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G-III Apparel Group Ltd. (GIII)

Q4 2025 Earnings Call

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

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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 Fiscal Year 2025 Earnings 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 be advised, today's conference is being recorded.

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

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. Good morning. As noted in our press release, our outstanding fourth quarter results outperformed expectations. For the year, we brought to market compelling products, driving remarkable top line growth of our owned and new launches, our owned brands and our new launches, which more than offset anticipated net sales declines of \$188 million for the Calvin Klein and Tommy Hilfiger businesses, and \$40 million for the Guess brand exit. Our world-class teams have consistently executed and delivered bottom line growth and record non-GAAP earnings per share of \$4.42 in fiscal 2025, an increase of 9% over last year, exceeding our forecast. These results are in light of what was and continues to be a very challenging operating environment. I want to recognize this achievement and thank our global teams for their efforts.

Touching on highlights from the year, first, we powered global growth with annual net sales increasing 2.7% to \$3.18 billion, driven by over 20% growth of our key owned brands DKNY, Karl Lagerfeld, Donna Karan, and Vilebrequin, while expanding gross margins as well. Second, our Calvin Klein and Tommy Hilfiger businesses now collectively represent approximately 34% of our total sales, down from over 50% two years ago, and we expect a further decline to approximately 25% by the end of fiscal 2026. Third, we brought to market four new brands which contributed sizably to our top line growth. Our Donna Karan relaunch was extremely successful, outpacing our internal expectations and delivering strong profitability with high AURs and sell-throughs. Our launches of Nautica, Halston and Champion outerwear also performed well for their first year, and together, these four launches represent a significant growth opportunity.

Fourth, our retail segment turnaround in North America is working as we cut our losses in half. With this, our approximate 20% investment in All We Wear Group, or AWWG, will accelerate our international growth. AWWG is a premier platform for brands generating over \$650 million in revenues across 3,500 points of sale in over 86 countries. They are owners of iconic European brands Hackett, Pepe Jeans, and Façonnable, and manage the Iberian business for PVH. AWWG will expand DKNY, Donna Karan and Karl Lagerfeld across Spain and Portugal, while we work to build their brands in North America.

Lastly, we made sizable investments in marketing to drive growth of DKNY and Donna Karan, as evidenced in the strong sales and earnings for the two brands, as well as technology and talent to enhance operational capabilities.

Now, let us review the progress we've made on our strategic priorities. Number one is, drive growth of our owned brands. Our top priority is driving the growth of our owned brands. Owned brands now represent just over half of our total net sales. With full control over design, production, global distribution and marketing, these brands are a sustainable, long-term profit driver, generating higher operating margins and providing an accretive licensing income stream. With only 20% of our net sales generated outside of the United States, we see a tremendous long-term opportunity to capture market share globally as we work to unlock our brand's full potential.

I also want to expand on the licensing income that our owned brands generated. We license our owned brands to best-in-class partners with expertise in specific categories such as fragrance, men's, home, kids, optical, jewelry and watches, as well as unique experiential categories like luxury beach clubs, hotels and residences. In return, G-III earns a highly accretive licensing income stream, the vast majority of which falls directly to our bottom line. This strategy expands our brand's global reach, drives top line sales, and even further bolsters profitability. This year, our owned brands generated over \$80 million in licensing royalty income, a 10% increase from last year.

Now, let me walk you through highlights from the fourth quarter and full year. Donna Karan, fiscal 2025 marked the epic relaunch of our iconic Donna Karan brand as we develop a comprehensive lifestyle collection and expanded distribution across premier North American department stores. We identified a significant opportunity

within the aspirational luxury segment, strategically positioning the brand at higher AURs, resulting in robust sell-throughs, and making it our most profitable launch to date.

The brand's return was further amplified by our award-winning marketing campaigns, which captivated global audiences and garnered substantial media and celebrity attention. For Spring 2025, our marketing campaign unveiled supermodel Kate Moss, a fashion and cultural icon whose timeless elegance perfectly embodies the essence of Donna Karan.

