

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2021

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission File Number: 0-18183

G-III APPAREL GROUP, LTD.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
512 Seventh Avenue, New York, New York
(Address of principal executive offices)

41-1590959
(I.R.S. Employer
Identification No.)
10018
(Zip Code)

(212) 403-0500

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	GIII	The Nasdaq Stock Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of December 3, 2021, there were 48,568,473 shares of issuer's common stock, par value \$0.01 per share, outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

**G-III APPAREL GROUP, LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

	October 31, 2021	October 31, 2020	January 31, 2021
	(Unaudited)	(Unaudited)	
(In thousands, except per share amounts)			
ASSETS			
Current assets			
Cash and cash equivalents	\$ 279,564	\$ 149,745	\$ 351,934
Accounts receivable, net of allowance for doubtful accounts of \$17.4 million, \$15.5 million and \$17.5 million, respectively	844,382	720,975	492,698
Inventories	448,991	461,769	416,503
Prepaid income taxes	994	2,043	26,102
Prepaid expenses and other current assets	53,532	37,274	56,803
Total current assets	1,627,463	1,371,806	1,344,040
Investments in unconsolidated affiliates	61,413	62,177	63,523
Property and equipment, net	49,948	60,973	57,064
Operating lease assets	176,530	181,187	186,070
Other assets, net	60,405	36,722	38,785
Other intangibles, net	32,208	35,669	35,059
Deferred income tax assets, net	4,682	18,136	5,098
Trademarks	450,252	441,062	443,612
Goodwill	265,116	261,684	263,135
Total assets	<u>\$ 2,728,017</u>	<u>\$ 2,469,416</u>	<u>\$ 2,436,386</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Current portion of notes payable	\$ 4,063	\$ 4,083	\$ 4,402
Accounts payable	233,893	157,654	139,183
Accrued expenses	141,456	125,675	102,787
Customer refund liabilities	81,271	120,395	99,355
Current operating lease liabilities	45,117	65,554	43,560
Income tax payable	38,974	8,702	11,853
Other current liabilities	2,228	21	862
Total current liabilities	547,002	482,084	402,002
Notes payable, net of discount and unamortized issuance costs	513,466	504,328	507,950
Deferred income tax liabilities, net	21,306	8,313	20,353
Noncurrent operating lease liabilities	147,688	157,983	161,668
Other noncurrent liabilities	11,558	6,441	7,208
Total liabilities	1,241,020	1,159,149	1,099,181
Redeemable noncontrolling interests	758	—	964
Stockholders' Equity			
Preferred stock; 1,000 shares authorized; no shares issued	—	—	—
Common stock - \$0.01 par value; 120,000 shares authorized; 49,396, 49,396 and, 49,396 shares issued, respectively	264	264	264
Additional paid-in capital	450,768	446,662	448,417
Accumulated other comprehensive loss	(11,428)	(11,194)	(2,094)
Retained earnings	1,068,575	902,041	916,683
Common stock held in treasury, at cost - 827, 1,037 and 1,019 shares, respectively	(21,940)	(27,506)	(27,029)
Total stockholders' equity	1,486,239	1,310,267	1,336,241
Total liabilities, redeemable noncontrolling interests and stockholders' equity	<u>\$ 2,728,017</u>	<u>\$ 2,469,416</u>	<u>\$ 2,436,386</u>

The accompanying notes are an integral part of these statements.

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2021	2020	2021	2020
	(Unaudited)			
	(In thousands, except per share amounts)			
Net sales	\$ 1,015,392	\$ 826,561	\$ 2,018,383	\$ 1,528,904
Cost of goods sold	667,882	528,806	1,282,526	972,055
Gross profit	347,510	297,755	735,857	556,849
Selling, general and administrative expenses	182,360	177,625	470,803	454,347
Depreciation and amortization	7,024	10,187	21,166	29,745
Asset impairments, net of loss (gain) on lease modifications	—	(117)	—	17,372
Operating profit	158,126	110,060	243,888	55,385
Other income	898	225	4,693	112
Interest and financing charges, net	(12,354)	(18,681)	(36,932)	(38,237)
Income before income taxes	146,670	91,604	211,649	17,260
Income tax expense	40,198	28,430	59,692	8,357
Net income	106,472	63,174	151,957	8,903
Less: Loss attributable to noncontrolling interests	(202)	—	(206)	—
Net income attributable to G-III Apparel Group, Ltd.	\$ 106,674	\$ 63,174	\$ 152,163	\$ 8,903

NET INCOME PER COMMON SHARE ATTRIBUTABLE TO G-III APPAREL GROUP, LTD.:

Basic:				
Net income per common share	\$ 2.20	\$ 1.31	\$ 3.14	\$ 0.18
Weighted average number of shares outstanding	48,567	48,359	48,474	48,201
Diluted:				
Net income per common share	\$ 2.16	\$ 1.29	\$ 3.07	\$ 0.18
Weighted average number of shares outstanding	49,458	48,809	49,499	48,589
Net income	\$ 106,472	\$ 63,174	\$ 151,957	\$ 8,903
Other comprehensive income (loss):				
Foreign currency translation adjustments	(4,402)	7,066	(9,340)	6,814
Other comprehensive income (loss):	(4,402)	7,066	(9,340)	6,814
Comprehensive income	\$ 102,070	\$ 70,240	\$ 142,617	\$ 15,717
Comprehensive loss attributable to noncontrolling interests:				
Net loss	(202)	—	(206)	—
Foreign currency translation adjustments	—	—	6	—
Comprehensive loss attributable to noncontrolling interests	(202)	—	(200)	—
Comprehensive income attributable to G-III Apparel Group, Ltd.	\$ 101,868	\$ 70,240	\$ 142,417	\$ 15,717

The accompanying notes are an integral part of these statements.

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Retained Earnings</u>	<u>Common Stock Held In Treasury</u>	<u>Total</u>
	(Unaudited) (In thousands)					
Balance as of July 31, 2021	\$ 264	\$ 447,476	\$ (7,026)	\$ 961,901	\$ (22,003)	\$ 1,380,612
Equity awards exercised/vested, net	—	(63)	—	—	63	—
Share-based compensation expense	—	3,354	—	—	—	3,354
Taxes paid for net share settlements	—	1	—	—	—	1
Other comprehensive income, net	—	—	(4,402)	—	—	(4,402)
Net income attributable to G-III Apparel Group, Ltd.	—	—	—	106,674	—	106,674
Balance as of October 31, 2021	<u>\$ 264</u>	<u>\$ 450,768</u>	<u>\$ (11,428)</u>	<u>\$ 1,068,575</u>	<u>\$ (21,940)</u>	<u>\$ 1,486,239</u>
Balance as of July 31, 2020	\$ 264	\$ 444,384	\$ (18,260)	\$ 838,867	\$ (27,506)	\$ 1,237,749
Share-based compensation expense	—	2,278	—	—	—	2,278
Other comprehensive loss, net	—	—	7,066	—	—	7,066
Net income attributable to G-III Apparel Group, Ltd.	—	—	—	63,174	—	63,174
Balance as of October 31, 2020	<u>\$ 264</u>	<u>\$ 446,662</u>	<u>\$ (11,194)</u>	<u>\$ 902,041</u>	<u>\$ (27,506)</u>	<u>\$ 1,310,267</u>
Balance as of January 31, 2021	\$ 264	\$ 448,417	\$ (2,094)	\$ 916,683	\$ (27,029)	\$ 1,336,241
Equity awards exercised/vested, net	—	(5,089)	—	—	5,089	—
Share-based compensation expense	—	11,773	—	—	—	11,773
Taxes paid for net share settlements	—	(4,333)	—	—	—	(4,333)
Cumulative effect of change in accounting principle	—	—	—	(271)	—	(271)
Other comprehensive income, net	—	—	(9,334)	—	—	(9,334)
Net income attributable to G-III Apparel Group, Ltd.	—	—	—	152,163	—	152,163
Balance as of October 31, 2021	<u>\$ 264</u>	<u>\$ 450,768</u>	<u>\$ (11,428)</u>	<u>\$ 1,068,575</u>	<u>\$ (21,940)</u>	<u>\$ 1,486,239</u>
Balance as of January 31, 2020	\$ 264	\$ 452,142	\$ (18,008)	\$ 893,138	\$ (36,864)	\$ 1,290,672
Equity awards exercised/vested, net	—	(9,178)	—	—	9,358	180
Share-based compensation expense	—	4,015	—	—	—	4,015
Taxes paid for net share settlements	—	(317)	—	—	—	(317)
Other comprehensive loss, net	—	—	6,814	—	—	6,814
Net income attributable to G-III Apparel Group, Ltd.	—	—	—	8,903	—	8,903
Balance as of October 31, 2020	<u>\$ 264</u>	<u>\$ 446,662</u>	<u>\$ (11,194)</u>	<u>\$ 902,041</u>	<u>\$ (27,506)</u>	<u>\$ 1,310,267</u>

The accompanying notes are an integral part of these statements.

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended October 31,	
	2021	2020
	(Unaudited)	
	(In thousands)	
Cash flows from operating activities		
Net income attributable to G-III Apparel Group, Ltd.	\$ 152,163	\$ 8,903
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,166	29,745
Loss on disposal of fixed assets	55	474
Non-cash operating lease costs	31,635	59,643
Gain on lease modifications	—	(2,539)
Asset impairments	—	19,911
Dividend received from unconsolidated affiliate	1,376	2,695
Equity (gain)/loss in unconsolidated affiliates	(2,783)	(340)
Change in fair value of equity investment	(1,206)	—
Share-based compensation	11,773	4,015
Deferred financing charges and debt discount amortization	7,212	7,712
Extinguishment of deferred financing costs	—	6,503
Deferred income taxes	1,747	2
Changes in operating assets and liabilities:		
Accounts receivable, net	(351,683)	(190,838)
Inventories	(32,488)	90,148
Income taxes, net	52,229	6,587
Prepaid expenses and other current assets	9,071	42,704
Other assets, net	1,003	(342)
Customer refund liabilities	(18,085)	(113,023)
Operating lease liabilities	(34,720)	(61,822)
Accounts payable, accrued expenses and other liabilities	136,147	(37,709)
Net cash used in operating activities	<u>(15,388)</u>	<u>(127,571)</u>
Cash flows from investing activities		
Operating lease assets initial direct costs	—	(4,041)
Minority investment in e-commerce retailer	(25,000)	—
Capital expenditures	(13,004)	(12,392)
Investment in brand acquisition	(13,266)	—
Net cash used in investing activities	<u>(51,270)</u>	<u>(16,433)</u>
Cash flows from financing activities		
Repayment of borrowings - revolving facility	—	(878,083)
Proceeds from borrowings - revolving facility	—	878,083
Repayment of borrowings - foreign facilities	(277)	—
Proceeds from borrowings - foreign facilities	100	—
Repayment of borrowings - unsecured term loan	—	(300,262)
Proceeds from borrowings - unsecured term loan	—	7,103
Proceeds from borrowings - senior secured notes	—	400,000
Payment of financing costs	—	(13,276)
Proceeds from exercise of equity awards	—	180
Taxes paid for net share settlements	(4,333)	(317)
Net cash (used in) provided by financing activities	<u>(4,510)</u>	<u>93,428</u>
Foreign currency translation adjustments		
Net decrease in cash and cash equivalents	(72,370)	(47,627)
Cash and cash equivalents at beginning of period	351,934	197,372
Cash and cash equivalents at end of period	<u>\$ 279,564</u>	<u>\$ 149,745</u>
Supplemental disclosures of cash flow information		
Cash payments:		
Interest, net	\$ 36,954	\$ 14,864
Income tax payments, net	\$ 5,370	\$ 1,628
Stock received from licensing agreement	\$ 4,831	\$ —

The accompanying notes are an integral part of these statements.

