prioritizing productivity and improvements in our international operations to drive stronger profitability across channels.

With more than 170 Karl Lagerfeld branded freestanding stores worldwide, we're thoughtfully expanding the global retail footprint. This year, 15 new stores were opened in key strategic markets including Latin America and Mexico through our partners, and we continue to target underpenetrated regions such as Asia-Pacific for future growth.

Our licensing and hospitality business continues to reinforce Karl's position as a global lifestyle brand with aspirational relevance. This year, we signed licensing agreements for luxury brand residences in Portugal and the Middle East. In fiscal 2026, the brand generated approximately \$630 million in reported net sales and over \$1.7 billion in global retail sales.

Looking ahead, we're focused on accelerating global expansion, scaling our digital business, and engaging a broader consumer through expanded lifestyle offerings and brand activations. These initiatives reinforce our confidence in a powerful growth runway for Karl Lagerfeld in capturing over \$1 billion in G-III's net sales opportunity long term.

Turning to DKNY, our strategy remains focused on investing in how and where the brand shows up with a clear emphasis on driving full-price sales. Over the last 12 months to 24 months, we've taken a disciplined approach to elevating brand presentation, refining our distribution, and deepening engagement with a younger consumer. Our North American direct-to-consumer business improved with stores and dotcom delivering double-digit comp growth and higher productivity. Notably, sales on dkny.com increased approximately 40% for the year, reflecting strong consumer engagement with the collections. North America increased marketing spend and targeted activations resonated with our target audience, driving strong response to fashion and newness.

Internationally, brand building activations across key markets boosted visibility and fueled ready-to-wear growth, led by jeans and handbags. DKNY delivered several standout brand moments. We launched two global campaigns, Spring 2025 with Lila Moss and Fall 2025 with Hailey Bieber, significantly elevating brand visibility and cultural relevance.

Social engagement rose nearly 300% year-over-year with fall campaign generating the strongest social performance in a brand's history. Hailey returns for Spring 2026 supported by a global media plan. Our marketing-led storytelling translated into results. The Paula Commuter Tote became our number one handbag collection for

the year, supported by immersive pop-ups and experiential moments that brought the brand's New York City DNA to key markets.

Broader high-impact brand moments, including a landmark Burj Khalifa projection in Dubai and a 190-screen citywide digital takeover, further amplified visibility and brand heat. In fiscal 2026, DKNY delivered approximately \$650 million in reported net sales and over \$2.4 billion in global retail sales. As we look to next year, our focus centers on product newness, expanded lifestyle assortments and scaling distribution across North America.

Internationally, we are unlocking growth in Europe and China, where we recently onboarded a new licensing partner, and we'll open a new Shanghai store this spring. We're also seeing opportunity in markets across the Asia-Pacific and India through new partnerships. With disciplined execution and a clear strategic focus, we're confident in DKNY's \$1 billion G-III net sales opportunity.

Vilebrequin, our status swimwear brand, delivered low-single-digit sales growth despite a challenging European backdrop. Demand remained resilient among our aspirational consumer, supported by strong global brand awareness and engagement. Growth was driven by higher AURs reflecting the brand's pricing power, premium positioning and continued demand for its luxury swimwear and lifestyle offering. Performance was led by strength in Europe, particularly in France, and the Caribbean along with continued momentum in digital.

In hospitality, we're building on strong performance in Cannes and partner locations in Doha and Crete with the addition of a fourth partner, a beach operation in Oman. A new rooftop restaurant in Miami is also set to open in the coming weeks.

Looking ahead, our strategy remains focused on premium product with higher AURs, creative collaborations to drive global awareness and hospitality-led distribution and a boutique placement in incremental brand builders. Vilebrequin continues to be a key player in our owned portfolio as we unlock its long-term global potential.

In addition to owned brands, licensed brands remain the core pillar of our strategy, with an enhanced focus on contemporary fashion and sports lifestyle categories. These segments allow us to leverage our core competencies and capture incremental market share and sales. In fiscal 2026, our licensed brands generated mid-single digit growth excluding our PVH and other exited licensing businesses.