Looking ahead to the coming year, we will continue building the brand in North America by, first, the retail footprint, following our remarkable success in fiscal 2025, our retail partners are expanding floor space. We concluded the year with over 1,500 points of sale, and anticipate exceeding 1,700 by Spring 2025, with further expansion planned for the fall.

Additionally, the brand performed well on our retail partners' sites and our own donnakaran.com, which should drive a nice sales lift this coming year. Second, lifestyle integration, our goal is to dress our consumer for more occasions in her life. This year, we're enhancing our social occasion wear, focusing on dresses and building on our footwear and handbag collections. We will further emphasize these categories through targeted marketing efforts and see additional opportunities in casual wear.

Third, category diversification. We are broadening our aspirational appeal and global reach through licensed partnerships. Donna Karan's iconic Cashmere Mist fragrance is celebrating its 30th anniversary and remains a top-selling fragrance in North America. Building on this success [indiscernible] (00:10:05) our fragrance partner is unveiling a new scent. We are also excited to launch a jewelry line with our partner this fall.

With the success of our relaunch and brand building efforts, we expect more licensing opportunities to quickly follow. Additionally, as we build out a comprehensive collection of the brand here in North America, we will look to expand globally beginning in fiscal 2027. We believe Donna Karan has over \$1 billion in annual reported net sales potential.

DKNY had an exceptional year, achieving mid-teen growth led by strong performance in North America. I will touch on a few highlights in the region. We broadened our DKNY jeans, performance and sportswear offerings, which were well received by consumers, driving market share gains and contributing to the over 1,000 points of sale added this year. These three categories combined grew over 50% to last year.

Our direct-to-consumer business also showed sequential improvement with stores and dot-com delivering double-digit comp sales growth and improved productivity. The DKNY brand is supported by a comprehensive lifestyle offering. Our fragrance partner launched the new DKNY 24/7 fragrance this year, driving strong awareness and consumer engagement globally.

Internationally, we launched brand building activations across premier department stores in London, Madrid and Milan, boosting brand visibility. In China, we closed all our DKNY stores to eliminate operational losses. The brand remains available digitally, where we evaluate and redefine our go-forward strategy in this key market.

Our increased marketing investments drove powerful brand awareness and engagements globally. We leveraged storytelling tied to New York City to enhance the brand's cultural relevance and deepen our connection with consumers. We're excited to have Lila Moss as the new face of the brand for Spring 2025, helping us reach a younger fashion-forward and socially-connected audience.

We expect growth in fiscal 2026 to be powered by a few key drivers. First, in North America, we expect to continue taking market share as we extend our category offerings and see significant opportunity in outerwear as well as further growth in jeans, dresses, careerwear and accessories, resulting in over 400 new points of sale this spring, with further expansion planned for Fall 2025. Second, internationally, the brand's global growth potential remains largely untapped. Our marketing efforts along with European events have created additional brand recognition and demand. Premier department stores in Europe are looking to expand lifestyle product assortments, providing international consumer a fuller brand experience. We are just starting to see the benefits of our AWWG partnership, and expect to gain traction in fiscal 2025.

We also see growth in other key international partners with assortments centered around handbags and footwear, and longer term opportunities in Asia-Pacific. In fiscal 2025, the brand delivered approximately \$675 million in reported net sales, including our licensees global retail sales were over \$2.4 billion. In fiscal 2026 DKNY is expected to grow double-digits, and we see over \$1 billion in annual reported net sales potential over the midterm. Karl Lagerfeld had an outstanding year, increasing over 20% to last year. The strong performance was fueled by outsized growth in North America, which grew approximately 35% as we extended our lifestyle product assortment with the launch of [indiscernible] (00:15:07) and enhancements of our sportswear and dress categories, contributing to the nearly 600 new points of sale this year.

We did well increasing our digital penetration. We saw exceptional strength in handbags and accessories. Our North American direct-to-consumer business showed solid improvement with positive comp sales growth for stores and e-comm, as well as increased productivity. Internationally, the brand generated high single-digit sales growth as we extended our reach by building our aspirational offering, drawing on the brand's iconic DNA to engage consumers. Our brand building experiences resonated with global audience, elevating our position in aspirational luxury. We strengthened our omni-channel presence, optimizing our retail store base in Europe, while driving continued momentum in our digital business with solid growth for the holiday season as we expanded the brand on pure play platforms.

