

**G-III Apparel Group (Q3 2026 Earnings)  
December 9, 2025**

**Corporate Speakers:**

- Neal Nackman; G-III Apparel Group; Chief Financial Officer
- Morris Goldfarb; G-III Apparel Group; Chairman and Chief Executive Officer

**Participants:**

- Robert Drbul; BTIG; Analyst
- Ashley Owens; KeyBanc; Analyst
- Mauricio Serna Vega; UBS; Analyst
- Dana Telsey; Telsey Advisory; Analyst

**PRESENTATION**

Operator^ Ladies and gentlemen, thank you for standing by. Welcome to G-III Apparel Group Third Quarter Fiscal 2026 Earnings Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would like now to turn the conference over to Neal Nackman, Chief Financial Officer. Neal, please go ahead.

Neal Nackman^ Good morning. 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.

Morris Goldfarb^ Thank you, Neal. Thank you, everyone, for joining us. We delivered strong profitability in the third quarter despite the impacts of tariffs, with earnings exceeding the high end of our guidance range. This was driven by the strength of our go-forward portfolio, particularly our owned brands, as well as a healthy mix of full-price sales and our mitigation efforts against tariffs.

Our solid year-to-date performance highlights G-III's ability to effectively manage through a dynamic and often challenging marketplace. Since PVH's unexpected decision to end our long-standing licensing partnership, we've demonstrated significant progress in transforming our business model and accelerating our longer-term strategies. At its peak, the Calvin Klein and Tommy Hilfiger brands represented over \$1.5 billion in annual net wholesale sales. This year, these brands are expected to generate approximately \$800 million. As previously mentioned, the PVH sales decline accelerated quicker than originally anticipated.

Despite this decline, our teams replaced more than 70% of the lost sales volume through organic growth of our go-forward owned and licensed portfolio. Our newer brands, like Donna Karan, have enabled us to command greater pricing power while maintaining healthy price elasticity. Our balance sheet during this period has strengthened, ending the quarter with a net cash position of \$174 million. We remain keenly focused on executing our strategic priorities, making disciplined brand investments and positioning our portfolio to capture market share and long-term growth. Our third quarter performance reflects healthy consumer demand for our brands. Seasonal weather boosted our cold weather categories which saw a nice pickup in sell-throughs across brands and channels as we move through the quarter.

Within wholesale, we saw meaningful gains in women's outerwear with full price retail sales up nearly 20%. Our marketing investments have driven a significant increase in consumer engagement as seen in the uptick in traffic across our direct-to-consumer business. In digital, we saw traffic lift over 20% across our owned dot-com which drove substantial growth in conversion rates and overall sales. As we exited October, trends continued to improve through the Black Friday period, with Europe posting high single-digit growth and North America up double digits compared to last year. Performance across channels indicates that our product offerings continue to align with consumer preferences. Demand has been steady across brands during the holiday season, supported by full price sell-throughs. Looking ahead, we remain mindful of the global consumer environment and are taking a prudent approach to our outlook for the remainder of the year.

Now let us review our third quarter fiscal 2026 financial results. Net sales for the quarter were \$989 million, generally in line with the expectations. Non-GAAP earnings per diluted share were \$1.90, \$0.37 above the midpoint of our guidance range. Gross margins were 38.6%, outperforming expectations, driven by a healthy mix of our higher-margin owned brands and solid selling into the full price channel. Units were down year-to-year as our disciplined inventory management kept inventories nearly flat, up just 3% despite tariffs. We remain in the strong financial position, ending the quarter in a net cash position of \$174 million after repurchasing approximately \$50 million in stock year-to-date.

As we work to maximize the full potential of our globally recognized brands, we're guided by our strategic priorities. Our growth is powered by an exceptional foundation of

experienced leadership, world-class merchant capabilities, a diverse product mix, a reliable supply chain and long-standing retail relationships. Together, these strengths enable us to bring brands to market and scale them across channels with speed. Our strategy centers on driving both near- and long-term growth. Building brand strength remains a core focus, and our strong seasonal marketing and promotional cadence continue to deliver results.

We're also prioritizing investments in technology, infrastructure and talent to enhance our business and improve efficiency. As we look to the final months of the fiscal year, we remain focused on holiday performance and spring selling. We continue to plan our key brands to grow mid-single digits this year. Capturing the long-term potential of our own brands is a top strategic priority. These brands are powerful, sustainable drivers of profitability, delivering higher margin and incremental licensing income.