Team sports, led by Starter, continues to expand our reach within the licensed sports marketplace. This division serves a highly engaged sports fan and unlocks additional distribution across stadiums, sporting goods and specialty retail, and strategic digital channels. With the addition of Converse, which we launched in the second half of the year and is already contributing to top line sales, this portfolio represents more than \$130 million in net sales in fiscal 2026, and we see a path to grow to \$500 million over time.

In contemporary fashion, we're building a portfolio that complements our own brands and strengthens our presence in modern lifestyle categories. BCBG launched for Fall 2025 is performing well alongside an increase in door counts this year. In January, we signed a new licensing agreement for our French Connection to design and distribute women's and men's apparel and select accessories in North America. This addition enhances our contemporary offering and is expected to contribute revenue beginning this year.

In terms of our Calvin Klein and Tommy Hilfiger licenses, we've continued to manage these businesses diligently as the license rolls off. In fiscal 2026, they represented approximately \$830 million in revenue and we expect them to generate approximately \$360 million in fiscal 2027 before rolling off in fiscal 2028.

Turning to our next priority of enhancing omnichannel, we're on track to return our North American retail segment to profitability in fiscal 2027. Through management changes, reduced store footprint, and better merchandising, we strengthened our execution and improved the brand presence. As a result, we further cut operating losses by more than 50% in fiscal 2026.

Digital remained a key growth and profit driver. Sales on our own website grew over 30% this year, led by outsized growth on our donnakaran.com. This momentum reinforces the importance of the channel and our ability to meet consumers wherever they shop. Across our marketplace platforms including Amazon and Zalando, we delivered strong bottom line profitability and top line performance for our go-forward businesses. This was fueled by advertising efficiencies and promotional discipline, driving stronger ROIs on reduced expenses.

We'll continue to expand our brand's presence across platforms through new category launches and assortments extensions. At the same time, we're investing in data and AI capabilities, modernizing our enterprise systems and enhancing digital content and consumer insights to drive higher engagements and conversions. Together, these efforts position us to scale profitably while delivering richer brand experience across channels.

In our cost structure, we remain actively focused on driving cost savings and efficiencies across the business, including optimizing our supply channel infrastructure. As we look forward to fiscal 2027 and the expected volume loss tied to the PVH license givebacks, we're implementing further cost reduction to drive profit improvements over time. As we work to enhance productivity and profitability, this will free up resources to invest further in our highest priority growth initiatives.

Thus far, we've identified \$25 million of cost savings across supply chain, organizational structure as well as discretionary expenses and expect to achieve this on a run rate basis in fiscal 2028. We'll continue to evaluate our cost structure and seek additional areas where we can unlock savings to further align our go-forward model.

Turning to our outlook, as we continue to transform the business, our outlook reflects an improving margin profile on lower revenues in the near term as the remaining PVH licenses roll off. We're focused on driving gross margin expansion, streamlining our cost structure, and operating with greater discipline to enhance profitability and efficiency. At the same time, we remain committed to growing our go-forward brands, generating healthy cash flow, and remaining very strong balance sheet – and maintaining a very strong balance sheet. As we enter fiscal 2027, we do so from a position of strength with brand momentum, expanding margins, and the flexibility to invest in both ourselves and in strategic opportunities.

For the year, we expect net sales of approximately \$2.71 billion, which reflects an approximate \$470 million reduction in our expiring Calvin and Tommy businesses. Meanwhile, our go-forward business is expected to grow high-single digits, driven by continued momentum of our own brands. Non-GAAP diluted earnings per share for the year is expected to be between \$2 and \$2.10.

In closing, I want to thank our global teams for their continued hard work and dedication. Their execution, creativity, and commitment are what drive our success.

I'll now pass the call to Neal, who will walk you through the financial results of the fourth quarter and full year as well as our fiscal 2027 outlook.

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## Neal Nackman

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

Thank you, Morris. Net sales for the fourth quarter ended January 31, 2026, were \$771 million, down 8% compared to \$840 million in the same period last year. Relative to our guidance, sales results were negatively impacted by approximately \$20 million as we stopped shipments to Saks in December ahead of the bankruptcy filing.

Net sales of our wholesale segment were \$737 million compared to \$799 million in the previous year. We saw healthy increases in our owned brands and our go-forward license portfolio, offset by lower sales from our Calvin Klein and Tommy Hilfiger licensed businesses.