In wholesale, growth was driven by our key European accounts, as well as distributors in markets like Eastern Europe and the Middle East, as well as our new Latin American distributor who opened five new stores. We continue to develop Karl Lagerfeld into a full lifestyle brand. Our men's business is gaining traction, complementing our women's offering, and now accounts for over 15% of the global brand sales this year. Further, the power of the Karl Lagerfeld name has enabled us to extend into additional categories, as well as the unique experiential licenses with partners. Currently, the brand has the luxury hotel in Macao and villas being built in Marbella. Looking ahead to fiscal 2026, in North America, we will build on our momentum and expand within each category.

Internationally, we see additional wholesale distribution opportunities with growth in Western Europe, supported by AWG, and Latin America, with our partner opening six new stores. In fiscal 2025, the brand delivered approximately \$580 million in reported net sales, and including our licensees global retail to consumers, we're over \$1.4 billion. In fiscal 2026, Karl Lagerfeld is expected to grow double-digits, and we see over \$1 billion in annual net sales potential over the long term. Vilebrequin, our status swimwear brand achieved solid results despite a tough year that impacted key markets. The brand which caters to an aspirational consumer, continues to demonstrate strong global awareness and engagement. We are enhancing its status appeal through lifestyle product as we increase the penetration of premium product with higher AURs, and launch several creative collaborations throughout the year.

Further extending the brand's lifestyle appeal, we expanded into beach clubs and premium seaside vacation destinations. Our company-owned beach club in Cannes is performing well in its second year, delivering over

20% growth since launch, validating the successful concept we created, and its support in our brand positioning and status. Our first franchisee club opened last September at the St. Regis in Doha is performing well, and our first rooftop pool restaurant and bar will soon open in Miami. Moving forward, we will continue to broaden our lifestyle product assortment to extend our consumer reach. We are also rolling out a specialized training program for our sales associates to provide in-depth brand training, which is expected to improve conversion and lift sales. We expect to double the business over time.

Our next strategic priority is to build out our complementary portfolio of licensed brands. In addition to our owned brands, licensed assets are a key component of our go-forward strategy as they are capital light way to grow. Each brand offers unique attributes that diversify our portfolio across product, aesthetic, distribution channel and consumer segment. For example, our sports licensing business and now Converse, target a differentiated consumer and distribution network, including big box, sports specialty and sporting goods stores where we have little to no presence, and our fashion brands will seek significant penetration. We've built a powerful corporate platform that enables us to bring brands to market in an efficient and scalable manner.

This corporate platform consists of our well-developed sourcing and supply chain infrastructure, merchant expertise in product development, and our experienced senior leadership team who have a proven track record of growing high potential brands into significant businesses. We launched three new licenses in fiscal 2025 which contributed nicely to our top line sales for the year. We launched Nautica jeans in Spring 2024, and in the Fall we launched Halston as well as Champion outerwear, all performing well for their first year. We're building on these brands' early momentum with expanded distribution and product offering. Our newly signed licenses for Converse and BCBG will launch in Fall 2025. Product is well underway, and the brand's first marketing shows strong early appetite and a growing order book.

Our licensed team business has strong double-digit growth this year. We expanded the rights of our NFL and MLB licenses, which will support double-digit growth next year. On December 31, our PVH licenses for Calvin Klein jeans and sportswear expired. These two licenses represented approximately \$175 million of our total revenue in fiscal 2025.

Looking ahead to fiscal 2026 and beyond, we're committed to maximizing sell-throughs and profitability for Calvin Klein and Tommy Hilfiger. Further, as our PVH licenses continue to expire, we anticipate this will create a significant product void for our retailers. We believe that our long-established credibility and successful execution of retail positions us as the vendor of choice to fill the gap, thereby capturing market share and strengthening our go-forward brand's positioning in North America.

Turning to our next strategic priority of enhancing our omni-channel capabilities. In North America we delivered on our retail segment turnaround, which included management changes, reducing our store footprint, and rebasing our merchandising strategy to present a better brand experience. We cut losses in half, adding over \$15 million to our bottom line with further improvement expected in fiscal 2026.