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation

As used in these financial statements, the term “Company” or “G-III” refers to G-III Apparel Group, Ltd. and its subsidiaries. The Company designs, sources and markets an extensive range of apparel, including outerwear, dresses, sportswear, swimwear, women’s suits and women’s performance wear, as well as women’s handbags, footwear, small leather goods, cold weather accessories and luggage. The Company also operates retail stores and licenses its proprietary brands for several product categories.

The Company consolidates the accounts of its wholly-owned and majority-owned subsidiaries. Fabco Holding B.V (“Fabco”) is a Dutch joint venture limited liability company that was 49% owned by the Company through November 30, 2020 and was accounted for using the equity method of accounting. Effective December 1, 2020, the Company increased its ownership interest in Fabco to 75% and, as a result, Fabco is treated as a consolidated majority-owned subsidiary. KL North America B.V. (“KLNA”) is a Dutch joint venture limited liability company that is 49% owned by the Company. Karl Lagerfeld Holding B.V. (“KLH”) is a Dutch limited liability company that is 19% owned by the Company. The Company accounts for these two investments using the equity method of accounting. All material intercompany balances and transactions have been eliminated.

Vilebrequin International SA (“Vilebrequin”), a Swiss corporation that is wholly-owned by the Company, KLH, KLNA and Fabco report results on a calendar year basis rather than on the January 31 fiscal year basis used by the Company. Accordingly, the results of Vilebrequin, KLH, KLNA and Fabco are, and will be, included in the financial statements for the quarter ended or ending closest to the Company’s fiscal quarter end. For example, with respect to the Company’s results for the nine-month period ended October 31, 2021, the results of Vilebrequin, KLH, KLNA and Fabco are included for the nine-month period ended September 30, 2021. The Company’s retail operations segment reports on a 52/53-week fiscal year. For fiscal 2022 and 2021, the three and nine-month periods for the retail operations segment were each 13-week and 39-week periods, respectively, and ended on October 30, 2021 and October 31, 2020, respectively.

The results for the three and nine months ended October 31, 2021 are not necessarily indicative of the results expected for the entire fiscal year, given the seasonal nature of the Company’s business and the effects of the COVID-19 pandemic on the Company’s business. The accompanying financial statements included herein are unaudited. All adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations and cash flows for the interim period presented have been reflected.

The accompanying financial statements should be read in conjunction with the financial statements and notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended January 31, 2021 filed with the Securities and Exchange Commission (the “SEC”).

Assets and liabilities of the Company’s foreign operations, where the functional currency is not the U.S. dollar (reporting currency), are translated from foreign currency into U.S. dollars at period-end rates, while income and expenses are translated at the weighted-average exchange rates for the period. The related translation adjustments are reflected as a foreign currency translation adjustment in accumulated other comprehensive loss within stockholders’ equity.

Change in Accounting Principle

Effective February 1, 2021, the Company elected to change its method of accounting for retail inventories from the lower of cost or market as determined by the retail inventory method to the lower of cost or net realizable value using the weighted average cost method. The Company believes the new method is preferable as it provides better matching of cost of goods sold with revenue, improves the precision of inventory valuation at the balance sheet dates, and more closely aligns with the valuation methods used throughout the rest of the Company. In addition, the change in inventory valuation better aligns with the way the Company manages its business with a focus on the actual margin realized.

The Company determined that it was impractical to apply this change in accounting principle retrospectively due to a lack of available information. As a result, the Company applied the change prospectively as of February 1, 2021. The cumulative adjustment as of February 1, 2021 was a decrease of \$0.3 million in both inventories and retained earnings. The change in accounting principle did not have a material effect on the Company's condensed consolidated financial statements as of and for the three and nine-month periods ended October 31, 2021.

Note 2 – Retail Restructuring

In fiscal 2021, the Company restructured its retail operations segment, including the closing of the Wilsons Leather, G.H. Bass and Calvin Klein Performance stores. Restructuring charges are recorded within selling, general and administrative expenses in the Company's condensed consolidated statements of operations and comprehensive income. During the three months ended October 31, 2021, the Company paid the final \$46,000 related to store closing costs. As a result, as of October 31, 2021, the Company has paid all remaining restructuring charges.

Note 3 – Allowance for Doubtful Accounts

The Company's financial instruments consist of trade receivables arising from revenue transactions in the ordinary course of business. The Company considers its trade receivables to consist of two portfolio segments: wholesale and retail trade receivables. Wholesale trade receivables result from credit the Company has extended to its wholesale customers based on pre-defined criteria and are generally due within 30 to 60 days. Retail trade receivables primarily relate to amounts due from third-party credit card processors for the settlement of debit and credit card transactions and are typically collected within 3 to 5 days.

The Company's accounts receivable and allowance for doubtful accounts as of October 31, 2021, October 31, 2020 and January 31, 2021 were:

	October 31, 2021		
	Wholesale	Retail	Total
	(In thousands)		
Accounts receivable, gross	\$ 860,245	\$ 1,586	\$ 861,831
Allowance for doubtful accounts	(17,412)	(37)	(17,449)
Accounts receivable, net	<u>\$ 842,833</u>	<u>\$ 1,549</u>	<u>\$ 844,382</u>

	October 31, 2020		
	Wholesale	Retail	Total
	(In thousands)		
Accounts receivable, gross	\$ 734,481	\$ 1,968	\$ 736,449
Allowance for doubtful accounts	(15,437)	(37)	(15,474)
Accounts receivable, net	<u>\$ 719,044</u>	<u>\$ 1,931</u>	<u>\$ 720,975</u>

	January 31, 2021		
	Wholesale	Retail	Total
	(In thousands)		
Accounts receivable, gross	\$ 509,010	\$ 1,147	\$ 510,157
Allowance for doubtful accounts	(17,429)	(30)	(17,459)
Accounts receivable, net	<u>\$ 491,581</u>	<u>\$ 1,117</u>	<u>\$ 492,698</u>

The allowance for doubtful accounts for wholesale trade receivables is estimated based on several factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations (such as in the case of bankruptcy filings (including potential bankruptcy filings), extensive delay in payment or substantial downgrading by credit rating agencies), a specific reserve for bad debt is recorded against amounts due from that customer to reduce the net recognized receivable to the amount reasonably expected to be collected. For all other wholesale customers, an allowance for doubtful accounts is determined through analysis of the aging of accounts receivable at the end of the reporting period for financial statements, assessments of collectability based on historical trends and an evaluation of the

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impact of economic conditions. The Company considers both current and forecasted future economic conditions in determining the adequacy of its allowance for doubtful accounts.

The allowance for doubtful accounts for retail trade receivables is estimated at the credit card chargeback rate applied to the previous 90 days of credit card sales. In addition, the Company considers both current and forecasted future economic conditions in determining the adequacy of its allowance for doubtful accounts.

The Company had the following activity in its allowance for credit losses:

	<u>Wholesale</u>	<u>Retail</u> <u>(In thousands)</u>	<u>Total</u>
Balance as of January 31, 2021	\$ (17,429)	\$ (30)	\$ (17,459)
Provision for credit losses	(54)	(7)	(61)
Accounts written off as uncollectible	71	—	71
Balance as of October 31, 2021	<u>\$ (17,412)</u>	<u>\$ (37)</u>	<u>\$ (17,449)</u>
Balance as of January 31, 2020	\$ (628)	\$ (82)	\$ (710)
Provision for credit losses	(14,919)	45	(14,874)
Accounts written off as uncollectible	110	—	110
Balance as of October 31, 2020	<u>\$ (15,437)</u>	<u>\$ (37)</u>	<u>\$ (15,474)</u>
Balance as of January 31, 2020	\$ (628)	\$ (82)	\$ (710)
Provision for credit losses	(16,934)	52	(16,882)
Accounts written off as uncollectible	133	—	133
Balance as of January 31, 2021	<u>\$ (17,429)</u>	<u>\$ (30)</u>	<u>\$ (17,459)</u>

Note 4 – Inventories

Wholesale inventories, which comprise a significant portion of the Company's inventory, are stated at the lower of cost (determined by the first-in, first-out method) or net realizable value. Prior to February 1, 2021, retail inventories were valued at the lower of cost or market as determined by the retail inventory method. Effective February 1, 2021, the Company elected to change its method of accounting for retail inventories to the lower of cost (determined by the weighted average method) or net realizable value. See Note 1 – Basis of Presentation for more details on the preferability and application of this change in accounting principle. Vilebrequin inventories are stated at the lower of cost (determined by the weighted average method) or net realizable value. Substantially all of the Company's inventories consist of finished goods.

The inventory return asset, which consists of the amount of goods that are anticipated to be returned by customers, represented \$13.9 million, \$20.6 million and \$22.5 million as of October 31, 2021, October 31, 2020 and January 31, 2021, respectively. The inventory return asset is recorded within prepaid expenses and other current assets on the condensed consolidated balance sheets.

Inventory held on consignment by the Company's customers totaled \$5.6 million, \$4.8 million and \$3.5 million at October 31, 2021, October 31, 2020 and January 31, 2021, respectively. Consignment inventory is stored at the facilities of the Company's customers. The Company reflects this inventory on its condensed consolidated balance sheets.

Note 5 – Fair Value of Financial Instruments

Generally Accepted Accounting Principles establish a three-level valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy for a particular asset or liability depends on the inputs used in its valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally-derived (unobservable). A financial instrument's categorization within the valuation hierarchy

is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1 — inputs to the valuation methodology based on quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — inputs to the valuation methodology based on quoted prices for similar assets or liabilities in active markets for substantially the full term of the financial instrument; quoted prices for identical or similar instruments in markets that are not active for substantially the full term of the financial instrument; and model-derived valuations whose inputs or significant value drivers are observable.
- Level 3 — inputs to the valuation methodology based on unobservable prices or valuation techniques that are significant to the fair value measurement.

The following table summarizes the carrying values and the estimated fair values of the Company’s debt instruments:

Financial Instrument	Level	Carrying Value			Fair Value		
		October 31, 2021	October 31, 2020	January 31, 2021	October 31, 2021	October 31, 2020	January 31, 2021
(In thousands)							
Secured notes	2	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Note issued to LVMH	3	112,613	106,361	107,869	107,983	99,832	101,810
Unsecured loans	2	8,444	7,232	9,119	8,444	7,232	9,119
Overdraft facilities	2	2,841	2,885	3,007	2,841	2,885	3,007

The Company’s debt instruments are recorded at their carrying values in its condensed consolidated balance sheets, which may differ from their respective fair values. The carrying amount of the Company’s variable rate debt approximates the fair value, as interest rates change with the market rates. Furthermore, the carrying value of all other financial instruments potentially subject to valuation risk (principally consisting of cash, accounts receivable and accounts payable) also approximates fair value due to the short-term nature of these accounts.

The 2% note in the principal amount of \$125 million (the “LVMH Note”) issued to LVMH Moët Hennessy Louis Vuitton Inc. (“LVMH”) in connection with the acquisition of Donna Karan International (“DKI”) was recorded on the balance sheet at a discount of \$40.0 million in accordance with ASC 820 – *Fair Value Measurements*. For purposes of this fair value disclosure, the Company based its fair value estimate for the LVMH Note on the initial fair value as determined at the date of the acquisition of DKI and records the amortization using the effective interest method over the term of the LVMH Note.

The fair value of the LVMH Note was considered a Level 3 valuation in the fair value hierarchy.