We're focused on four key pillars. First, product and consumer engagement. We're leveraging each brand's unique DNA to deliver differentiated products across every shopping channel. By extending our core assortments and entering new categories, we're delivering growth in the wholesale channel, particularly in North America. We will continue to build momentum through impactful marketing campaigns, strategic partnerships and innovative collaborations, ensuring that each of our brands remains firmly at the center of its own culture.

Second, driving direct-to-consumer. Complementing our strong wholesale business, we're enhancing our digital capabilities to boost traffic and conversion on our brand sites and many marketplaces. Meanwhile, we continue to evolve our North American retail segment strategy to deliver profitability and continue to optimize our international retail performance.

Third, international expansion. Our owned brands remain highly underpenetrated internationally. Strategic investments and partnerships including AWWG, position us to capture the substantial long-term growth opportunity.

Fourth, category expansion through licensing. Our partners have helped us extend into additional categories like fragrance, eyewear and home as well as experiential categories such as hospitality, all deepening consumer connections and broadening brand reach. We believe we have many opportunities to monetize as we grow each brand. To support our key pillars, we continue to invest in marketing to amplify the global visibility of our brands. We see tremendous potential across all growth avenues including product, channel, category and geographies.

Now I'll share some brand highlights from the third quarter. Donna Karan outperformed expectations, delivering impressive double-digit sales increases in North America. We expect growth of 40% in fiscal 2026, reinforcing the brand's position as a key growth driver within our portfolio. The brand is leveraging its iconic DNA and aspirational luxury positioning to capture strong consumer demand at higher price points, underscoring its enduring appeal and pricing power.

As we continue to develop the brand into a full lifestyle offering, we're excited about the introduction of Donna Karan Weekend which hit stores in early November. The collection offers a more casual yet refined aesthetic, and we're already seeing great results across channels. Dresses, denim and knit sets are early standouts so far in the fourth quarter. Donna Karan Jewelry launched in mid-November, exclusively on [donnakaran.com](https://www.donnakaran.com), and will roll out to department and specialty stores in spring 2026. The collection already gained buzz with its signature twisted cuff earning the Accessories Council's 2025 award for design excellence, and we've seen strong sell-throughs through the first few weeks. In the quarter, [donnakaran.com](https://www.donnakaran.com) outperformed, with traffic up approximately 150% and average order values increasing over 10%, alongside healthy AURs and strong sell-throughs.

Now 1.5 years since launch, we're seeing close to 20% of our sales from repeat customers. This growth was led by dresses, footwear and handbags, with particular strength in our best-selling Baldwin handbag. Wholesale momentum during the quarter was equally impressive. The brand is currently sold in about 1,700 points of sale, and we expect to add roughly 200 more by spring 2026. We're increasing penetration across better department stores with retailers allocating a greater footprint to the brand in new and existing stores. Premium retailers like Saks, Bloomingdale's and Nordstroms have expanded distribution, both online and in-store this fall, reflecting the brand's ability to enter new accounts while maintaining its aspirational brand positioning.

On the marketing front, we launched our fall 2025 campaign, Woman to Woman, in early September, featuring a new cast of talent with deep connections to the brand. The campaign resonated strongly, generating approximately 5.6 billion impressions and over \$11 million in earned media value. We carried that momentum into the holiday season with refreshed campaigns, strategic paid media and VIP partnerships aimed at attracting new audiences to shop. Building on the brand's outstanding domestic success, we've been disciplined in our distribution rollout and see significant opportunities to expand across categories and channels, ultimately capturing the long-term global potential.

Karl Lagerfeld delivered another strong quarter, amplified by the success of our global brand initiative starring the iconic Paris Hilton. Our fall/winter 2025 campaign, From Paris with Love, delivered a high-impact global rollout across our key markets, marking one of our strongest media performances to date. This culminated in the standout cultural moment during Paris Fashion Week, an exclusive late-night event at the Palais de Tokyo, where Paris Hilton took over the DJ booth in a series of custom Karl Lagerfeld looks.

The event drew an extraordinary gathering of fashion leaders, celebrities and global influencers. The campaign was supported by a series of high-impact in-store activations across the globe, driving local visibility and reinforcing the campaign's momentum at retail. Building on this, we rolled out our holiday campaign, From Karl with Love, with activations designed to emphasize storytelling, retail experiences and wider influencer amplifications. From a brand perspective, we continue to see strong growth in our women's business in North America outperforming.