We've invested in infrastructure to support our digital ecosystem. We made upgrades to our owned brands websites to enhance consumer experience, improve site performance, and increase conversion. Sales from our owned digital sites grew over 20% this year.

We've strengthened our brands' presence across retailer websites and expanded pure-play partnerships with Amazon and Zalando, among others. We expect a nice lift to digital sales in fiscal 2026 as we further capture market share across these channels and platforms. As we look ahead to fiscal 2026 and beyond, we plan to invest in technology and infrastructure to support our long-term growth. We also expect to gain efficiencies from

our operational improvements. Specifically, we're investing in systems to increase supply chain's transparency, improved digital technologies for our omni-channel business, and leverage AI tools to streamline operations, while phasing out less useful technology.

And on the efficiency front, last year, we focused on realigning our organization to better serve our future businesses, as we transition out of the Calvin and Tommy Hilfiger brands. We're streamlining our supply chain infrastructure to optimize our logistical flows, and by the end of fiscal 2026, we will have exited four warehouse facilities. This is one part of our strategy to ensure that we have a dynamic warehousing network to maximize capacity and utilization as we also emphasize our direct-to-consumer capabilities.

In conclusion, fiscal 2025 was an incredible year marked by our robust top and bottom line growth, driven by the progress made on our strategic initiatives. Looking ahead to 2026, while we expect the environment to remain unpredictable, I'm confident in our ability to successfully navigate through challenges as we've done in the past. Accordingly, we expect fiscal 2026 net sales of approximately \$3.14 billion, with sales down approximately 1% compared to 2025. We're confident in the strong underlying growth of our go-forward brands, which this past year delivered \$2.1 billion in revenues and is expected to reach over \$5 billion in annual net sales over the long term.

We expect non-GAAP diluted earnings per share between \$4.15 to \$4.25. We will continue to market our brands while making additional investments in technology and infrastructure to drive future growth with our transforming business model. Our strong balance sheet and credit profile provide flexibility to make strategic investments to fuel growth. Our investments in AWWG give us further optionality to expand ownership over time from existing shareholders. We will also consider opportunistically returning capital to shareholders through stock repurchases. G-III is undergoing an incredible transformation, and we're committed to delivering long-term growth and shareholder value.

I'll now pass the call to Neal, who will walk you through the financial results for fiscal 2025, and provide guidance for the first quarter and full year 2026.

Neal Nackman

Chief Financial Officer, G-III Apparel Group Ltd.

Thank you, Morris. Net sales for the fourth quarter ended January 31, 2025 were \$840 million, up 10% compared to \$765 million in the same period last year. Net sales of our wholesale segment were \$799 million compared to \$729 million in the previous year. We had good sales increases in our owned brands and our go-forward license portfolio.

Net sales of our retail segment were \$56 million for the fourth quarter compared to net sales of \$51 million in the previous year's fourth quarter. Our gross margin percentage was 39.5% in the fourth quarter of fiscal 2025 compared to 36.9% in the previous period. The wholesale segment's gross margin percentage was 38.1% compared to 35.6% in the previous year's quarter. The gross margin percentage in the current year's period was positively impacted by the higher penetration and performance of our owned brands compared to last year's fourth quarter.

Additionally, sales of our license portfolio saw a significant improvement in gross margin rate, primarily driven by a more favorable outerwear performance. The gross margin percentage in our retail operations segment was 48.3% compared to 44.2%, a significant improvement driven by our merchandising and execution initiatives as part of our retail segment turnaround strategy.

Non-GAAP SG&A expenses were \$244 million compared to \$219 million in the previous year's quarter. This year's increases are partially correlated to the 10% sales increase in the quarter, as well as the planned investments in marketing, technology and talent that we have discussed throughout the year. In addition, we recorded a \$6 million increase to our bad debt reserve in the quarter.