Non-Financial Assets and Liabilities

The Company’s non-financial assets that are measured at fair value on a nonrecurring basis include long-lived assets, which consist primarily of property and equipment and operating lease assets. The Company reviews these assets for impairment whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable. For assets that are not recoverable, an impairment loss is recognized equal to the difference between the carrying amount of the asset or asset group and its estimated fair value. For operating lease assets, the Company determines the fair value of the assets by discounting the estimated market rental rates over the remaining term of the lease. These fair value measurements are considered level 3 measurements in the fair value hierarchy. During the second quarter of fiscal 2021, the Company recorded a \$20 million impairment charge primarily related to operating lease assets, leasehold improvements and furniture and fixtures at certain Wilsons Leather, G.H. Bass, DKNY and Vilebrequin stores as a result of the performance at these stores.

Note 6 – Leases

The Company leases retail stores, warehouses, distribution centers, office space and certain equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term.

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Most leases are for a term of one to ten years. Some leases include one or more options to renew, with renewal terms that can extend the lease term from one to ten years. Several of the Company's retail store leases include an option to terminate the lease based on failure to achieve a specified sales volume. The exercise of lease renewal options is generally at the Company's sole discretion. The exercise of lease termination options is generally by mutual agreement between the Company and the lessor.

Certain of the Company's lease agreements include rental payments based on a percentage of retail sales over contractual levels and others include rental payments adjusted periodically for inflation. The Company's leases do not contain any material residual value guarantees or material restrictive covenants.

The Company's lease assets and liabilities as of October 31, 2021, October 31, 2020 and January 31, 2021 consist of the following:

<u>Leases</u>	<u>Classification</u>	<u>October 31, 2021</u>	<u>October 31, 2020</u>	<u>January 31, 2021</u>
(In thousands)				
Assets				
Operating	Operating lease assets	\$ 176,530	\$ 181,187	\$ 186,070
Total lease assets		<u>\$ 176,530</u>	<u>\$ 181,187</u>	<u>\$ 186,070</u>
Liabilities				
Current operating	Current operating lease liabilities	\$ 45,117	\$ 65,554	\$ 43,560
Noncurrent operating	Noncurrent operating lease liabilities	147,688	157,983	161,668
Total lease liabilities		<u>\$ 192,805</u>	<u>\$ 223,537</u>	<u>\$ 205,228</u>

The Company's operating lease liabilities significantly declined during fiscal 2021 due to the restructuring of the retail operations segment, partially offset by other leasing activity. As a result of this restructuring, the Company closed its Wilsons Leather, G.H. Bass and Calvin Klein Performance stores during fiscal 2021.

The Company recorded lease costs of \$14.0 million and \$41.1 million during the three and nine months ended October 31, 2021. The Company recorded lease costs of \$18.7 million and \$77.1 million during the three and nine months ended October 31, 2020, respectively. Lease costs are recorded within selling, general and administrative expenses in the Company's condensed consolidated statements of operations and comprehensive income. The Company recorded variable lease costs and short-term lease costs of \$2.8 million and \$6.2 million for the three and nine months ended October 31, 2021, respectively. The Company recorded variable lease costs and short-term lease costs of \$6.2 million and \$5.3 million for the three and nine months ended October 31, 2020, respectively. Short-term lease costs are immaterial.

As of October 31, 2021, the Company's maturity of operating lease liabilities in the years ending up to January 31, 2026 and thereafter are as follows:

<u>Year Ending January 31,</u>	<u>Amount</u>
	<u>(In thousands)</u>
2022	\$ 14,735
2023	57,185
2024	43,292
2025	35,903
2026	28,428
After 2026	60,958
Total lease payments	<u>\$ 240,501</u>
Less: Interest	47,696
Present value of lease liabilities	<u>\$ 192,805</u>

As of October 31, 2021, there are no material leases that are legally binding but have not yet commenced.

As of October 31, 2021, the weighted average remaining lease term related to operating leases is 5.3 years. The weighted average discount rate related to operating leases is 8.4%.

Cash paid for amounts included in the measurement of operating lease liabilities is \$44.5 million and \$79.7 million during the nine months ended October 31, 2021 and October 31, 2020, respectively. Right-of-use assets obtained in exchange for lease obligations were \$24.6 million and \$41.3 million during the nine months ended October 31, 2021 and October 31, 2020, respectively.

Note 7 – Net Income per Common Share

Basic net income per common share has been computed using the weighted average number of common shares outstanding during each period. Diluted net income per share, when applicable, is computed using the weighted average number of common shares and potential dilutive common shares, consisting of unvested restricted stock unit awards and stock options outstanding during the period. Approximately 68,800 and 18,300 shares of common stock have been excluded from the diluted net income per share calculation for the three and nine months ended October 31, 2021, respectively. Approximately 262,100 and 215,600 shares of common stock have been excluded from the diluted net income per share calculation for the three and nine months ended October 31, 2020, respectively. All share-based payments outstanding that vest based on the achievement of performance conditions, and for which the respective performance conditions have not been achieved, have been excluded from the diluted per share calculation.

The following table reconciles the numerators and denominators used in the calculation of basic and diluted net income per share:

	<u>Three Months Ended October 31,</u>		<u>Nine Months Ended October 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(In thousands, except share and per share amounts)			
Net income attributable to G-III Apparel Group, Ltd.	\$ 106,674	\$ 63,174	\$ 152,163	\$ 8,903
Basic net income per share:				
Basic common shares	48,567	48,359	48,474	48,201
Basic net income per share	\$ 2.20	\$ 1.31	\$ 3.14	\$ 0.18
Diluted net income per share:				
Basic common shares	48,567	48,359	48,474	48,201
Dilutive restricted stock unit awards and stock options	891	450	1,025	388
Diluted common shares	49,458	48,809	49,499	48,589
Diluted net income per share	\$ 2.16	\$ 1.29	\$ 3.07	\$ 0.18

Note 8 – Notes Payable

Long-term debt consists of the following:

	<u>October 31, 2021</u>	<u>October 31, 2020</u>	<u>January 31, 2021</u>
	(In thousands)		
Secured Notes	\$ 400,000	\$ 400,000	\$ 400,000
Revolving credit facility	—	—	—
LVMH Note	125,000	125,000	125,000
Unsecured loans	8,444	7,232	9,119
Overdraft facilities	2,841	2,885	3,007
Subtotal	536,285	535,117	537,126
Less: Net debt issuance costs ⁽¹⁾	(6,369)	(8,067)	(7,643)
Debt discount	(12,387)	(18,639)	(17,131)
Current portion of long-term debt	(4,063)	(4,083)	(4,402)
Total	\$ 513,466	\$ 504,328	\$ 507,950

⁽¹⁾ Does not include debt issuance costs, net of amortization, totaling \$6.0 million, \$7.3 million and \$7.2 million as of October 31, 2021, October 31, 2020 and January 31, 2021, respectively, related to the revolving credit facility. These debt issuance costs have been deferred and are classified in assets in the accompanying condensed consolidated balance sheets in accordance with ASC 835.

Senior Secured Notes

In August 2020, the Company completed a private debt offering of \$400 million aggregate principal amount of its 7.875% Senior Secured Notes due 2025 (the “Notes”). The terms of the Notes are governed by an indenture (the “Indenture”), among the Company, the guarantors party thereto and U.S. Bank, National Association, as trustee and collateral agent (the “Collateral Agent”). The net proceeds of the Notes have been used (i) to repay the \$300 million that was outstanding under the Company’s prior term loan facility due 2022 (the “Term Loan”), (ii) to pay related fees and expenses and (iii) for general corporate purposes.

The Notes bear interest at a rate of 7.875% per year payable semi-annually in arrears on February 15 and August 15 of each year, commencing on February 15, 2021.

The Notes are unconditionally guaranteed on a senior-priority secured basis by the Company’s current and future wholly-owned domestic subsidiaries that guarantee any of the Company’s credit facilities, including the Company’s ABL facility (the “ABL Facility”) pursuant to the ABL Credit Agreement, or certain future capital markets indebtedness of the Company or guarantors.

The Notes and the related guarantees are secured by (i) first priority liens on the Company’s Cash Flow Priority Collateral (as defined in the Indenture), and (ii) a second-priority lien on the Company’s ABL Priority Collateral (as defined in the Indenture), in each case subject to permitted liens described in the Indenture.

In connection with the issuance of the Notes and execution of the Indenture, the Company and the Guarantors entered into a pledge and security agreement (the “Pledge and Security Agreement”), among the Company, the Guarantors and the Collateral Agent.

The Notes are subject to the terms of the intercreditor agreement which governs the relative rights of the secured parties in respect of the ABL Facility and the Notes (the “Intercreditor Agreement”). The Intercreditor Agreement restricts the actions permitted to be taken by the Collateral Agent with respect to the Collateral on behalf of the holders of the Notes. The Notes are also subject to the terms of the LVMH Note subordination agreement which governs the relative rights of the secured parties in respect of the LVMH Note, the ABL Facility and the Notes.

At any time prior to August 15, 2022, the Company may redeem some or all of the Notes at a price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date plus a “make-whole” premium, as described in the Indenture. On or after August 15, 2022, the Company may redeem some or all of the Notes at any time and from time to time at the redemption prices set forth in the Indenture, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. In addition, at any time prior to August 15, 2022, the Company may redeem up to 40% of the aggregate principal amount of the Notes with the proceeds of certain equity offerings at the redemption price set forth in the Indenture, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. In addition, at any time prior to August 15, 2022, during any twelve month period, the Company may redeem up to 10% of the aggregate principal amount of the Notes at a redemption price equal to 103% of the principal amount of the Notes redeemed plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date.

If the Company experiences a Change of Control (as defined in the Indenture), the Company is required to offer to repurchase the Notes at 101% of the principal amount of such Notes plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.

The Indenture contains covenants that, among other things, limit the Company’s ability and the ability of its restricted subsidiaries to incur or guarantee additional indebtedness, pay dividends or make other restricted payments, make certain investments, incur restrictions on the ability of the Company’s restricted subsidiaries that are not guarantors to pay dividends or make certain other payments, create or incur certain liens, sell assets and subsidiary stock, impair the security interests, transfer all or substantially all of the Company’s assets or enter into merger or consolidation transactions, and enter into transactions with affiliates. The Indenture provides for customary events of default which include (subject in certain cases to customary grace and cure periods), among others, nonpayment of principal or interest, breach of other agreements in the Indenture, failure to pay certain other indebtedness, failure of certain guarantees to be enforceable,

failure to perfect certain collateral securing the Notes failure to pay certain final judgments, and certain events of bankruptcy or insolvency.

The Company incurred debt issuance costs totaling \$8.5 million related to the Notes that will be amortized over the term of the Notes. In accordance with ASC 835, the debt issuance costs have been deferred and are presented as a contra-liability, offsetting the outstanding balance of the Notes, and are amortized over the remaining life of the Notes. In addition, the Company had unamortized debt issuance costs of \$6.1 million associated with the Term Loan. Upon repayment of the Term Loan, these debt issuance costs were fully extinguished and charged to interest expense in the Company's results of operations.

Second Amended and Restated ABL Credit Agreement

In August 2020, the Company's subsidiaries, G-III Leather Fashions, Inc., Riviera Sun, Inc., CK Outerwear, LLC, AM Retail Group, Inc. and The Donna Karan Company Store LLC (collectively, the "Borrowers"), entered into the second amended and restated credit agreement (the "ABL Credit Agreement") with the Lenders named therein and with JPMorgan Chase Bank, N.A., as Administrative Agent. The ABL Credit Agreement is a five year senior secured credit facility subject to a springing maturity date if, subject to certain conditions, the LVMH Note is not refinanced or repaid prior to the date that is 91 days prior to the date of any relevant payment thereunder. The ABL Credit Agreement provides for borrowings in the aggregate principal amount of up to \$650 million. The Company and its subsidiaries, G-III Apparel Canada ULC, Gabrielle Studio, Inc., Donna Karan International Inc. and Donna Karan Studio LLC (the "Guarantors"), are Loan Guarantors under the ABL Credit Agreement.