Our global men's business continues to be a key growth catalyst, complementing our women's business and posting close to 20% growth in the quarter. Karl Lagerfeld jeans, currently sold internationally, is resonating with younger consumers and driving incremental growth, with sales up over 30% in the third quarter. The Studio Collection continues to reinforce its role as the brand's halo with its fashion-forward design, driving strong press and consumer interest across the campaign and gaining presence in key European retailers.

Specifically, in North America, we saw a healthy performance across wholesale and retail, with strong full price selling and AUR increases. With just over 3,200 domestic points of sale in fall 2025, we expect to add approximately 100 more by spring, driven by extended assortments and increased footprint. Our North American direct-to-consumer business saw a positive comp sales increases, showing that our refreshed product is resonating across men's and women's. Internationally, despite a soft macro environment, the brand continued to perform well supported by disciplined pricing which drove strong gross margin improvement amid a more promotionally competitive landscape. Our customer activations led directly to improved traffic and performance.

As cooler weather hit, we saw digital traffic accelerate across our own dotcom as well as digital partners including marketplace. Looking ahead to spring, our collaboration with Paris will continue for a second season, driving high global visibility across key markets. In our hospitality business, we're looking forward to sharing some news shortly on a new project. With strong global recognition and momentum behind our expansion initiatives, the brand is well positioned to gain share across North America and Europe, while capturing significant untapped opportunity in Asia, setting the stage for sustained long-term growth.

DKNY, our largest brand, was led by healthy full-price sell-throughs in North America across key categories, reinforcing brand relevance. Our North American direct-to-consumer business also showed solid improvement, with positive comp growth across stores and dkny.com, up 20% on higher conversion. Internationally, we continued to see solid traction. Fall 2025 deliveries and improving sell-throughs helped meet targets despite softer European markets. Europe showed notable progress led by handbags, our top-performing category, with strong full price sell-throughs. Digital performance at DKNY similar to Karl remains robust, driven by growth at Answear and Zalando.

We hosted pop-ups across eight major cities for the Paula handbag, featuring localized collaborations and digital first activations which successfully elevated our [hero] styles and drove reorders in key markets like Spain and Poland. We're expanding our global footprint with a new license partner in China to reposition the brand for growth there. Marketing momentum is strong.

Our fall 2025 campaign with Hailey Bieber delivered record results, with 7.9 billion impressions and \$15.9 million in earned media value. A major Dubai media takeover amplified awareness across global audiences, with a particular emphasis on driving our

Middle East business. We focused investments in product and marketing. We are successfully positioning the brand and laying the groundwork for meaningful growth ahead. Vilebrequin continued to strengthen its global brand presence by expanding premium lifestyle offerings and creating unique experience for its aspirational customers.

While retail softness in Europe and Caribbean weighed on results, growth in France helped offset the pressures. In July, we revealed a partnership with Fiat on the limited edition Fiat Topolino micro car. The collaboration has generated great global coverage. We also advanced our luxury hospitality strategy with an exclusive boutique at the Hotel Christopher in St. Barths and robust double-digit growth at our (inaudible) flagship and Beach Club. Partner-operated clubs in Doha and Crete performed well and upcoming launches in Oman and Miami Beach alongside curated swimwear lifestyle assortments reinforce confidence in long-term global expansion.

Turning to our omnichannel capabilities. We experienced robust digital performance across North America and Europe, further demonstrating that our efforts here are really paying off. We continue to focus on our DTC business performance, highlighted by our North American segment which remains on track to be close to breakeven in fiscal 2026. Internationally, we see healthy performance across our DTC business, supported by improved full-price selling and strength across our digital ecosystem. Our retail footprint saw our improved productivity and profitability across stores internationally.

As we continue to expand this area, we're making targeted investments to sharpen our global go-to-market execution. From strengthening our data capabilities to extending our Shopify platform across brands and regions, we're positioning the business to capture long-term growth. We're leveraging deeper consumer insights to guide design and merchandising. At the same time, we're elevating our product presentation across owned and partner sites, enhancing imagery, description and video content to deliver a richer consumer experience at higher conversion. Digital sales in the quarter delivered nearly 20% growth with outside performance by Donna Karan, highlighting the significant value and long-term potential of this channel. This momentum reinforces our ability to meet consumers wherever they shop.

Expanding our portfolio of strategic licenses remains key to our growth strategy. Licensed brands are capital light way to scale and further diversify through complementary brands that offer unique attributes across varying aesthetics, consumer segments, channels and geographies. Our licensed team sports business continues to gain momentum, delivering a solid quarter with sales up 9%. We're experiencing a strong NFL season supported by strategic activations around key moments with retail partners.