Non-GAAP net income for the fourth quarter was \$58 million or \$1.27 per diluted share, compared to \$36 million or \$0.76 per diluted share in the previous year's quarter. This driven by higher sales and improvements in gross margins. Now, let's review results for the full fiscal year ended January 31, 2025. Net sales for the fiscal year 2025 were \$3.18 billion, an increase of 2.7% from \$3.1 billion in fiscal 2024, led by an over 20% growth of our key owned fashion brands DKNY, Donna Karan, Karl Lagerfeld, and Vilebrequin, as well as new launches for Nautica jeans, Halston and Champion outerwear. This growth was offset by approximately \$188 million or 15% decrease in the Calvin Klein and Tommy Hilfiger brands.

Net sales of our wholesale operation segment increased to \$3.08 billion or 2.5% from \$3.01 billion. Net sales of our retail operation segment for the year were \$166 million compared to the previous year of \$148 million, which brings strong double-digit comparable store sales growth in our DKNY and Karl Lagerfeld stores. Full fiscal year 2025 gross margin percentage expanded approximately 70 basis points to 40.8%, compared to 40.1% in the prior year. The wholesale segment's gross margin percentage was 39.4% compared to 38.9%. The gross margin percentage in the current year's period was positively impacted by greater sale penetration of our higher margin owned brands, as well as product mix.

The gross margin percentage in our retail operation segment was 50.4% compared to 48.1% in the prior year. This is a result of merchandising changes. Non-GAAP SG&A expenses for the year were \$968 million compared to \$917 million in the previous year. The full year SG&A as a percentage of sales was 30.4% compared to 29.6%. This increase in SG&A is associated with the planned higher investment in expenses, primarily associated with the marketing for Donna Karan and DKNY, and the expansion of our operational capabilities through talent and technology investments, offset by a decrease in royalty advertising expenses associated with our decrease in licensed revenue.

Full year non-GAAP net income was \$204 million compared to \$190 million or \$4.42 per diluted share, up 9% to the previous year's \$4.04 per diluted share. The increase was driven by the expansion of our gross margin rate, as well as interest expense savings generated from the early retirement of the \$400 million senior secured notes, offset by the investments in SG&A I just outlined. Turning to the balance sheet, we ended the year in a solid position with respect to our inventory levels. Inventory decreased approximately 8% to \$478 million at the end of the year from last year's \$520 million. Our inventory levels are well aligned to support future sales.

We ended the year with an improved net cash position of approximately \$175 million compared to a net cash position of \$90 million in the previous year. During the fiscal year 2025 we paid down \$400 million in senior secured notes, and we purchased \$60 million of our own shares. We also made \$100 million in strategic investments led by our AWWG investment. We believe that our healthy balance sheet and strong credit profile provide us the financial flexibility to invest in our future growth, take advantage of strategic opportunities in the marketplace, and opportunistically return capital to shareholders.

As for our guidance, for fiscal year 2026, our key owned brands, DKNY, Donna Karan, Karl Lagerfeld and Vilebrequin are expected to continue to grow at a double-digit rate. The growth in these key owned brands, along with the rest of our go-forward portfolio, will almost entirely offset the declines of the Calvin Klein jeans and sportswear licenses that expired December 31, 2024. Accordingly, for the full fiscal year 2026 we expect net sales

of \$3.14 billion, a decrease of approximately 1%. On a non-GAAP basis, we expect net income for fiscal 2026 of between \$192 million and \$197 million, or between \$4.15 and \$4.25 per diluted share.

This compares to non-GAAP net income of \$204 million or \$4.42 per diluted share for fiscal 2025. Full year fiscal 2026 adjusted EBITDA is expected to be between \$310 million and \$315 million, compared to \$326 million in the previous year. For the first quarter of fiscal year 2026, we expect net sales of approximately \$580 million compared to \$610 million in the same period of fiscal 2025. We expect a non-GAAP net income for the first quarter of fiscal 2026 to be between \$2 million and \$7 million, or between \$0.05 to \$0.15 per diluted share. This compares to non-GAAP net income of \$5.8 million or \$0.12 per diluted share for the first quarter of fiscal 2025.

Let me discuss a few key points in modeling related to our guidance. Regarding the recently completed 20% China tariffs, we believe we can mitigate a vast majority of the impact. Our longstanding and important relationships with our manufacturing partners enable us to negotiate partial cost offsets. Furthermore, a large portion of our product sourced from China is outerwear, which has higher AURs. We believe we have more elasticity to lift prices in the outerwear category, and we will also look across the other categories for selective price increases. Additionally, we will continue to seek strategies to further diversify our sourcing away from China. As a reminder, we do not have exposure to sourcing from Mexico or Canada.