The ABL Credit Agreement refinanced, amended and restated the Amended Credit Agreement, dated as of December 1, 2016 (as amended, supplemented or otherwise modified from time to time prior to August 7, 2020, the "Prior Credit Agreement"), by and among the Borrowers and the Loan Guarantors (each as defined therein) party thereto, the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., in its capacity as the administrative agent thereunder. The Prior Credit Agreement provided for borrowings of up to \$650 million and was due to expire in December 2021. The ABL Credit Agreement extended the maturity date to August 2025, subject to a springing maturity date if, subject to certain conditions, the LVMH Note is not refinanced or repaid prior to the date that is 91 days prior to the date of any relevant payment thereunder.

Amounts available under the ABL Credit Agreement are subject to borrowing base formulas and overadvances as specified in the ABL Credit Agreement. Borrowings bear interest, at the Borrowers' option, at LIBOR plus a margin of 1.75% to 2.25% or an alternate base rate margin of 0.75% to 1.25% (defined as the greatest of (i) the "prime rate" of JPMorgan Chase Bank, N.A. from time to time, (ii) the federal funds rate plus 0.5% and (iii) the LIBOR rate for a borrowing with an interest period of one month) plus 1.00%, with the applicable margin determined based on Borrowers' availability under the ABL Credit Agreement. The ABL Credit Agreement is secured by specified assets of the Borrowers and the Guarantors. In addition to paying interest on any outstanding borrowings under the ABL Credit Agreement, the Company is required to pay a commitment fee to the lenders under the credit agreement with respect to the unutilized commitments. The commitment fee accrues at a tiered rate equal to 0.50% per annum on the average daily amount of the available commitments when the average usage is less than 50% of the total available commitments and decreases to 0.35% per annum on the average daily amount of the available commitments when the average usage is greater than or equal to 50% of the total available commitments.

The revolving credit facility contains covenants that, among other things, restrict the Company's ability, subject to specified exceptions, to incur additional debt; incur liens; sell or dispose of certain assets; merge with other companies; liquidate or dissolve the Company; acquire other companies; make loans, advances, or guarantees; and make certain investments. In certain circumstances, the revolving credit facility also requires the Company to maintain a fixed charge coverage ratio, as defined in the agreement, not less than 1.00 to 1.00 for each period of twelve consecutive fiscal months of the Company. As of October 31, 2021, the Company was in compliance with these covenants.

As of October 31, 2021, the Company had no borrowings outstanding under the ABL Credit Agreement. The ABL credit agreement also includes amounts available for letters of credit. As of October 31, 2021, there were outstanding trade and standby letters of credit amounting to \$13.1 million and \$4.0 million, respectively.

At the date of the refinancing of the Prior Credit Agreement, the Company had \$3.3 million of unamortized debt issuance costs remaining from the Prior Credit Agreement. The Company extinguished and charged to interest expense \$0.4 million of the prior debt issuance costs and incurred new debt issuance costs totaling \$5.1 million related to the ABL Credit Agreement. The Company has a total of \$8.0 million debt issuance costs related to the ABL Credit Agreement. As permitted under ASC 835, the debt issuance costs have been deferred and are presented as an asset which is amortized ratably over the term of the ABL Credit Agreement.

LVMH Note

As a portion of the consideration for the acquisition of DKI, the Company issued to LVMH a junior lien secured promissory note in the principal amount of \$125.0 million that bears interest at the rate of 2% per year. \$75.0 million of the principal amount of the LVMH Note is due and payable on June 1, 2023 and \$50.0 million of such principal amount is due and payable on December 1, 2023.

ASC 820 requires the note to be recorded at fair value at issuance. As a result, the Company recorded a \$40.0 million debt discount. This discount is being amortized as interest expense using the effective interest method over the term of the LVMH Note.

Unsecured Loans

During fiscal 2020 and fiscal 2021, T.R.B International SA (“TRB”), a subsidiary of Vilebrequin, borrowed funds under several unsecured loans. A portion of the unsecured loans were to provide funding for operations in the normal course of business, while other unsecured loans were various European state backed loans as part of COVID-19 relief programs. In the aggregate, TRB is currently required to make quarterly installment payments of €0.2 million under these loans. Interest on the outstanding principal amount of the unsecured loans accrues at a fixed rate equal to 0% to 2.0% per annum, payable on either a quarterly or monthly basis. As of October 31, 2021, TRB had an aggregate outstanding balance of €7.3 million (\$8.4 million) under these unsecured loans.

Overdraft Facilities

During fiscal 2021, TRB entered into several overdraft facilities that allow for applicable bank accounts to be in a negative position up to a certain maximum overdraft. TRB entered into an uncommitted overdraft facility with HSBC Bank allowing for a maximum overdraft of €5 million. Interest on drawn balances accrues at a rate equal to the Euro Interbank Offered Rate plus a margin of 1.75% per annum, payable quarterly. The facility may be cancelled at any time by TRB or HSBC Bank. As part of a COVID-19 relief program, TRB and its subsidiaries have also entered into several state backed overdraft facilities with UBS Bank in Switzerland for an aggregate of CHF 4.7 million at varying interest rates of 0% to 0.5%. As of October 31, 2021, TRB had an aggregate of €2.5 million (\$2.8 million) drawn under these facilities.

Note 9 – Sonia Rykiel Acquisition

In October 2021, the Company purchased European luxury fashion brand Sonia Rykiel. The total purchase price was not material. Sonia Rykiel was one of the leading figures of Parisian fashion who created the iconic brand. Sonia Rykiel is a wholly-owned operating subsidiary that reports results on a calendar year basis rather than the January 31 fiscal year basis used by the Company. Accordingly, the results of Sonia Rykiel will be included in the Company’s consolidated financial statements beginning in the fourth quarter of fiscal 2022.

The acquisition was accounted for under the acquisition method of accounting. Accordingly, the acquired assets have been recorded at their estimated fair values as of October 31, 2021. The Company is currently evaluating the fair value of the acquired trademarks and other assets and liabilities, including contingent consideration, and has preliminarily recorded the acquisition to trademarks and goodwill.

Note 10 – Revenue Recognition

Disaggregation of Revenue

In accordance with ASC 606 – *Revenue from Contracts with Customers*, the Company discloses its revenues by segment. Each segment presents its own characteristics with respect to the timing of revenue recognition and the type of customer. In addition, disaggregating revenues using a segment basis is consistent with how the Company’s Chief Operating Decision Maker manages the Company. The Company has identified the wholesale operations segment and the retail operations segment as distinct sources of revenue.

Wholesale Operations Segment. Wholesale revenues include sales of products to retailers under owned, licensed and private label brands, as well as sales related to the Vilebrequin business. Wholesale revenues from sales of products are recognized when control transfers to the customer. The Company considers control to have been transferred when the Company has transferred physical possession of the product, the Company has a right to payment for the product, the customer has legal title to the product and the customer has the significant risks and rewards of the product. Wholesale revenues are adjusted by variable consideration arising from implicit or explicit obligations. Wholesale revenues also include revenues from license agreements related to the DKNY, Donna Karan, G.H. Bass, Andrew Marc and Vilebrequin trademarks owned by the Company. As of October 31, 2021, revenues from license agreements represented an insignificant portion of wholesale revenues.

Retail Operations Segment. Retail store revenues are generated by direct sales to consumers through company-operated stores and product sales through the Company’s digital channels for the DKNY, Donna Karan, G.H. Bass, Karl Lagerfeld Paris, Andrew Marc and Wilsons Leather businesses. Prior to completion of the restructuring in fiscal 2021, retail stores primarily consisted of Wilsons Leather, G.H. Bass, DKNY and Karl Lagerfeld Paris retail stores, substantially all of which are operated as outlet stores. The Company’s Wilsons Leather, G.H. Bass and Calvin Klein Performance stores were closed in fiscal 2021 as a result of the retail restructuring. Retail operations segment revenues are recognized at the point of sale when the customer takes possession of the goods and tenders payment. Digital revenues primarily consist of sales to consumers through the Company’s digital platforms. Digital revenue is recognized when a customer takes possession of the goods. Retail sales are recorded net of applicable sales tax.

Contract Liabilities

The Company’s contract liabilities, which are recorded within accrued expenses in the accompanying condensed consolidated balance sheets, primarily consist of gift card liabilities and advance payments from licensees. In some of its retail concepts, the Company also offers a limited loyalty program where customers accumulate points redeemable for cash discount certificates that expire 90 days after issuance. Total contract liabilities were \$3.8 million, \$4.1 million and \$5.9 million at October 31, 2021, October 31, 2020 and January 31, 2021, respectively. The Company recognized \$3.2 million in revenue for the three months ended October 31, 2021 related to contract liabilities that existed at July 31, 2021. The Company recognized \$4.4 million in revenue for the nine months ended October 31, 2021 related to contract liabilities that existed at January 31, 2021. There were no contract assets recorded as of October 31, 2021, October 31, 2020 and January 31, 2021. Substantially all of the advance payments from licensees as of October 31, 2021 are expected to be recognized as revenue within the next twelve months.

Note 11 – Segments

The Company’s reportable segments are business units that offer products through different channels of distribution. The Company has two reportable segments: wholesale operations and retail operations. The wholesale operations segment includes sales of products under the Company’s owned, licensed and private label brands, as well as sales related to the Vilebrequin business. Wholesale revenues also include revenues from license agreements related to our owned trademarks including DKNY, Donna Karan, Vilebrequin, G.H. Bass and Andrew Marc. The retail operations segment consists primarily of direct sales to consumers through Company-operated stores, which, prior to the completion of the retail restructuring in fiscal 2021, consisted primarily of Wilsons Leather, G.H. Bass, DKNY and Karl Lagerfeld Paris stores, substantially all of which were operated as outlet stores. Sales through Company-owned channels, with the exception of Vilebrequin, are also included in the retail operations segment. As a result of the restructuring of the Company’s retail operations, the Company closed its Wilsons Leather, G.H. Bass and Calvin Klein Performance retail stores during fiscal

2021. After completion of the restructuring, the Company's retail operations segment consists of DKNY and Karl Lagerfeld Paris stores, as well as the digital channels for DKNY, Donna Karan, Karl Lagerfeld Paris, G.H. Bass, Andrew Marc and Wilsons Leather.