Additionally, through our sublicense agreement with [Fanatics], we brought timely L.A. Dodger World Series product to market, reinforcing our agility in capturing demand. This quarter marked the first shipments of Converse apparel across channels, delivering strong results fueled by consumer enthusiasm for the product.

As part of Nike, Inc, the partnership reflects our confidence -- their confidence in our expertise, and expands our ability to reach new consumer globally. Levi's is our largest men's coat brand and continues to post solid growth. Nordica Jeans is scaling distribution, posting a solid quarter, and Halston and Champion are also performing well after launching just over a year ago. BCBG, one of our newest licenses, launched in the fall across approximately 300 points of sale and is performing our initial expectations with high AURs, and we expect to launch an additional 50 Macy's doors this spring.

As we execute the wind down of our PVH licenses, both Tommy Hilfiger and Calvin Klein continued to perform well at retail. We remain committed to supporting our retail partners and delivering what consumers expect from these brands. Our disciplined approach to inventory and focus on full price selling are helping us maximize profitability as we manage the exit. We anticipate that the remaining PVH brand sales will be approximately \$400 million in next year's fiscal 2027.

As licenses expire, we're redeploying talent and resources to accelerate growth in our go-forward brands. Thanks to our agile teams and flexible business model, we've already offset a substantial portion of the PVH sales reduction, and are confident in our ability to sustain long-term success. While the marketplace is full of brands with high potential, only a few operating companies like ours can help them reach it. As we look ahead, we're deliberate in selecting those that align with our portfolio and support our long-term growth trajectory.

In closing, we delivered a strong third quarter, with gross margins and earnings per diluted share far exceeding expectations despite the impact of tariffs. Our consumers continue to respond to newness and fashion, and we're encouraged by the solid trends we've seen throughout the holiday season to date. Looking ahead, we're updating our fiscal 2026 guidance to take into consideration our third quarter earnings outperformance, combined with the uncertainties around the consumer environment and tariff-related margin pressures. We now expect net sales to be approximately \$2.98 billion, and importantly, we're raising our full year non-GAAP earnings per diluted share guidance to \$2.80 to \$2.90.

I'm incredibly proud of our teams for executing on our priorities and delivering strong profitability amid uncertainty. With a strong balance sheet and a proven track record, we have the flexibility to drive growth, pursue strategic opportunities including acquisitions, and return capital to shareholders. As part of this strategy, we're proud to introduce our first-ever dividend program.

I'll now pass the call to Neal to discuss our third quarter financial results as well as our fourth quarter and full year fiscal 2026 guidance.

Neal Nackman^ Thank you, Morris. Net sales for the third quarter ended October 31, 2025, were \$989 million compared to \$1.09 billion in the same period last year, generally in line with our expectations. Net sales of our wholesale segment were \$977 million compared to \$1.07 billion last year. The decline in sales compared to the prior year is

primarily a result of lower sales from Calvin Klein and Tommy Hilfiger license businesses, due largely to several expired licenses, specifically Calvin Klein jeans and sportswear which we exited at the end of last year.

Net sales of our retail segment were \$46 million for the quarter compared to net sales of \$42 million in the prior year despite operating less stores. The increase was driven by solid comp sales increases across our North American DKNY and Karl Lagerfeld Paris stores as well as strong sales growth on our Donna Karan website. Gross margin was 38.6% in the third quarter of fiscal 2026 compared to 39.8% in the previous year's third quarter. The wholesale segment's gross margin was 36.7% compared to 38.4% in last year's comparable quarter. Gross margin declined 170 basis points this year compared to last year as a result of the impact of tariffs. Gross margins were better than our expectations, driven by a stronger mix of full price sales. Gross margin in our retail segment was 50.8%, down from 52.3% in the prior year.

This decline primarily reflects the liquidation of the [G.H. Bass] branded product which is transitioning to a license arrangement with the Aldo Group beginning January 2026. Non-GAAP SG&A expenses were similar to the prior year at \$258 million compared to \$259 million in the previous year. We continue to stay vigilant with our expense management. We have rightsized our warehouse space and continue to prudently invest in people, marketing and technology to position the company for growth. Non-GAAP net income for the third quarter was \$83 million or \$1.90 per share compared to \$116 million or \$2.59 per share in the previous year. These results were significantly better than our expectations.