Regarding our sales cadence, we expect the first half of the year to decline and the second half to show modest growth, which will benefit from our new initiatives. As for the gross margin rate, we expect full fiscal year 2026 to see slight gross margin rate expansion supported by the growth of our higher margin owned brands. Regarding SG&A, we continue to evaluate our infrastructure, and are focused on aligning our warehouse footprint and capacity to our needs, and are making the appropriate investments in technology and infrastructure to support long-term growth. Further, we will continue to support our marketing efforts in line with the previous year.

Overall, we anticipate just under 100 basis points of increase in SG&A. We expect interest expense to be approximately \$9 million for the full year, benefiting from the \$400 million debt repayment. We expect capital expenditures of approximately \$50 million, principally driven by the build out of shop-in-shops for our new brand launches, and new technology to support our transforming business model. We are estimating a tax rate of 28.5% for fiscal 2026. We have not anticipated any 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 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, our many partners and all our stakeholders for their support.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Ashley Owens with KeyBanc Capital Markets. Your line is open.

Ashley Owens

Analyst, KeyBanc Capital Markets, Inc.

Q

Hi, good morning, and thanks for taking our questions. So first off, maybe just help us with some of the context on the headwinds. I know you mentioned in your prepared remarks, there's a greater roll off of some of the PVH licenses this year. So how much did each of these impact the full year guide? And then additionally, I know you made comments on tariffs, but any impact from that on non-outerwear categories, and then any additional color you could provide us thus far on exit rates into February and how trends have fared so far into March? Thanks.

Neal Nackman

Chief Financial Officer, G-III Apparel Group Ltd.

A

Sure, Ashley. With respect to the prior year, the flow of the Calvin Klein businesses were approximately \$200 million which we significantly offset and more than offset last year. And as I mentioned in my prepared remarks with respect to tariffs, the way we summarize it, just to give you a little more refinement, if you look at our current inventory position, we certainly have a good inventory position going into the first quarter. So I think, tariffs with respect to the first quarter, we feel pretty comfortable with having very limited exposure there.

Tariffs with respect to the second half of the year, obviously, we have more time to prepare to have our negotiations with both our customers and our vendors. Probably the single biggest exposure we have is in the second quarter, and as you know, these tariffs came about very quickly. So those are the ones that we'll have to scurry the most to try to figure out answers to. We believe we've got that all rolled into our forecasting. Specifically with respect to outerwear, as I mentioned, it is the highest priced item that we sell, and therefore we feel like there's good elasticity with respect to being able to increase prices there. But we'll look across the whole portfolio for places that we can have increases.

Morris Goldfarb

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

A

Ashley, as it relates to trends in business in February and early March, clearly, we have full visibility on February. February was tough for the retailer, it was very cold, and I can remember last quarter talking about how warm it was, and how it impacted our coat business. I guess, February, I'd have to say, it was very cold and it impacted our spring business. In spite of that, our guidance is out there for first quarter, which has that factored in, and our business is good, and early March is good, retailers is fine, and we're looking forward to a good retail year. Unfortunately, there are many issues that don't relate to a stable retail environment that we're dealing with and very difficult to anticipate. But in spite of that, we've given you the best guidance we can provide for year-end, which indicates a pretty good year and going forward.

Ashley Owens

Analyst, KeyBanc Capital Markets, Inc.

Q

Okay. Got it. And then quickly as well, I know you mentioned AI in the prepared remarks as being an area of investment you'll be focusing on to streamline operations this year. With AI, it seems like it's one of those items

that is changing pretty quickly. So would be curious in the past 90 days or so if you've seen any new opportunities, or just any additional thoughts about some of the new initiatives that you'll be working on within AI.