The following segment information is presented for the three-month periods indicated below:

	Three Months Ended October 31, 2021			
	Wholesale	Retail	Elimination ⁽¹⁾	Total
	(In thousands)			
Net sales	\$ 1,013,440	\$ 26,164	\$ (24,212)	\$ 1,015,392
Cost of goods sold	678,959	13,135	(24,212)	667,882
Gross profit	334,481	13,029	—	347,510
Selling, general and administrative expenses	162,357	20,003	—	182,360
Depreciation and amortization	6,089	935	—	7,024
Operating profit (loss)	\$ 166,035	\$ (7,909)	\$ —	\$ 158,126

	Three Months Ended October 31, 2020			
	Wholesale	Retail	Elimination ⁽¹⁾	Total
	(In thousands)			
Net sales	\$ 783,030	\$ 57,982	\$ (14,451)	\$ 826,561
Cost of goods sold	504,919	38,338	(14,451)	528,806
Gross profit	278,111	19,644	—	297,755
Selling, general and administrative expenses	134,050	43,575	—	177,625
Depreciation and amortization	8,472	1,715	—	10,187
Gain on lease modifications	(102)	(15)	—	(117)
Operating profit (loss)	\$ 135,691	\$ (25,631)	\$ —	\$ 110,060

	Nine Months Ended October 31, 2021			
	Wholesale	Retail	Elimination ⁽¹⁾	Total
	(In thousands)			
Net sales	\$ 1,991,967	\$ 72,869	\$ (46,453)	\$ 2,018,383
Cost of goods sold	1,293,086	35,893	(46,453)	1,282,526
Gross profit	698,881	36,976	—	735,857
Selling, general and administrative expenses	416,982	53,821	—	470,803
Depreciation and amortization	18,388	2,778	—	21,166
Operating profit (loss)	\$ 263,511	\$ (19,623)	\$ —	\$ 243,888

	Nine Months Ended October 31, 2020			
	Wholesale	Retail	Elimination ⁽¹⁾	Total
	(In thousands)			
Net sales	\$ 1,428,711	\$ 126,397	\$ (26,204)	\$ 1,528,904
Cost of goods sold	914,900	83,359	(26,204)	972,055
Gross profit	513,811	43,038	—	556,849
Selling, general and administrative expenses	323,377	130,970	—	454,347
Depreciation and amortization	25,155	4,590	—	29,745
Gain on lease modifications	505	16,867	—	17,372
Operating profit (loss)	\$ 164,774	\$ (109,389)	\$ —	\$ 55,385

⁽¹⁾ Represents intersegment sales to the Company's retail operations segment.

Note 12 – Stockholders' Equity

For the three months ended October 31, 2021, the Company issued no shares of common stock and utilized 2,366 shares of treasury stock in connection with the vesting of equity awards. For the three months ended October 31, 2020, the Company issued no shares of common stock and utilized no shares of treasury stock in connection with the vesting of equity awards. For the nine months ended October 31, 2021, the Company issued no shares of common stock and utilized 191,837 shares of treasury stock in connection with the vesting of equity awards. For the nine months ended

October 31, 2020, the Company issued no shares of common stock and utilized 349,342 shares of treasury stock in connection with the vesting of equity awards.

Note 13 – Income Taxes

For the three months ended October 31, 2021 and October 31, 2020, the Company recorded a \$40.2 million income tax expense and a \$28.4 million income tax expense, respectively. For the nine months ended October 31, 2021 and October 31, 2020, the Company recorded a \$59.7 million income tax expense and an \$8.4 million income tax expense, respectively. Historically, the Company has calculated its provision for income taxes during interim reporting periods by applying the estimated annual effective tax rate for the full fiscal year to pre-tax income or loss, excluding discrete items, for the reporting period.

Note 14 – Canadian Customs Duty Examination

In October 2017, the Canada Border Service Agency (“CBSA”) issued a final audit report to G-III Apparel Canada ULC (“G-III Canada”), a wholly-owned subsidiary of the Company. The report challenged the valuation used by G-III Canada for certain goods imported into Canada. The period covered by the examination is February 1, 2014 through October 27, 2017, the date of the final report. The CBSA has requested G-III Canada to reassess its customs entries for that period using the price paid or payable by the Canadian retail customers for certain imported goods rather than the price paid by G-III Canada to the vendor. The CBSA has also requested that G-III Canada change the valuation method used to pay duties with respect to goods imported in the future.

In March 2018, G-III Canada provided a bond to guarantee payment to the CBSA for additional duties payable as a result of the reassessment required by the final audit report. The Company secured a bond in the amount of CAD\$26.9 million (\$20.9 million) representing customs duty and interest through December 31, 2017 that is claimed to be owed to the CBSA. In March 2018, the Company amended the duties filed for the month of January 2018 based on the new valuation method. This amount was paid to the CBSA. Beginning February 1, 2018, the Company began paying duties based on the new valuation method. There were no amounts paid and deferred for the three and nine months ended October 31, 2021, related to the higher dutiable values, however, the Company paid interest in the amount of CAD\$1.0 million (US\$0.8 million) on the additional duties for the period January 15, 2018 through November 25, 2020, the date of the CBSA’s final decision as discussed below. Cumulative amounts paid and deferred through October 31, 2021, related to the higher dutiable values, were CAD\$14.4 million (US\$11.6 million).

Effective June 1, 2019, G-III commenced paying based on the dutiable value of G-III Canada’s imports based on the pre-audit levels. G-III continued to defer the additional duty paid through the month of May 2019 pending the final outcome of the appeal.

The CBSA has issued its final decision denying the appeal filed by G-III Canada with the President’s Office of the CBSA. G-III Canada has filed a Notice of Appeal with the Canadian International Trade Tribunal (the “Tribunal”) further appealing the CBSA decision. The Tribunal has confirmed receipt of the Notice of Appeal. G-III Canada filed its case brief and evidence on April 13, 2021. The CBSA filed its brief on June 14, 2021. A hearing on the appeal was held on December 7, 2021.

G-III Canada, based on the advice of counsel, believes it has positions that support its valuations for duty as declared and therefore its ability to receive a refund of amounts claimed to be owed to the CBSA on appeal and intends to vigorously contest the findings of the CBSA.

Note 15 – Recent Adopted and Issued Accounting Pronouncements

Recently Adopted Accounting Guidance

There was no accounting guidance adopted during the three months ended October 31, 2021.

Issued Accounting Guidance Being Evaluated for Adoption

The Company has reviewed all recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact to the condensed consolidated financial statements.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Unless the context otherwise requires, “G-III,” “us,” “we” and “our” refer to G-III Apparel Group, Ltd. and its subsidiaries. References to fiscal years refer to the year ended or ending on January 31 of that year. For example, our fiscal year ending January 31, 2022 is referred to as “fiscal 2022.” Vilebrequin, KLH, KLNA and Fabco report results on a calendar year basis rather than on the January 31 fiscal year basis used by G-III. Accordingly, the results of Vilebrequin, KLH, KLNA and Fabco are, and will be, included in our financial statements for the quarter ended or ending closest to G-III’s fiscal quarter end. For example, with respect to our results for the nine-month period ended October 31, 2021, the results of Vilebrequin, KLH, KLNA and Fabco are included for the nine-month period ended September 30, 2021. We account for our investment in each of KLH and KLNA using the equity method of accounting. Our recently acquired Sonia Rykiel subsidiary also reports results on a calendar year basis. As this subsidiary was acquired after September 30, 2021, its results will begin being included in the Company’s results commencing with the quarter ending December 31, 2021. The Company’s retail operations segment uses a 52/53-week fiscal year. For fiscal 2022 and 2021, the three and nine-month period for the retail operations segment were each 13-week and 26-week periods, respectively, and ended on October 30, 2021 and October 31, 2020, respectively.

Various statements contained in this Form 10-Q, in future filings by us with the SEC, in our press releases and in oral statements made from time to time by us or on our behalf constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations and are indicated by words or phrases such as “anticipate,” “estimate,” “expect,” “will,” “project,” “we believe,” “is or remains optimistic,” “currently envisions,” “forecasts,” “goal” and similar words or phrases and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from the future results, performance or achievements expressed in or implied by such forward-looking statements. Forward-looking statements also include representations of our expectations or beliefs concerning future events that involve risks and uncertainties, including, but not limited to, the following:

- the global health crisis caused by the COVID-19 pandemic has had, and the current and uncertain future outlook of the outbreak will likely continue to have, adverse effects on our business, financial condition and results of operations;
- the failure to maintain our material license agreements could cause us to lose significant revenues and have a material adverse effect on our results of operations;
- our dependence on the strategies and reputation of our licensors;
- any adverse change in our relationship with PVH and its Calvin Klein or Tommy Hilfiger brands would have a material adverse effect on our results of operations;
- risks relating to our wholesale operations including, among others, maintaining the image our proprietary brands, business practices of our customers that could adversely affect us and retail customer concentration;
- risks relating to our retail operations segment;
- our ability to achieve operating enhancements and cost reductions from the restructuring of our retail operations;
- dependence on existing management;
- our ability to make strategic acquisitions and possible disruptions from acquisitions;
- risks of operating through joint ventures;
- need for additional financing;
- seasonal nature of our business and effect of unseasonable or extreme weather on our business;
- possible adverse effect of problems with our logistics and distribution systems and with disruptions to the worldwide supply chain;
- price, availability and quality of materials used in our products;
- the need to protect our trademarks and other intellectual property;
- risk that our licensees may not generate expected sales or maintain the value of our brands;
- the impact of the current economic and credit environment on us, our customers, suppliers and vendors;
- effects of war, acts of terrorism, natural disasters or public health crises could adversely affect our business and results of operations;
- our dependence on foreign manufacturers;

- risks of expansion into foreign markets, conducting business internationally and exposures to foreign currencies;
- risks related to the adoption of a national security law in Hong Kong;
- the need to successfully upgrade, maintain and secure our information systems;
- increased exposure to consumer privacy, cybersecurity and fraud concerns, including as a result of the remote working environment;
- possible adverse effects of data security or privacy breaches;
- the impact on our business of the imposition of tariffs by the United States government and the escalation of trade tensions between countries;
- risks related to the audit by the Canadian Border Services Agency;
- changes in tax legislation or exposure to additional tax liabilities could impact our business;
- the effect of regulations applicable to us as a U.S. public company;
- focus on corporate responsibility issues by stakeholders;
- potential effect on the price of our stock if actual results are worse than financial forecasts or if we are unable to provide financial forecasts;
- fluctuations in the price of our common stock;
- impairment of our goodwill, trademarks or other intangibles may require us to record charges against earnings; and
- risks related to our indebtedness.

Any forward-looking statements are based largely on our expectations and judgments and are subject to a number of risks and uncertainties, many of which are unforeseeable and beyond our control. A detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations is described under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended January 31, 2021. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Overview

G-III designs, sources and markets an extensive range of apparel, including outerwear, dresses, sportswear, swimwear, women’s suits and women’s performance wear, as well as women’s handbags, footwear, small leather goods, cold weather accessories and luggage. G-III has a substantial portfolio of more than 30 licensed and proprietary brands, anchored by five global power brands: DKNY, Donna Karan, Calvin Klein, Tommy Hilfiger and Karl Lagerfeld Paris. We are not only licensees, but also brand owners, and we distribute our products through multiple channels.

Our own proprietary brands include DKNY, Donna Karan, Vilebrequin, G.H. Bass, Eliza J, Jessica Howard, Andrew Marc, Marc New York, Wilsons Leather and Sonia Rykiel. We sell products under an extensive portfolio of well-known licensed brands, including Calvin Klein, Tommy Hilfiger, Karl Lagerfeld Paris, Levi’s, Guess?, Kenneth Cole, Cole Haan, Vince Camuto and Dockers. Through our team sports business, we have licenses with the National Football League, National Basketball Association, Major League Baseball, National Hockey League and over 150 U.S. colleges and universities. We also source and sell products to major retailers under their private retail labels.

Our products are sold through a cross section of leading retailers such as Macy’s, Dillard’s, Hudson’s Bay Company, including their Saks Fifth Avenue division, Nordstrom, Kohl’s, TJX Companies, Ross Stores and Burlington. We also sell our products using digital channels through retail partners such as macys.com, nordstrom.com and dillards.com, each of which has a substantial online business. In addition, we sell to leading online retail partners such as Amazon and Fanatics.

We also distribute apparel and other products directly to consumers through our own DKNY and Karl Lagerfeld Paris retail stores, as well as through our digital channels for the DKNY, Donna Karan, Karl Lagerfeld Paris, G.H. Bass, Andrew Marc and Wilsons Leather businesses. In fiscal 2021, we restructured our retail operations and completed the closing of our Wilsons Leather, G.H. Bass and Calvin Klein Performance stores. We believe this restructuring will enable us to reduce our losses in our retail operations segment and re-position our retail operations with a goal of becoming a profitable contributor to our business.