Turning to the balance sheet. Inventory levels remain in good shape. Inventories modestly increased 3% to \$547 million at the end of the quarter from last year's \$532 million. We continue to focus on disciplined inventory management with units down year-over-year, and our inventory is well positioned to meet holiday demand. We remain in a strong financial position, ending the quarter in a net cash position of \$174 million after repurchasing approximately \$50 million worth of shares year-to-date. This compares to a net debt position of \$119 million in the same period of the previous year.

Our total availability remains very strong at approximately \$875 million. Our financial strength provides us flexibility to invest in our business and other strategic opportunities including acquisitions to drive future growth. In addition, our Board has approved a new dividend program to further enhance our returns to stockholders. The Board of Directors has declared an initial quarterly cash dividend of \$0.10 per share. The company intends to pay dividends quarterly in the future, subject to market conditions and the approval of the Board of Directors.

Turning to guidance. We now expect fiscal year 2026 net sales of approximately \$2.98 billion, a decrease of approximately 6% to last year. We continue to expect our key owned brands, DKNY, Donna Karan, Karl Lagerfeld and Vilebrequin to grow at a mid-single-digit rate this year. Our updated view is that the gross impact of tariffs will amount

to approximately \$135 million, and we now estimate the unmitigated impact to be approximately \$65 million for fiscal 2026.

As a reminder, since we are primarily a North American wholesale business, we were limited in our ability to adjust pricing on inventory already sold into retailers for the fall and holiday seasons. As a result, we are absorbing a larger share of these costs in this fiscal year to remain competitive and protect market share.

Looking ahead, as we move through fiscal 2027, we expect gross margins to normalize and ultimately expand as we exit lower-margin licenses, increased penetration of our higher-margin owned brands and implement targeted price increases. Our owned brands, Donna Karan and Karl Lagerfeld, are well positioned to command greater pricing power in the marketplace.

Non-GAAP net income for fiscal 2026 is expected to be between \$125 million and \$130 million, or diluted earnings per share between \$2.80 and \$2.90. This compares to non-GAAP net income of \$204 million or diluted earnings per share of \$4.42 for fiscal 2025. Adjusted EBITDA for fiscal 2026 is expected to be between \$208 million and \$213 million compared to adjusted EBITDA of [\$326 million] in fiscal 2025.

Let me add some context around modeling. We now expect gross margins for the full fiscal year 2026 to be down approximately 200 basis points. The fourth quarter gross margin decline will reflect the highest penetration and impact from tariff inventory. We expect interest expense to be approximately \$1.5 million for the full year, benefiting from the \$400 million debt repayment last year. We expect capital expenditures of approximately \$40 million, principally driven by the build-out of shop-in-shops for our new brand launches, leasehold improvements and technology investments. We are estimating a tax rate of approximately 29.5% for fiscal 2026. We have not anticipated any potential share repurchases for the fourth quarter in our guidance.

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

Morris Goldfarb^ Thank you, Neal. Thank you all for joining us today. I'm proud of our team's work this quarter, and I'm confident in G-III's future as a global leader in fashion. I'd also like to thank our entire organization and many partners and all our stakeholders for their support.

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

## QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And our first question comes from Bob Drbul with BTIG.

Robert Drbul^ I guess can we unpack the gross margin performance a bit more? When you look at the results and you look at the performance and the upside to it, can you just give us some more color around how you did that sort of the various buckets? Then I guess when you think about the unmitigated \$65 million for this year, when you look at next year in gross margin, do you believe you'll be able to fully mitigate the tariff situation? And I guess just be very curious to hear about pricing.

Neal Nackman^ Thanks, Bob. The -- look, I guess the best way to help frame this is, I think if you went back to our expectations at the beginning of the year, we would have expected pre-tariffs to have been up somewhere around 50 basis points in terms of gross margin percentage. That's, again driven by what we expect will be continued improvement of the mix of our own brands and higher gross margins.

So now if you play back and extract the impact of tariffs, we're probably expecting to be down about 200 basis points which comes awfully close to about the \$65 million impact that we've been referring to. The majority of that gross margin hit for us now looks like it's going to be in the fourth quarter, but we took a sizable hit for that in the third quarter as well.

One of the reasons that we were better than we had expected for the third quarter gross margins as we did extremely well in the full price selling and had -- and really didn't want to take advantage of heavy discounting in the off-price market. So we probably left some of those sales on the table at the moment. The inventory levels are in good shape. We didn't feel we need to push that out at all.