Morris Goldfarb

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

A

Well, we're evaluating it all. It's coming at us so fast. Changes are being looked at. We're using AI for areas of our business which [indiscernible] (00:43:11) also include design in sectors of our business using AI in the entry point of Converse, which is great. We have a blank canvas that we can utilize the best there is. There's no systems in place for Converse, and it'll be as futuristic as the market has to offer. And we anticipate a good deal of help through utilization of AI. But we're evaluating all the opportunities, and we'll implement the components that are appropriate for our business.

Ashley Owens

Analyst, KeyBanc Capital Markets, Inc.

Q

Okay. I'll pass it along. Thank you.

Morris Goldfarb

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

A

Thank you, Ashley.

Operator: One moment for our next question. Our next question comes from Mauricio Serna with UBS. Your line is open.

Mauricio Serna

Analyst, UBS Securities LLC

Q

Great. Good morning, and thanks for taking my questions. Just wanted to make sure on the Q4 outperformance, just want to make sure there wasn't like any type of like shift in wholesale shipments or anything like that coming out of Q1, because like just looking at the initial guidance, I thought maybe that was the reason. But it seems like it was more like outperformance than what you were expecting. So wanted to just double check on that. And then on the decline that you saw on PVH revenues in fiscal year 2025, I think it was like a little bit less than anticipated. So I just was wondering what drove that, like higher than anticipated, I guess, sales from those brand. And then lastly, could you provide some details around like what is like the current size of the Donna Karan business? Thank you.

Morris Goldfarb

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

A

So as it relates to Q4, nothing unique, as a matter of fact, I guess, maybe there is a unique component. Hudson's Bay affected us. The bankruptcy of Hudson's Bay affected us negatively. We've adjusted for that. So had Hudson's Bay not filed for the equivalent Chapter 11, we would have shown you better numbers. So if anything, our numbers were anticipated at better than we gave you because of the quick adjustment of Hudson's Bay. And that said, we've adjusted the go-forward fiscal 2026 numbers as it relates to doing far less business with Hudson's Bay, should they not go into liquidation and remain in business. So the adjustment was recently made, which maybe is a result of the anticipated 1% down for the year. The PVH, Neal?

Neal Nackman

Chief Financial Officer, G-III Apparel Group Ltd.

A

In terms of the PVH falloff, Mauricio, that was pretty much significantly what we had anticipated. We knew we'd have significant falloff this year and we did, and that's again without any licenses really falling off this year. Next year, again, we do have Calvin Klein jeans and sportswear that fall off. And in addition to that, we're expecting some falloff in the rest of the portfolio where we do continue to have licenses that go beyond the end of 2024.

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

A

It's not only the falloff go-forward, it's the year that you're in. You project your business out conservatively so you can manage your inventory in the exit of a license category. So in spite of all that, I think, it's remarkable that we're guiding the way we are with adjusting how we buy, what we buy and when we buy it for. So I think, we're in a great position.

Mauricio Serna*Analyst, UBS Securities LLC*

Q

Got it. And the question about Donna Karan?

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

A

We don't disclose the segmented pieces of our business. I'll tell you, it's the best launch that we've had. And we anticipate growth that approaches 40% go-forward, and the margins on Donna Karan are the best in the company. We're not touching the global side of the business. There's no distribution outside of the North America. And it's concise, tailored, better distribution than our other brands.

Mauricio Serna*Analyst, UBS Securities LLC*

Q

Got it. Yeah, Understood. Nice to hear that. Just last one on maybe, could you talk a little bit more about the gross margin in Q4, like [indiscernible] (00:48:25) outperformance? I know you mentioned a little bit about the details there in the prepared remarks, but just, if you can provide a little bit more insight, that would be great. Thank you.

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

A

Yeah. So we've been seeing stronger margins, obviously, from the businesses that we own. We don't pay a royalty on those businesses. That's a component. Overall, a lot of the portfolio performed stronger than the prior year. While I wouldn't characterize it as a very strong coat year, it was certainly stronger than the coat year in the prior year, and coat margins were strong. If you look at the prior year, Mauricio, you'd also see that was probably our lowest gross margin. So I think, all of those components lead towards what was a very strong gross margin result, and somewhat consistent with what we had forecasted from the beginning of the year, which was a slight improvement to gross margins from the previous year.

Mauricio Serna*Analyst, UBS Securities LLC*

Q

Understood. Thank you so much for the time, and congratulations on the results.