We operate in fashion markets that are intensely competitive. Our ability to continuously evaluate and respond to changing consumer demands and tastes, across multiple market segments, distribution channels and geographic areas is critical to our success. Although our portfolio of brands is aimed at diversifying our risks in this regard, misjudging shifts in consumer preferences could have a negative effect on our business. Our success in the future will depend on our ability to design products that are accepted in the marketplace, source the manufacture of our products on a competitive basis, and continue to diversify our product portfolio and the markets we serve.

We believe that consumers prefer to buy brands they know, and we have continually sought to increase the portfolio of name brands we can offer through different tiers of retail distribution, for a wide array of products at a variety of price points. We have increased the portfolio of brands we offer through licenses, acquisitions and joint ventures. We focus our efforts on the sale of products under our five power brands, two of which we own and three of which we license. It is our objective to continue to expand our product offerings and we are continually discussing new licensing opportunities with brand owners and seeking to acquire established brands.

Recent Developments

Inter Parfums

In September 2021, we entered into a long-term global licensing agreement with Inter Parfums, Inc. for the creation, development and distribution of fragrances and fragrance-related products under the DKNY and Donna Karan brands. Inter Parfums, Inc. will become the exclusive licensee effective July 1, 2022 with the initial term of the license extending through December 31, 2032. We believe the fragrance category enables our brands to connect more broadly with global consumers.

Sonia Rykiel

In October 2021, we purchased European luxury fashion brand Sonia Rykiel. Sonia Rykiel was one of the leading figures of Parisian fashion who created the iconic brand. We plan to accelerate the relaunch of the brand in France in the fall of 2022, and then expand into Europe and other areas. We believe this purchase further enables us to expand into the luxury space and that there is untapped potential for this brand.

Sonia Rykiel is a wholly-owned operating subsidiary that reports results on a calendar year basis rather than the January 31 fiscal year basis used by the Company. Accordingly, the results of Sonia Rykiel will be included in our consolidated financial statements beginning in the fourth quarter of fiscal 2022 ending January 31, 2022.

Change in Accounting Principle

Effective February 1, 2021, we elected to change our method of accounting for retail inventories from the lower of cost or market as determined by the retail inventory method to the lower of cost or net realizable value using the weighted average cost method. We believe the new method is preferable as it provides better matching of cost of goods sold with revenue, improves the precision of inventory valuation at the balance sheet dates, and more closely aligns with the valuation methods used throughout the rest of the Company. In addition, the change in inventory valuation better aligns with the way we manage our business with a focus on the actual margin realized.

We determined that it was impractical to apply this change in accounting principle retrospectively due to a lack of available information. As a result, we applied the change prospectively as of February 1, 2021. The cumulative adjustment as of February 1, 2021 was a decrease in both inventories and retained earnings of \$0.3 million. The change in accounting principle did not have a material effect on our condensed consolidated financial statements as of and for the three and nine-month periods ended October 31, 2021.

Segments

We report based on two segments: wholesale operations and retail operations.

Our wholesale operations segment includes sales of products to retailers under owned, licensed and private label brands, as well as sales related to the Vilebrequin business. Wholesale revenues also include royalty revenues from license agreements related to our owned trademarks including DKNY, Donna Karan, Vilebrequin, G.H. Bass and Andrew Marc.

Our retail operations segment consists primarily of direct sales to consumers through our company-operated stores and through digital channels. In fiscal 2021, we restructured our retail operations, including the closure of our Wilsons Leather, G.H. Bass and Calvin Klein Performance stores. After completion of the restructuring, our retail operations segment consists of our DKNY and Karl Lagerfeld Paris stores, as well as the digital channels for DKNY, Donna Karan, Karl Lagerfeld Paris, G.H. Bass, Andrew Marc and Wilsons Leather.

Trends Affecting Our Business

Impact of COVID-19

The COVID-19 pandemic has affected businesses around the world since the first quarter of fiscal 2021. Federal, state and local governments in the United States and around the world, as well as private entities, mandated various restrictions, including closing of retail stores and restaurants, travel restrictions, restrictions on public gatherings, stay at home orders and advisories, and quarantining of people who may have been exposed to the virus. The response to the COVID-19 pandemic negatively affected the global economy, disrupted global supply chains and created significant disruption of the financial and retail markets, including a disruption in consumer demand for apparel and accessories.

The COVID-19 pandemic continues to impact the global economy. During the nine months ended October 31, 2021, consumer demand for apparel and accessories, as well as other consumer discretionary spending, increased as compared to the comparable quarters in fiscal 2021. While businesses reopened as stay at home orders were lifted and various restrictions on the operation of retail businesses were loosened, the full economic impact of the COVID-19 pandemic remains uncertain. The spread of additional variants could result in the reimposition of restrictions on commercial and social activities that would adversely impact our business. We have experienced significant improvements in our results of operations for fiscal 2022 as compared to fiscal 2021 which we expect to continue through the remainder of fiscal 2022. However, the COVID-19 pandemic could continue to adversely impact our business operations and results of operations.

The continued impact of the COVID-19 pandemic on our business operations remains uncertain and cannot be predicted. The extent to which COVID-19 impacts our results will depend on continued developments in the public and private responses to the pandemic and the success and efficacy of efforts in the United States and around the world to vaccinate people against COVID-19. New information may emerge concerning the severity of the outbreak and the spread of variants, including the Delta and Omicron variants, of the COVID-19 virus in locations that are important to our business. Actions taken to contain COVID-19 or treat its impact may change or become more restrictive if additional waves of infections occur.

Industry Trends

Significant trends that affect the apparel industry include retail chains closing unprofitable stores, an increased focus by retail chains and others on expanding digital sales and providing convenience-driven fulfillment options, the continued consolidation of retail chains and the desire on the part of retailers to consolidate vendors supplying them. In addition, consumer shopping preferences have continued to shift from physical stores to online shopping and retail traffic remains under pressure.

We sell our products online through retail partners such as macys.com, nordstrom.com and dillards.com, each of which has a substantial online business. As digital sales of apparel continue to increase, we are developing additional digital marketing initiatives on our web sites and through social media. We are investing in digital personnel, marketing, logistics, planning and distribution to help us expand our online opportunities going forward. Our digital business consists of our own web platforms at www.dkny.com, www.donnakaran.com, www.ghbass.com, www.vilebrequin.com, www.andrewmarc.com and www.wilsonslather.com. We also sell Karl Lagerfeld Paris products on our website, www.karllagerfeldparis.com. In addition, we sell to leading online retail partners such as Amazon and Fanatics and have made a minority investment in an e-commerce retailer.

A number of retailers are experiencing financial difficulties, which in some cases have resulted in bankruptcies, liquidations and/or store closings. The financial difficulties of a retail customer of ours could result in reduced business with that customer. We may also assume higher credit risk relating to receivables of a retail customer experiencing financial difficulty that could result in higher reserves for doubtful accounts or increased write-offs of accounts receivable. We attempt to mitigate credit risk from our customers by closely monitoring accounts receivable balances and shipping levels, as well as the ongoing financial performance and credit standing of customers.

Retailers are seeking to differentiate their offerings by devoting more resources to the development of exclusive products, whether by focusing on their own private label products or on products produced exclusively for a retailer by a national brand manufacturer. Exclusive brands are only made available to a specific retailer, and thus customers loyal to their brands can only find them in the stores of that retailer.

Consumers have shifted their apparel purchases based on their adjusted lifestyle needs resulting from changes to the work environment and leisure activities caused by the COVID-19 pandemic. We revised our product offerings in response to this shift toward casual and comfortable work-from-home clothing, as well as to activewear and leisure attire. We continue to revise our product lines to satisfy the needs of our retail customers and consumers. There has been an increase in demand for day and occasion dresses, as well as career wear such as suit separates, as businesses reopen offices and restrictions on social gatherings are loosened. We are working diligently to satisfy this demand from our retail partners and consumers.

We have attempted to respond to general trends in our industry by continuing to focus on selling products with recognized brand equity, by attention to design, quality and value and by improving our sourcing capabilities. We have also responded with the strategic acquisitions made by us and new license agreements entered into by us that added to our portfolio of licensed and proprietary brands and helped diversify our business by adding new product lines and expanding distribution channels. We believe that our broad distribution capabilities help us to respond to the various shifts by consumers between distribution channels and that our operational capabilities will enable us to continue to be a vendor of choice for our retail partners.

Inflationary pressures have impacted our industry. During the current fiscal year, we have experienced inflationary pressures, most significantly related to our freight costs as discussed below under “*Supply Chain*”. We expect inflationary pressures to continue to impact our business beyond fiscal 2022. We have implemented selected price increases on our products. We believe we can continue to do so in an effort to mitigate higher costs. The impact of price increases on consumer demand and on our business and results of operations is uncertain.

Supply Chain

The effects of the COVID-19 pandemic on the shipping industry have negatively impacted our ability to ensure that we are able to import our product in a manner that allows for timely delivery to our customers. Congestion at ports of loading and ports of entry have caused significant changes to the itineraries of our steamship carriers and caused us to consider alternate service routes. These alternate routes would require additional trucking for us and our customers. Truck driver shortages, shortages of truck equipment such as the chassis that the containers are transported on, and the inability of ports to provide reliable pick uptimes, have also negatively impacted our ability to timely receive goods.

Contractual shipping rates have increased as a result of demand exceeding supply. The increased cost is primarily due to purchasing needed container space on the secondary market at higher spot rates. Terminals are also now imposing additional fees on importers not picking up containers on time, yet due to equipment and labor shortages this is often beyond the control of importers.

If we are unable to secure container space on a vessel due to limited availability, we may experience delays in shipping product from our overseas suppliers to our customers. Furthermore, even when we are able to secure space, ports around the world are experiencing congestion, slowing transit times of product through ports of entry which negatively affects our ability to timely receive and deliver product to our retail partners and customers. Our longstanding relationships with our steamship carriers have facilitated our ability to secure space on vessels as demand for apparel increases, although at rates that are significantly higher than in the past. We have increased prices on certain of our products to partially offset higher freight and other costs. We believe that the strength of our portfolio of global power brands will allow us to continue to raise prices in an effort to mitigate the effect of increased transportation and other costs.

These supply chain challenges continued during our third fiscal quarter and, as a result, the receipt of a significant amount of goods ordered has been delayed until our fourth fiscal quarter. Although the risks of customer cancellations of orders exist, we have not as yet experienced order cancellations as a result of these delays due to the strong demand from our customers for our products. We anticipate that the current supply chain challenges will continue to cause our freight costs to be higher than normal and continue to cause delays in receipt of goods, at least through the first half of fiscal 2023.

Results of Operations

Three months ended October 31, 2021 compared to three months ended October 31, 2020

Net sales for the three months ended October 31, 2021 increased to \$1.02 billion from \$826.6 million in the same period last year. Net sales of our segments are reported before intercompany eliminations.