Net sales of our retail segment were \$63 million for the fourth quarter compared to net sales of \$56 million in the previous year's fourth quarter. We achieved strong double-digit comp sales in Karl Lagerfeld Paris, DKNY and Donna Karan. Fourth quarter gross margins were 37% compared to 39.5% in the previous year, reflecting the negative impact of tariffs, which was the largest quarter impacted for the year, partially offset by a favorable mix shift toward more full-price sales. The wholesale segment's gross margin percentage was 34.8% compared to 38.1% in the previous year's quarter. The gross margin percentage in our retail segment was 46.3% compared to 48.3% in the prior year's period.

Non-GAAP SG&A expenses were \$260 million in the fourth quarter compared to \$244 million in the previous year's fourth quarter. The fourth quarter reflects a \$17.5 million bad debt expense associated with the Saks bankruptcy, which drove our SG&A expenses to be higher than planned. Non-GAAP net income for the fourth quarter was \$13 million or \$0.30 per diluted share compared to \$58 million or \$1.20 per diluted share in the previous year's fourth quarter. Fourth quarter EPS reflects an approximate \$0.30 impact from the Saks bankruptcy filing. Excluding this, our fourth quarter earnings would have been ahead of our internal expectations.

Let us review the full fiscal year ended January 31, 2026. Net sales for the full year were \$2.96 billion compared to \$3.18 billion in the previous year. Net sales of our wholesale segment were \$2.87 billion compared to \$3.08 billion in the previous year. The decrease was driven primarily by the \$254 million decline in our Calvin Klein and Tommy Hilfiger businesses due largely to the exited licenses. These decreases were partially offset by growth of our go-forward owned and licensed brands, particularly our key owned brands, which grew mid-single digits for the year.

Net sales of our retail segment were \$186 million, up approximately 12% from last year's \$166 million. The increase was driven by our owned digital business, particularly donnakaran.com. We also saw strong comparable store sales increases across our Karl Lagerfeld and DKNY retail stores.

Gross margins for the full year were 39.4% compared to 40.8% in the previous year. The year-over-year margin decline reflects approximately \$65 million of unmitigated impact from tariffs. While gross margins were down to last year, they actualized ahead of expectations driven by a favorable mix shift toward more full-price sales. Gross margins in the wholesale segment were 37.4% compared to 39.4% in the previous year. Gross margin in the retail segment were 50.1% compared to 50.4% in the prior year.

Non-GAAP SG&A expenses for the year were \$975 million or 33% of sales compared to \$968 million or 30.4% of sales in the previous year. The increase in SG&A as a percentage of sales was driven primarily by the unplanned increase in bad debt expense as a result of the Saks bankruptcy filing. In the second half of the year, we began to see the benefit of our efforts to optimize warehouse capacity and expect this improvement in efficiency to continue into fiscal 2027.

We continue our tight review and control of our expenses and we're in line with our plan excluding the Saks bad debt expense. We also continue to invest in infrastructure, technology and talent as well as marketing to support long-term growth of our brands.

Non-GAAP net income for the year was \$116 million or \$2.61 per diluted share compared to \$204 million or \$4.42 per deluded share in the previous year. Full-year non-GAAP earnings per diluted share would have exceeded the high end of our guidance range excluding the \$0.30 impact from the Saks bad debt expense.

Turning to the balance sheet, we strengthened our balance sheet and liquidity position ending the year with \$407 million in cash and more than \$900 million in total liquidity while returning over \$50 million to shareholders through share repurchases and a new cash dividend. As a reminder, we initiated our first ever dividend program in December of last year. Inventories remain in good shape, down 4% to \$460 million from the previous year's \$478 million, reflecting our disciplined approach to inventory management. Unit decreases are down high-single digits compared to the prior year. Cost variances to the prior year reflect higher unit cost this year and as a result of the new tariffs.

Our strong financial position and ability to generate cash provide us with ample optionality, and we remain committed to a balanced capital allocation framework. First and foremost, we will continue to invest in ourselves to organically grow our business for the long term. Second, we will pursue strategic opportunities including acquisitions as well as new brand licenses. Third, we will continue to return capital to shareholders through opportunistic share repurchases and quarterly dividends.