I think in terms of the last part of your question, with respect to getting to where we go on gross margins, early to say if we'll capture [all], but certainly going into every market week that we'll have prospectively, we're going to know our costs as opposed to this past year really not knowing the tariff cost that we have to put into our product. So we'll know that upfront. Our intent will be to put that into price and achieve normal margins for us which again should reflect higher margins on the owned businesses, weaker margins in the license portfolio and overall, a mix that continues to show a higher gross margin going forward.

Morris Goldfarb^ Bob, we've raised our prices to the level that we believe the consumer will expect and accept. It's working. There are a couple of areas that we need to make some adjustments. We're seeing a little discontent in a couple of areas, and we're adjusting those prices. So we'll source more efficiently. We'll, as Neal said, our owned brands are more productive. If you look at -- we just stated, in our peak years, we did approximately \$1.5 billion with PVH's brands that we paid a royalty and advertising charges for it. So we were out of pocket for royalties for north of \$150 million on a reasonable year. That money stays in our company for marketing, for margin enhancements and for building, let's say better product if needed, as needed.

So we have opportunities that we did not have before. We also have, with our owned brands, direct-to-consumer possibility that we never had with licensed brands. With PVH,

we were -- we never had a site that we could market through and we never had global distribution. Our owned brands afford us the ability of direct-to-consumer which, in itself, is better margin business. And as we get it to scale, it's going to make a difference in our company.

And the other piece is, for the first time in over a decade, we're seeing daylight in our own bricks model. We're very close to breakeven. There's a slim chance we break even or make a small profit this year. But I think we have the formula right, and we're about ready to grow that sector of our business. So opportunities for margin enhancements are absolutely there. We're launching more important men's initiative. We've hired talent to help us with the growth of men's and new initiatives.

So it's all looking good. It's not a walk in a park. Replacing half of your top line in a short period of time is no small feat, with the economics we're faced with, with the tariffs that are thrown at us and all the factors that relate to how we do a business. But not one to complain. This is what we're challenged to do, and this is what we will do. So we're highly confident that we can achieve what we say we can.

Robert Drbul^ Great. If I could just ask a follow-up. Just as you look at next year, I think you talked about the PVH license business being \$400 million. I think you said margins would be -- gross margins would be up next year. Any other sort of preliminary thoughts around the top line or the bottom line goals that you're thinking about as you look to next year?

Morris Goldfarb^ We've got a whole bunch of thoughts, quite honestly, and we're working towards executing some of them which are possible, that might be an acquisition, it might be another license, it might be distribution through another channel. Too early to bring them to our investor group. It's all work in progress. We are not sitting by and bringing our business down to a nonproductive scale. But that said, there is no rush. We have a strong balance sheet, as you see. We're not desperate to sign on another license or acquisition. As we find it, we'll execute it. And for the moment, we're cautiously looking at the right synergistic action that we're likely to find in the coming months.

Operator^ And our next question will come from Ashley Owens with KeyBanc.

Ashley Owens^ Maybe just to follow up on PVH really quickly. I know you said it's now expected to come down to about \$400 million next year. So effectively, another halving of the business declines accelerating quicker than you initially expected. Just be curious how that reshapes the mix and the residual drag into next year? And from your perspective, does this accelerate the timeline for reaching a cleaner base? I think you'll still have another chunk of roll-off at the end of 2026. So I would be curious on your thoughts here.

Morris Goldfarb^ So the thoughts are really kind of mixed. We're not in control of our own destiny, we have partners. On one side, we have less than a great relationship with

PVH. We -- we're at the mercy of where the retailer wants to take our business and their business. Fortunately, for us, we're outperforming expectations with our owned brands. And if you track PVH's performance with their owned brands, it appears from where I sit, they're not achieving what their goals were on taking in their owned brands and producing them and servicing the marketplace. They highlighted the fact that their business in North America is two-thirds underwear and denim.

Well God bless and let them produce underwear, and we're in the fashion business. So the lanes that we created for fashion with PVH's brands, I believe, are open to ourselves and other fashion providers that they are not going to fill. So the opportunity to expand our owned brands or newly acquired or licensed brands is there, I believe, because of PVH's inability to execute on what they thought they would.

Ashley Owens^ Okay. Got it. Maybe just quickly then on owned brands, especially like Donna Karan, just given the information you've provided us, I think you said up 40% this year, but still early in the broader reset that you executed. Would just be curious as to what the priority levers to keep that momentum going into next year are and where the biggest opportunity is to scale from here?