Net sales of our wholesale operations segment increased to \$1.01 billion for the three months ended October 31, 2021 from \$783.0 million in the comparable period last year. This increase is primarily the result of a \$53.1 million increase in net sales of our DKNY and Donna Karan products, a \$45.2 million increase in net sales of Tommy Hilfiger licensed products, a \$37.9 million increase in net sales of Calvin Klein licensed products and a \$24.7 million increase in net sales of Karl Lagerfeld Paris licensed products. In the prior year period, we experienced a significant decrease in net sales across substantially all of our brands primarily due to the effects of restrictions that began in March 2020 on business and personal activities imposed by governments in connection with the COVID-19 pandemic. As a result, most of our retail partners closed their stores in North America, beginning in mid-March, 2020. Most of our retail partners began to reopen a majority of their stores in North America beginning in June 2020. However, a majority of these stores continued to operate under government mandated restrictions. The governmental restrictions imposed in connection with the COVID-19 pandemic resulted in significant increases in unemployment, a reduction in business activity and a reduction in consumer spending on apparel and accessories, all of which contributed to the reduction of our net sales which occurred during the majority of fiscal 2021. During the three months ended October 31, 2021, substantially all stores operated by our retail partners were open and governmental restrictions were eased in most regions of the United States due to the reduction of the severity of the COVID-19 pandemic. The lessening of COVID-19 restrictions has resulted in an increase in business activity which has contributed to an increase in consumer spending on apparel and accessories. Governmental restrictions could be reimposed as a result of the spread of additional variants of COVID-19.

Net sales of our retail operations segment decreased to \$26.2 million for the three months ended October 31, 2021 from \$58.0 million in the same period last year. This decrease is primarily due to the significant reduction in our store count as a result of the restructuring of our retail operations segment that resulted in the closure of our Wilsons, G.H. Bass and Calvin Klein Performance stores during fiscal 2021. The number of retail stores operated by us decreased from 202 at October 31, 2020 to 56 at October 31, 2021. Wilsons and G.H. Bass stores, which were closed by the end of fiscal 2021, contributed \$38.2 million of net sales in the three months ended October 31, 2020. Net sales from the remainder of our retail operations segment, which consists of our DKNY and Karl Lagerfeld Paris stores, as well as the digital channels for DKNY, Donna Karan, Karl Lagerfeld Paris, G.H. Bass, Andrew Marc and Wilsons Leather, increased by \$6.4 million during the three months ended October 31, 2021 compared to the same period last year.

Gross profit was \$347.5 million, or 34.2% of net sales, for the three months ended October 31, 2021, compared to \$297.8 million, or 36.0% of net sales, in the same period last year. The gross profit percentage in our wholesale operations segment was 33.0% in the three months ended October 31, 2021 compared to 35.5% in the same period last year. In the prior year, the gross profit percentage in our wholesale operations segment was positively impacted by the reversal of previously anticipated markdown accruals that were no longer necessary due to the reduction in sales to our retail customers. The gross profit percentage in our retail operations segment was 49.8% for the three months ended October 31, 2021 compared to 33.9% for the same period last year. The gross profit percentage in our retail operations segment was negatively impacted last year by the reduction of our net sales caused by COVID-19 related closures of our retail stores, increased promotional activity to compensate for the decreased demand resulting from the COVID-19 pandemic and the restructuring of our retail operations segment which resulted in the liquidation of inventory. Our wholesale and retail operating segments had gross profit percentages of 33.2% and 49.3%, respectively, for the three months ended October 31, 2019. Both operating segments experienced slightly decreased gross profit percentages compared to the pre-pandemic quarter ended October 31, 2019 as increased freight costs more than offset a reduction in promotional activity and strategic price increases in the current period.

Selling, general and administrative expenses increased to \$182.4 million in the three months ended October 31, 2021 from \$177.6 million in the same period last year. The increase in expenses was primarily due to a \$9.1 million increase in contractual advertising and a \$2.8 million increase in third-party warehouse expenses, both related to increased sales. The increase in expenses was also due to an increase of \$7.0 million in compensation expense, primarily from bonus accruals relating to operating results which were reduced in the prior year period as a result of the effect of the COVID-19 pandemic on our operating results. These increases were partially offset by a \$9.2 million decrease in facility expenses, a \$4.2 million decrease in bad debt expense and a \$0.9 million decrease in professional fees.

Depreciation and amortization was \$7.0 million for the three months ended October 31, 2021 compared to \$10.2 million in the same period last year. This decrease primarily relates to a reduction in capital expenditures during the COVID-19 pandemic. In addition, the prior year period also experienced higher depreciation and amortization due to write-offs taken in connection with the reduction of retail store count from 202 at October 31, 2020 to 56 at October 31, 2021 and store asset disposals as a result of the retail restructuring.

Other income was \$0.9 million in the three months ended October 31, 2021 compared to \$0.2 million for the same period last year. The increase is primarily due to other income of \$1.2 million resulting from the change in fair value of certain equity investments during the three months ended October 31, 2021. We also recorded \$1.1 million of foreign currency losses during the three months ended October 31, 2021 compared to foreign currency losses of \$0.3 million during the same period last year. In addition, we recorded other income of \$0.2 million from non-refundable European government-backed grants received by Vilebrequin for COVID-19 relief. We recorded \$0.5 million in income from unconsolidated affiliates during the each of the three months ended October 31, 2021 and 2020.

Interest and financing charges, net, for the three months ended October 31, 2021 were \$12.4 million compared to \$18.7 million for the same period last year. The decrease is primarily due to a \$6.5 million charge to interest expense in the prior year period as a result of extinguishing debt issuance costs upon the repayment of our term loan facility and amendment of our revolving credit facility.

Income tax expense was \$40.2 million for the three months ended October 31, 2021 compared to \$28.4 million for the same period last year. Our effective tax rate decreased to 27.4% in the current year's quarter from 31.0% in last year's comparable quarter. The tax rate in last year's quarter was impacted by a change in the methodology used to calculate our provision for income taxes. Historically, we calculated our provision for income taxes during interim reporting periods by applying the estimated annual effective tax rate for the full fiscal year to pre-tax income or loss, excluding discrete items, for the reporting period. Due to the uncertainty related to the impact of the COVID-19 pandemic on our operations, we used a discrete effective tax rate method to calculate taxes in the first and second quarters of fiscal 2021. During the third quarter of fiscal 2021, we returned to the historical practice of using an annual effective tax rate based on full fiscal year income.

Nine months ended October 31, 2021 compared to nine months ended October 31, 2020

Net sales for the nine months ended October 31, 2021 increased to \$2.02 billion from \$1.53 billion in the same period last year. Net sales of our segments are reported before intercompany eliminations.

Net sales of our wholesale operations segment increased to \$1.99 billion for the nine months ended October 31, 2021 from \$1.43 billion in the comparable period last year. This increase is primarily the result of a \$147.7 million increase in net sales of Calvin Klein licensed products, a \$139.6 million increase in net sales of our DKNY and Donna Karan products, a \$88.3 million increase in net sales of Tommy Hilfiger licensed products and a \$50.9 million increase in net sales of Karl Lagerfeld Paris licensed products. In the prior year period, we experienced a significant decrease in net sales across substantially all of our brands primarily due to the effects of restrictions that began in March 2020 on business and personal activities imposed by governments in connection with the COVID-19 pandemic. As a result, most of our retail partners closed their stores in North America, beginning in mid-March 2020. Most of our retail partners began to reopen a majority of their stores in North America beginning in June 2020 with a majority of these stores operating under government mandated limitations. The governmental restrictions imposed in connection with the COVID-19 pandemic resulted in significant increases in unemployment, a reduction in business activity and a reduction in consumer spending on apparel and accessories, all of which contributed to the reduction of our net sales which occurred during the majority of fiscal 2021. During the nine months ended October 31, 2021, substantially all stores operated by our retail partners were open

and governmental restrictions were eased in most regions of the United States due to the reduction of the severity of the COVID-19 pandemic. The lessening of COVID-19 restrictions has resulted in an increase in business activity which has contributed to an increase in consumer spending on apparel and accessories. Governmental restrictions could be reimposed as a result of the spread of additional variants of COVID-19.

Net sales of our retail operations segment decreased to \$72.9 million for the nine months ended October 31, 2021 from \$126.4 million in the same period last year. This decrease is primarily due to the significant reduction in our store count as a result of the restructuring of our retail operations segment that resulted in the closure of our Wilsons, G.H. Bass and Calvin Klein Performance stores during fiscal 2021. The number of retail stores operated by us decreased from 202 at October 31, 2020 to 56 at October 31, 2021. Wilsons and G.H. Bass stores, which were closed by the end of fiscal 2021, contributed \$77.1 million of net sales in the nine months ended October 31, 2020. Net sales from the remainder of our retail operations segment increased by \$23.6 million during the nine months ended October 31, 2021 compared to the same period last year.

Gross profit was \$735.9 million, or 36.5% of net sales, for the nine months ended October 31, 2021, compared to \$556.8 million, or 36.4% of net sales, in the same period last year. The gross profit percentage in our wholesale operations segment was 35.1% in the nine months ended October 31, 2021 compared to 36.0% in the same period last year. The gross profit in the prior year period was positively impacted by the reversal of previously anticipated markdown accruals that were no longer necessary due to the reduction in sales to our retail customers. The gross profit in the current year period benefitted from less promotional activity and strategic price increases, partially offset by increased freight costs. The gross profit percentage in our retail operations segment was 50.7% for the nine months ended October 31, 2021 compared to 34.0% for the same period last year. The gross profit percentage in our retail operations segment was negatively impacted last year by the reduction of our net sales caused by COVID-19 related closures of our retail stores, increased promotional activity due to the COVID-19 pandemic and the restructuring of our retail operations segment which resulted in the liquidation of inventory. Our wholesale and retail operating segments had gross profit percentages of 33.5% and 47.1%, respectively, for the nine months ended October 31, 2019. Both operating segments experienced increased gross profit percentages compared to the pre-pandemic period ended October 31, 2019 due to less promotional activity and strategic price increases in the current period, partially offset by increased freight costs.

Selling, general and administrative expenses increased to \$470.8 million in the nine months ended October 31, 2021 from \$454.3 million in the same period last year. The increase in expenses was primarily due to an increase of \$43.9 million in compensation expense, primarily from bonus accruals. As a result of the adverse effect of the COVID-19 pandemic on our operating results, the prior year's period had a reduced bonus accrual. The increase in expenses was also due to a \$20.5 million increase in contractual advertising and a \$10.4 million increase in third-party warehouse expenses related to increased sales. These increases were partially offset by a \$38.7 million decrease in facility expenses and a \$4.8 million decrease in professional fees primarily related to the retail restructuring that occurred in the prior year period. In addition, there was a \$14.5 million decrease in bad debt expense primarily related to allowances recorded against the outstanding receivables of certain department store customers in the prior year period.

Depreciation and amortization was \$21.2 million for the nine months ended October 31, 2021 compared to \$29.7 million in the same period last year. This decrease primarily relates to a reduction in capital expenditures during the COVID-19 pandemic. In addition, the prior year period also experienced higher depreciation and amortization due to write-offs taken in connection with the reduction of the retail store count from 202 at October 31, 2020 to 56 at October 31, 2021 and store asset disposals as a result of the retail restructuring.

Other income was \$4.7 million in the nine months ended October 31, 2021 compared to \$0.1 million for the same period last year. This change is primarily due to other income of \$2.4 million from non-refundable European government-backed grants received by Vilebrequin for COVID-19 relief as well as other income of \$1.2 million from the change in fair value of certain equity investments during the nine months ended October 31, 2021 and \$2.8 million in income from unconsolidated affiliates during the nine months ended October 31, 2021 compared to \$0.3 million in income from unconsolidated affiliates in the same period last year. Other income was offset in part by our recording of \$1.6 million of foreign currency losses during the nine months ended October 31, 2021 compared to foreign currency losses of \$0.2 million during the nine months ended October 31, 2020.

Interest and financing charges, net, for the nine months ended October 31, 2021 were \$36.9 million compared to \$38.2 million for the same period last year. The decrease is primarily due to a \$6.5 million charge to interest expense in the prior year period as a result of extinguishing debt issuance costs upon the repayment of our term loan facility and amendment of our revolving credit facility, partially offset by the senior secured notes outstanding in the current period having a higher principal balance and interest rate than the term loan that was outstanding in the majority of the prior year period.