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

A

Thank you, Mauricio.

Operator: One moment for our next question. Our last question comes from Dana Telsey with Telsey Advisory Group. Your line is open.

Dana Lauren Telsey

Analyst, Telsey Advisory Group LLC

Q

Hi. Good morning, everyone, and congratulations on the very nice fourth quarter. As you think about the growing of your owned brands and you talked in your initial remarks, Morris, about the extended categories, the Donna Karan or DKNY, how do you see that developing and coming into the picture? What are you seeing overall in terms of wholesale order trends, especially with your largest customer? And when you think about your own DTC, particularly in North America, how do you see that developing? Thank you.

Morris Goldfarb

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

A

Thanks for your questions, Dana. The Donna Karan brand is, as I've stated before, and I guess, our retailers will attest to it, was an amazing launch. We created fabulous product, a lot of it stemming from the archives of Donna herself. The quality of what we delivered was excellent. That doesn't happen often in a launch. Maybe we were lucky. Maybe we were good. Maybe everybody cared a little bit more about this one. But at the end of the day, it worked seamlessly. The opportunities are huge. Clearly, in your first year out, forget about added classifications that will track on to the brand, but your penetration is not what of an existing brand.

Donna Karan, Karl Lagerfeld, those brands are around for – with us for five, six, seven, eight years, and we've matured with it and we've built scale with it. With Donna Karan, the level of inventory that we carried to support it was not very high, because it was a launch. We were cautious on the buy. The retailers were a little bit cautious on the initial purchases. But as the product hit, it just blew out of all our stores, all our customers' stores. And it was a chase to maximize the business through the course of the year. And I won't give you the total number, but it was the single biggest launch that we've had of anything that we've ever tackled.

And on top of it, we're forecasting internally close to a 40% increase in the size of the business go-forward. It wasn't a fluke thing. We've got commitments from our retailers. Our digital business had a hiccup when we first launched. We've solved it. So our direct-to-consumer digital is planned, that being up more than 60% this year come to our launch year. So all good things, there is an appetite in Europe. We are questioning whether we're ready for Europe with the appropriate marketing. We have an aggressive budget on marketing as it now, we see that it takes quite a bit to create the customer awareness and win that customer.

So all things are in really good shape. Getting away from Donna for the moment, we will launch more casual element of Donna go-forward, and we will open some stores in North America going forward. We're just not ready for the store launch, and we will touch on more casual piece this year. For fourth quarter, it will be in the stores. So that's extending the brand's presence. We have a very, very proud group that is limiting the distribution to the appropriate retail partners. And it's great, we've succeeded. I think, the jury came in and applauded the effort.

Neal Nackman

Chief Financial Officer, G-III Apparel Group Ltd.

A

With respect to order trends, Dana, they're pretty similar to what we experienced last year. This time of year, we have about 50% of our order book done, we've shown for fall, and certainly the spring order book. So very similar to where we were last year and in support of really what our initial forecast look like.

Dana Lauren Telsey

Analyst, Telsey Advisory Group LLC

Thank you. Oh, yes. DTC.

Q

Morris Goldfarb

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

We're focused on the execution in DTC. We're adjusting our quick response needs through our warehouses, as I stated. We're closing warehouses this year, and making the ones that are responsible for direct-to-consumer, more accountable for immediate service to that consumer who pretty much demands it. Again, with Donna Karan, as I said, we had a glitch. We fixed it. We fixed the marketing side of it, and we're seeing an amazing difference. Our business, February and March has more than doubled what we had a year ago. We've redefined leadership in our digital side of the business as well. So we've done a lot of work. Our team is ready to go, and ready to post numbers that will make a difference for our company.

A

Dana Lauren Telsey

Analyst, Telsey Advisory Group LLC

Thank you.

Q

Morris Goldfarb

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

Thank you, Dana. Thank you for your questions, and thank you for your support.

A

Morris Goldfarb

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

With that, I appreciate everybody's interest in joining us today, and I hope you enjoy your spring season. Thank you.

Operator: Ladies and gentlemen, that does conclude today's presentation. You may now disconnect and have a wonderful day.

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