Morris Goldfarb^ Well we've achieved -- I don't want to say perfection, but the launch was great. The -- when you launch a brand, you find flaws in what you've created and you go on, you improve. And every quarter, you get margin enhancements, you get better product, you get customers that have tried the product and become repeat customers. What's beautiful about Donna Karan is we're finding, even on our digital side that as I said, we can track our own today. We're finding over 20% of our customers is -- are return customers.

So they're satisfied customers that are supporting the brand not only in a category that they might have bought, but now they'll expand and say where their first acquisition might have been addressed. They'll say well it came in great fit. I got lots of compliments on it. I'm buying a handbag. We're getting lots of that.

The strength of the business, overpoweringly, for the moment, is the dress side. We have a dress business that is not only retailing well but it's retailing well at a much higher price point than our other brands, and that would be Tommy Hilfiger, Calvin Klein, DKNY, Karl Lagerfeld. Donna Karan is at a premium price point turning, as well as a lower price point brands that we're marketing.

So we're finding opportunities and consumer acceptance. And as I stated in the script, we've also expanded distribution to pretty good penetration in Dillard's, Nordstrom's, Bloomingdale's and Saks, [Neiman's], so we're getting a healthier penetration of, call it, more premium department stores.

Operator^ And the next question comes from Mauricio Serna with UBS.

Mauricio Serna Vega^ Yes. I would like to get a little bit more detail what has been the performance from the other parts of your business? You've had several licenses that you're lapping the launches this year. Maybe could you talk a little bit about Nautica? And any initial thoughts about what you're seeing with Nike and BCBG that will be very helpful.

Morris Goldfarb^ So thank you, Mauricio. I'll start with Nautica. We signed a license with ABG for Nautica as we found, one might say surprisingly, that PVH was taking back Tommy Hilfiger. So we needed a brand that was close in DNA to Tommy. And Nautica is an American spirited brand, and colors of Nautica are similar. They are red, white and blue. We thought as we were exiting categories with Tommy through our PVH license as we vacated a classification of product, we would be able to market our newly licensed Nautica brand.

So we're doing exactly that. It's growing nicely. It's not easy finding the appropriate space for it. But as it shifts, it's retailing well. The scale of it is beyond what we expected. So we're happy with Nautica. We had a unique opportunity to invest in Halston, that gives us long-term ability to own the brand. We're carefully marketing the brand in the right venues. I would not say that was a major success on its first effort. Second effort, a little bit better. Our third delivery appears to be really well accepted, we'll be in the middle of shipping it soon. We're excited by what we see, and we believe there's an opportunity there.

It's not -- nothing that I would point to of scale today but it does have a \$250 million to \$300 million opportunity in our portfolio. So it merits the actions that we're taking. I can't give you an income statement on that area just yet. I can tell you that it does cost money to build brands. It does cost money to launch brands. When you make the right decisions, you prosper after the first couple of years of spending. But it is a capital-light means of growing your business. We did not spend very much money on an acquisition. We spent money on talent, samples, shopping, all the good stuff, showroom, but all very manageable.

BCBG, better. BCBG was -- we first shifted recently with good door distribution. We know what we've got to do to make it better, same as always. We're in over 300 doors very quickly, working well. Go to Converse and Converse through Nike, is a little bit unique. It's global. It's got distributors all over the world that we've -- we're working to understand their needs. They're working very hard. The global distributors are working hard to understand how we can make their business better. It's a wide open field for us with great cooperation from the Converse organization.

So we're excited by it. It further enhances our, call it, our active business. It's classified somewhat as skate. We don't have a skate initiative other than this. And we're not cannibalizing our own dollars. This is all new to us, and we're excited by where that goes. So -- and there'll be others. There will be one or two other announcements on licenses that are also scalable. We're not signing licenses that we see a potential of \$20 million or \$30 million. Those are the pieces that we're cleaning up.

I guess our measuring tool would be in a 3-year period, if a brand doesn't hit over \$100 million in sales, it's really -- it shouldn't be on our radar screen. And we also have a private label initiative that we work hard at. That's spearheaded through our overseas organization that manages to get private label businesses globally.

So we're working harder on that than we've ever worked. So we're conscious of the fact of what we need to do to keep the comfortable scale of our business. The backdrop is if it doesn't work, we'll be profit-driven and not top line driven. We're doing well on managing our business. We've not focused on the head count reduction. If some of these things don't work, that will be a necessary evil that we'll have to look at closely, but there are opportunities throughout the company.