Turning to our outlook. For the full fiscal year 2027, we expect net sales of approximately \$2.71 billion, down 8% to the prior year. This reflects \$470 million of lost sales from Calvin Klein and Tommy Hilfiger products, partially offset by the growth of our go-forward portfolio, which we expect to grow high-single digits. Non-GAAP net income for fiscal 2027 is expected to be between \$88 million and \$92 million, or between \$2 and \$2.10 per diluted share. This compares to non-GAAP net income of \$116 million or \$2.61 per diluted share for fiscal 2026.

Full-year adjusted EBITDA is expected to be between \$158 million and \$162 million compared to \$192 million in fiscal 2026. For the first quarter of fiscal 2027, we expect net sales of approximately \$530 million compared to \$584 million in the first quarter of fiscal 2026. We expect the net loss in the first quarter of between \$13 million and \$18 million or \$0.30 and \$0.40 per share. This compares to non-GAAP net income of \$8.4 million or \$0.19 per diluted share for the first quarter of fiscal 2026. We are expecting increases in our gross margin percentage of approximately 150 basis points.

Our SG&A will be impacted by our higher marketing spend due to timing in our spring marketing initiatives.

Now, let me discuss a few modeling points. First on tariffs, our guidance reflects tariff rates effective prior to the recent Supreme Court ruling and assumes the most recent 2025 IEEPA trade policies. We have not anticipated any changes to tariff policy or refunds in our outlook. In terms of sales cadence, we expect the first half sales decline to be larger than the second half, which reflects several new brand licenses that we expect will scale toward the end of this year.

On gross margins, we are expecting as much as 300 basis points of gross margin improvement for the year, resulting in significantly higher gross margin percentage than where we have historically been. Margins will benefit from our tariff mitigation efforts as we lap the impact of tariffs in the second half of the year. Furthermore, margins will benefit from the shift in penetration toward our higher margin owned brands as the more significant

portion of the PVH licenses roll off this year. In the first quarter, we expect less margin growth as compared to the balance of the year. As a reminder, our first quarter of last year was not impacted by last year's tariff increases.

Regarding SG&A, we expect expense deleverage for the full year as our newer businesses scale and as we continue to invest in people, technology and marketing spend to support growth while the top line is impacted by significant loss Calvin Klein and Tommy Hilfiger sales. We expect the largest amount of deleverage in the first quarter as a result of the timing of spring marketing initiatives and anticipate sequential improvement as we move through the year. Meanwhile, we have identified several cost savings initiatives that we expect will result in \$25 million in run rate savings in fiscal 2028.

We expect net interest income of approximately \$2 million for the full year and estimate our tax rate to be 30%. We expect capital expenditures to be approximately \$40 million.

Lastly, we have not anticipated any potential share repurchases for the year in our guidance. Our business remains strongly cash generative, and despite our expectation for lower earnings versus fiscal 2026, we anticipate we will generate very healthy free cash flows for the year to further enhance our current strong financial position.

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

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## Morris Goldfarb

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

Thank you, Neal. And thank you all for joining us today. I'm incredibly proud of our team and the progress we're making as we build some of the best fashion brands in the world. I also want to thank our partners and shareholders for their continued support as we continue to transform G-III and build value for the long term.

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

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] Our first question will come from the line of Bob Drbul with BTIG LLC. Your line is open. Please go ahead.

**Robert Scott Drbul**

*Analyst, BTIG LLC*

Hi. Good morning.

Q

**Morris Goldfarb**

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

Morning, Bob.

A

**Robert Scott Drbul**

*Analyst, BTIG LLC*

A couple of questions, Morris. On the first one, in terms of, I guess, your visibility on your own brands for this year, in terms of the way that retailers are ordering your wholesale partners sort of into the fall, I guess, they give great visibility into the spring now, but into the fall. Can you just talk us through how you see inventory levels, how you see the order books, and really from, like, the owned brand perspective? I think that would follow in in terms of the marketing investments that you're making, especially what's happening in that first quarter. Thanks.

Q

**Morris Goldfarb**

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

Thanks, Bob. Our owned brands, as you heard in our presentation and possibly as you read, we did well last year. Last year, our businesses and our owned brands grew high-single digits. And the pressure on our company is really the exiting brands, and not only the scale of the exiting brands, but also the margin retrieval as you exit brands. There's margin pressure that we didn't anticipate to be as strong as it was. The demand for an exiting brand with uncertainty as to what the future is with those brands put pressure on our ability to move product.