Hope I answered a little bit of what you're looking for, Mauricio.

Mauricio Serna Vega^ Yes. Yes, definitely, definitely. That was very helpful. If I could just have a quick follow-up for -- on the gross margin. Maybe -- just looking at the guidance that you gave, I think it implies for fourth quarter like roughly -- a little bit over 400 basis points margin contraction. As we think about Spring '26 and the initiatives that you're doing on pricing and so forth, should we expect like a pressure more aligned with Q3? Or I would suppose, sequentially better than Q4, but just thinking about whether it could be closer to Q3 or still like meaningful pressure?

Neal Nackman^ Yes. Without getting into the specifics of the quarters for next year, I think Mauricio, if you were (inaudible) generally, where we got impacted by tariffs was a little bit in the second quarter, more significantly in the third quarter and the most in the fourth quarter. So essentially, if you reverse those, that's what we expect to get the pickups into next year.

Operator^ And the last question comes from Dana Telsey with Telsey Advisory.

Dana Telsey^ Morris, if you think about the wholesale channel of distribution, how have the order trends been changing lately, particularly for your owned brands like the Donna Karan and the Karl Lagerfeld? Then Neal, given the gross margin, excluding the tariff, the complexion coming from your owned brands, certainly, what I've been seeing in the stores is the [good felter] of Donna Karan and Karl and have the -- whether it's extended sizing, whether it's handbags, the improvement in retail, any of these potential additive catalysts that are incremental for 2026 and going forward?

Morris Goldfarb^ Thank you, Dana. The order trends, sometimes you can almost feel it. You feel it in the air. If you walk outside and it's cold, trends are going to be better this time of the year. So I would tell you, we had a few surprises. As you see, our inventory levels are relatively low. There's a different percentage of off-price to regular retail, full-price retail that we have today. So demand was significantly higher at the full price channel for us this year than most years. And if you shop the stores, we're very proud of the way our inventory looks, the retailers that chased product are prospering. The

highlights for us are the coat area and the dress area, and it's not just one brand, it's across abroad. All of our brands are doing well. The sell-throughs are higher than they've been historically.

So it's all said, with all of what's been thrown at us, I'd say we had an excellent year. Still a little time to go, but we're happy with the consumer. We're happy with our retail partners, and our staff has done an amazing job of managing during this period. I boast about it regularly. So if I've said it one too many times here, I apologize, but it's a great team of people that step up when needed, and this is a period of time that stepping up is essential. We've all done it.

Thank you, team, if you're listening. And you had another follow-up on that one on this question that I missed, Dana. Did I--

Dana Telsey^ It's about -- when you think about next year, extended sizing, what you've done with [weekend], what you've done with handbags, what you've done with own retail, how do you think of the incrementality of that of your owned brand and the opportunity for contribution, whether it's top line or to margin?

Morris Goldfarb^ Well pretty much all if you look at the new-to-market brands, and I would consider Donna Karan new to market. It's not even all the new elements or new classifications that we bring. It's a penetration of the old. The -- you have a period of time which is proof of, call it, proof of concept. The dresses have to sell before you get door expansion and penetration within the doors that you've had.

So we're in a good mode [ph]. All our initiatives with Donna Karan work. So I'll tell you, our dress business will grow, our sportswear business will grow, our handbag business will grow, our footwear business will grow. So there's -- and the Weekend which we just shipped, we're very excited about, and we believe that the brand will be a shining star within the retail world.

With that, we also have a greater penetration internationally, and we haven't touched international for Donna Karan yet, so we're about to. We're testing some Donna Karan product in the European market. But we're cautiously distributing it and carefully distributing it into a full-price channel distribution. So that's all working.

And with that, Karl Lagerfeld, the same way. Karl Lagerfeld has grown somewhat dramatically this year, and we have a greater concentration in calendar 2026 on growing the men's side of Karl Lagerfeld in North America. So there are -- or if your question is targeted to organic growth opportunities, every one of our brands has potential to grow organically. That's what we've basically done to mitigate the PVH givebacks. So then there's still plenty of room here, as I said earlier, we're not under pressure to make an acquisition. We're not under pressure to sign another license. We have these great assets that have a lot of bandwidth, a lot of ability to grow without pressures on margin.

With that, I thank you all. I wish you all Happy Holidays. And thank you for your time and your support of our company.

Operator^ This concludes today's conference call. Thank you for participating. And you may now disconnect.