A

So, we're really comfortable with our own brands. We're garnering additional space, as we stated. In one brand, we're anticipating at least 400 more points of sale, and the other brand is 300. So we're excited. Our order book anticipates it. And our inventory is very much in line. We're tempering the level of inventory. As you have a conscious effort to change your distribution to more full-price business, you're willing to take less risk on inventory levels and protecting some of your premier brands. So, you'll find in the future that our inventory levels will be more controlled with the conscious effort in bringing down our level of off-price selling.

And that said, growth is coming from outside of the United States for the first time. We're not fully penetrated in areas of the world that have high demand for the product. There's not a nickel's worth of product other than fragrance for Donna Karan. So, that brand will show its face throughout the world in the coming months. And the marketing spend, as you touched, will be fairly aggressive to support our initiative of growing our owned brands. We've done well with marketing. We've gotten awards from media publications for our efforts in Donna Karan and DKNY, and Karl Lagerfeld as well, quite honestly. So, our team challenged really for the first time. The last 18 months or 24 months is really the first time our marketing team has been aggressive on campaigns because of our need to grow our owned brands and it's worked. It's worked incredibly well. They've achieved notoriety. They've achieved success for our company. And thank you to our marketing team.

**Robert Scott Drbul***Analyst, BTIG LLC*

Q

Thanks, Morris. I guess, could I ask a follow-up, just a different question, but can you guys give us an update on the Converse launch? How that's going? What you've learned and sort of the prospects for that this year? Thanks.

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

A

So, we took on Converse. We had an old history with Nike. We – little known fact is that G-III had a studio that developed the Michael Jordan brand as it was coming to market. So, we had a partnership with Nike in the early 1990s, maybe it was 1995. And I don't recall the date. So – and we continued to do a little bit of private label with them. And through a partnership with the Haddad's who do kids Converse with – they have a great relationship with Nike. We're building the brand globally. Converse gave us the right to expand beyond North America. And we read the same thing that you do, a little bit of uncertainty and softness maybe in the brand. That really doesn't apply to us for the moment.

Their strategy hasn't – their strategy for the brand has not really come out yet. When I say theirs, I would go to Nike and ask what the strategy for the brand is, because again we're sort of the servant to the Lord, where Nike wants to take the brand is where we need to follow. There are new accounts that we're opening every day. There is an appetite for the brand. It's an amazing brand. And hopefully Nike supports the growth of the brand. We're doing our part. As we've shown, when we have control, we're incredible. Where we have less control, we don't rule. We're guided by the licensor. So it's hard to tell you where the brand goes. I could tell you where we could take it if Nike supports it. I think we have an incredible business.

**Robert Scott Drbul***Analyst, BTIG LLC*

Q

Great. Thank you very much, Morris.

**Operator:** Thank you.

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

A

Thank you. Thanks for your question, Bob.

**Operator:** Thank you. And one moment for our next question. Our next question comes from the line of Victoria Apostolico with KBCM. Your line is open. Please go ahead.

**Victoria Apostolico***Analyst, KeyBanc Capital Markets, Inc.*

Q

Hi, guys. Thanks for taking my question. I just wanted to hit on acquisitions and licensing. As we enter 2026, how are you prioritizing acquisitions versus new licensing opportunities, particularly given the strength in balance sheet and ongoing shift towards these owned brands?

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

A

So, Victoria, I'm not sure we prioritize. We are looking for an amazing acquisition and we are at the same time looking for amazing licenses. Our balance sheet supports our ability of funding a sizable acquisition. And our talent pool and our balance sheet, again, supports our ability of managing through a great license. So I'm not sure that there's an issue. And we can do both, which is exactly what we're doing. We've licensed some amazing brands because that was the opportunity of the moment. The appropriate acquisition had not come up. And we've tucked into our competencies, brands, and businesses that we can manage easily.

**Victoria Apostolico***Analyst, KeyBanc Capital Markets, Inc.*

Q

Okay. Great. Thanks. And then you've spoken about category expansion and things such as fragrance, eyewear, home, hospitality. Which of these would you say is furthest along in becoming a meaningful revenue contributor?

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

A

So if we look at Karl Lagerfeld, you look at hospitality as a key driver in the last – I'd say, the last 18 months and Vilebrequin alongside of that. When you look at DKNY, it's more consumer driven and we're assigning global licenses where we've signed deals in Latin America. We have a new deal in China. We're expanding into India. And that's for a broad range of product. Some will be distributor based and some will be classification based. So the highlights for two of the brands are hospitality and DKNY. We're not seeing interest in DKNY as a hospitality or food and beverage provider. But very strong on the consumer side.

**Victoria Apostolico***Analyst, KeyBanc Capital Markets, Inc.*

Q

Okay. Great. Thank you.

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

A

Thank you.

**Operator:** Thank you. And one moment for our next question. Our next question will come from the line of [ph] Min Fan (49:35) with UBS. Your line is open. Please go ahead.

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

Q

Hello. Hi, this is Mauricio Serna from UBS. I think the registration got that confused. Just a couple of questions first. On Donna Karan, great to see the strong growth in last fiscal year up 40%. Maybe could you give us a sense of how big the business is right now? And then on the growth outlook, the go-forward business being up high-single digits. Could you maybe break that down? Like how much of that is coming from like the key owned brands versus growth from the licenses that you've been launching over the last few years? Thank you.

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

A

So the first – your first question, the size of Donna Karan, we don't disclose the size of the business. But I could tell you in 18 months of doing business, let's go back to when we started Calvin Klein, which grew to be \$1.2 billion in sales. We're bigger and further along in 18 months of Donna Karan than we were with Calvin Klein. So I would say we're very happy with the positioning. We're cautious on the distribution. And it's a very scalable

business. It's not intended to be designer. It's not intended to be boutique. It's intended to fill the racks of department stores that we have greatest competency in and we're going to scale it. An added feature that we did not have with Calvin Klein is we have global rights to our own brands. So there's an opportunity throughout the world to expand this brand.

So we're in the early stage. You're going to see great percentage increases. And we're at a point where the percentages do make a difference in the future. It's not – I'm not – we're not talking about a \$10 million initiative that grew 50%.

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**Neal Nackman**

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

A

Yeah, and with respect to the second part of your question, we are seeing and anticipating high-single-digit growth in the key owned brands. And when you look at the total go-forward portfolio, we're also seeing good, strong growth. That go-forward portfolio is going to include the key owned brands. It's going to include a few other owned brands that we have and then of course the licensed portfolio. So we see in total high-single-digit growth from all of those pieces.

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**Mauricio Serna**

*Analyst, UBS Securities LLC*

Q

Great. Thanks, Neal. Thanks, Morris. A quick follow-up just on the commentary on gross margin. I think you mentioned 300 basis point expansion for the year. Just I think doing the math on that, I think it implies based on what you said on EBITDA or EBIT, like it implies SG&A dollars are going to be up around 3%. I just want to make sure if the math around that is correct. And if that's the case, if it's going to be up like around maybe like 2% or 3%, what are the drivers behind that SG&A dollar growth? Thank you.

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**Neal Nackman**

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

A

Yeah, Mauricio, I think you've got the math fairly close. The expansion in SG&A going forward is really primarily maintaining the talent pool that we have. We are going to make some additional investments in our infrastructure. We've been on a path of increasing some of our spend on technology with all the new technology that's out there and just continuing to upgrade the systems that we use. So it's really those three components that will continue for us to have investment spend. And of course, when you have such a large fall off the top line, it's hard to leverage that or it's certainly not prudent to leverage that in the near term. We will be looking to, as we mentioned on the call, cost savings initiatives. We've not built that into our plan for fiscal 2027. We expect that will roll in in fiscal 2028.

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**Mauricio Serna**

*Analyst, UBS Securities LLC*

Q

Understood. Thank you so much.

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**Operator:** Thank you. And I would now like to hand the conference back over to Morris Goldfarb for any closing remarks.

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**Morris Goldfarb**

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

Thank you all for spending time with us and hearing our story. And we will talk to you next quarter.

**Operator:** This concludes today's conference call. Thank you for participating. And you may now disconnect. Everyone, have a great day.

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