Income tax expense was \$59.7 million for the nine months ended October 31, 2021 compared to \$8.4 million for the same period last year. Our effective tax rate decreased to 28.2% in the current year's period from 48.4% in last year's comparable period due to the impact of tax adjustments in the prior period related to executive compensation, foreign tax expense and disallowed state tax benefits on losses incurred. These adjustments had a greater impact on the lower amount of pre-tax income in the prior period. Our effective tax rate for the nine months ended October 31, 2020 also includes an income tax charge of \$1.4 million in connection with the vesting of equity awards.

Liquidity and Capital Resources

Cash Availability

We rely on our cash flows generated from operations, cash and cash equivalents and the borrowing capacity under our revolving credit facility to meet the cash requirements of our business. The cash requirements of our business are primarily related to the seasonal buildup in inventories, compensation paid to employees, payments to vendors in the normal course of business, capital expenditures, interest payments on debt obligations and income tax payments.

As of October 31, 2021, we had cash and cash equivalents of \$279.6 million and availability under our revolving credit facility of approximately \$626 million. As of October 31, 2021, we were in compliance with all covenants under our debt agreements.

Senior Secured Notes

In August 2020, we completed a private debt offering of \$400 million aggregate principal amount of our 7.875% Senior Secured Notes due 2025 (the "Notes"). The terms of the Notes are governed by an indenture, dated as of August 7, 2020 (the "Indenture"), among us, the guarantors party thereto and U.S. Bank, National Association, as trustee and collateral agent (the "Collateral Agent"). The net proceeds of the Notes have been used (i) to repay the \$300 million that was outstanding under our prior term loan facility due 2022 (the "Term Loan"), (ii) to pay related fees and expenses and (iii) for general corporate purposes.

The Notes bear interest at a rate of 7.875% per year payable semi-annually in arrears on February 15 and August 15 of each year, commencing on February 15, 2021.

The Notes are unconditionally guaranteed on a senior-priority secured basis by our current and future wholly-owned domestic subsidiaries that guarantee any of our credit facilities, including our ABL facility (the "ABL Facility") pursuant to the ABL Credit Agreement, or certain future capital markets indebtedness of ours or the guarantors.

The Notes and the related guarantees are secured by (i) first priority liens on our Cash Flow Priority Collateral (as defined in the Indenture), and (ii) a second-priority lien on our ABL Priority Collateral (as defined in the Indenture), in each case subject to permitted liens described in the Indenture.

In connection with the issuance of the Notes and execution of the Indenture, we and the Guarantors entered into a pledge and security agreement (the "Pledge and Security Agreement"), among us, the Guarantors and the Collateral Agent.

The Notes are subject to the terms of the intercreditor agreement which governs the relative rights of the secured parties in respect of the ABL Facility and the Notes (the "Intercreditor Agreement"). The Intercreditor Agreement restricts the actions permitted to be taken by the Collateral Agent with respect to the Collateral on behalf of the holders of the Notes. The Notes are also subject to the terms of the LVMH Note subordination agreement which governs the relative rights of the secured parties in respect of the LVMH Note, the ABL Facility and the Notes.

At any time prior to August 15, 2022, we may redeem some or all of the Notes at a price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date plus a “make-whole” premium, as described in the Indenture. On or after August 15, 2022, we may redeem some or all of the Notes at any time and from time to time at the redemption prices set forth in the Indenture, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. In addition, at any time prior to August 15, 2022, we may redeem up to 40% of the aggregate principal amount of the Notes with the proceeds of certain equity offerings at the redemption price set forth in the Indenture, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. In addition, at any time prior to August 15, 2022, during any twelve month period, we may redeem up to 10% of the aggregate principal amount of the Notes at a redemption price equal to 103% of the principal amount of the Notes redeemed plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date.

If we experience a Change of Control (as defined in the Indenture), we are required to offer to repurchase the Notes at 101% of the principal amount of such Notes plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.

The Indenture contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to incur or guarantee additional indebtedness, pay dividends or make other restricted payments, make certain investments, incur restrictions on the ability of our restricted subsidiaries that are not guarantors to pay dividends or make certain other payments, create or incur certain liens, sell assets and subsidiary stock, impair the security interests, transfer all or substantially all of our assets or enter into merger or consolidation transactions, and enter into transactions with affiliates. The Indenture provides for customary events of default which include (subject in certain cases to customary grace and cure periods), among others, nonpayment of principal or interest, breach of other agreements in the Indenture, failure to pay certain other indebtedness, failure of certain guarantees to be enforceable, failure to perfect certain collateral securing the Notes failure to pay certain final judgments, and certain events of bankruptcy or insolvency.

We incurred debt issuance costs totaling \$8.5 million related to the Notes that will be amortized over the term of the Notes. In accordance with ASC 835, the debt issuance costs have been deferred and are presented as a contra-liability, offsetting the outstanding balance of the Notes, and are amortized over the remaining life of the Notes. In addition, we had unamortized debt issuance costs of \$6.1 million associated with the Term Loan. Upon repayment of the Term Loan, these debt issuance costs were fully extinguished and charged to interest expense in our results of operations.

Second Amended and Restated ABL Credit Agreement

In August 2020, our subsidiaries, G-III Leather Fashions, Inc., Riviera Sun, Inc., CK Outerwear, LLC, AM Retail Group, Inc. and The Donna Karan Company Store LLC (collectively, the “Borrowers”), entered into the second amended and restated credit agreement (the “ABL Credit Agreement”) with the Lenders named therein and with JPMorgan Chase Bank, N.A., as Administrative Agent. The ABL Credit Agreement is a five year senior secured credit facility subject to a springing maturity date if, subject to certain conditions, the LVMH Note is not refinanced or repaid prior to the date that is 91 days prior to the date of any relevant payment thereunder. The ABL Credit Agreement provides for borrowings in the aggregate principal amount of up to \$650 million. We and our subsidiaries, G-III Apparel Canada ULC, Gabrielle Studio, Inc., Donna Karan International Inc. and Donna Karan Studio LLC (the “Guarantors”), are Loan Guarantors under the ABL Credit Agreement.

The ABL Credit Agreement refinanced, amended and restated the Amended Credit Agreement, dated as of December 1, 2016 (as amended, supplemented or otherwise modified from time to time prior to August 7, 2020, the “Prior Credit Agreement”), by and among the Borrowers and the Loan Guarantors (each as defined therein) party thereto, the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., in its capacity as the administrative agent thereunder. The Prior Credit Agreement provided for borrowings of up to \$650 million and was due to expire in December 2021. The ABL Credit Agreement extended the maturity date to August 2025, subject to a springing maturity date if, subject to certain conditions, the LVMH Note is not refinanced or repaid prior to the date that is 91 days prior to the date of any relevant payment thereunder.

Amounts available under the ABL Credit Agreement are subject to borrowing base formulas and overadvances as specified in the ABL Credit Agreement. Borrowings bear interest, at the Borrowers’ option, at LIBOR plus a margin of 1.75% to 2.25% or an alternate base rate margin of 0.75% to 1.25% (defined as the greatest of (i) the “prime rate” of JPMorgan

Chase Bank, N.A. from time to time, (ii) the federal funds rate plus 0.5% and (iii) the LIBOR rate for a borrowing with an interest period of one month) plus 1.00%, with the applicable margin determined based on Borrowers' availability under the ABL Credit Agreement. The ABL Credit Agreement is secured by specified assets of the Borrowers and the Guarantors. In addition to paying interest on any outstanding borrowings under the ABL Credit Agreement, we are required to pay a commitment fee to the lenders under the credit agreement with respect to the unutilized commitments. The commitment fee accrues at a tiered rate equal to 0.50% per annum on the average daily amount of the available commitments when the average usage is less than 50% of the total available commitments and decreases to 0.35% per annum on the average daily amount of the available commitments when the average usage is greater than or equal to 50% of the total available commitments.

The revolving credit facility contains covenants that, among other things, restrict our ability, subject to specified exceptions, to incur additional debt; incur liens; sell or dispose of certain assets; merge with other companies; liquidate or dissolve the Company; acquire other companies; make loans, advances, or guarantees; and make certain investments. In certain circumstances, the revolving credit facility also requires us to maintain a fixed charge coverage ratio, as defined in the agreement, not less than 1.00 to 1.00 for each period of twelve consecutive fiscal months of the Company. As of October 31, 2021, the Company was in compliance with these covenants.

As of October 31, 2021, we had no borrowings outstanding under the ABL Credit Agreement. The ABL Credit Agreement also includes amounts available for letters of credit. As of October 31, 2021, there were outstanding trade and standby letters of credit amounting to \$13.1 million and \$4.0 million, respectively.

At the date of the refinancing of the Prior Credit Agreement, we had \$3.3 million of unamortized debt issuance costs remaining from the Prior Credit Agreement. We extinguished and charged to interest expense \$0.4 million of the prior debt issuance costs and incurred new debt issuance costs totaling \$5.1 million related to the ABL Credit Agreement. We have a total of \$8.0 million debt issuance costs related to our ABL Credit Agreement. As permitted under ASC 835, the debt issuance costs have been deferred and are presented as an asset which is amortized ratably over the term of the ABL Credit Agreement.

LVMH Note

We issued to LVMH, as a portion of the consideration for the acquisition of DKI, a junior lien secured promissory note in favor of LVMH in the principal amount of \$125 million (the "LVMH Note") that bears interest at the rate of 2% per year. \$75 million of the principal amount of the LVMH Note is due and payable on June 1, 2023 and \$50 million of such principal amount is due and payable on December 1, 2023.

Based on an independent valuation, it was determined that the LVMH Note should be treated as having been issued at a discount of \$40 million in accordance with ASC 820—*Fair Value Measurements*. This discount is being amortized as interest expense using the effective interest method over the term of the LVMH Note.

In connection with the issuance of the LVMH Note, LVMH entered into (i) a subordination agreement providing that our obligations under the LVMH Note are subordinate and junior to our obligations under the revolving credit facility and Term Loan and (ii) a pledge and security agreement with us and our subsidiary, G-III Leather, pursuant to which we and G-III Leather granted to LVMH a security interest in specified collateral to secure our payment and performance of our obligations under the LVMH Note that is subordinate and junior to the security interest granted by us with respect to our obligations under the revolving credit facility and Term Loan.

Unsecured Loans

During fiscal 2020 and fiscal 2021, T.R.B International SA ("TRB"), a subsidiary of Vilebrequin, borrowed funds under several unsecured loans. A portion of the unsecured loans were to provide funding for operations in the normal course of business, while other unsecured loans were various European state backed loans as part of COVID-19 relief programs. In the aggregate, TRB is currently required to make quarterly installment payments of €0.2 million. Interest on the outstanding principal amount of the unsecured loans accrues at a fixed rate equal to 0% to 2.0% per annum, payable on either a quarterly or monthly basis. As of October 31, 2021, TRB had an aggregate outstanding balance of €7.3 million (\$8.4 million) under these unsecured loans.

Overdraft Facilities

During fiscal 2021, TRB entered into several overdraft facilities that allow for applicable bank accounts to be in a negative position up to a certain maximum overdraft. TRB entered into an uncommitted overdraft facility with HSBC Bank allowing for a maximum overdraft of €5 million. Interest on drawn balances accrues at a fixed rate equal to the Euro Interbank Offered Rate plus a margin of 1.75% per annum, payable quarterly. The facility may be cancelled at any time by TRB or HSBC Bank. As part of a COVID-19 relief program, TRB and its subsidiaries have also entered into several state backed overdraft facilities with UBS Bank in Switzerland for an aggregate of CHF 4.7 million at varying interest rates of 0% to 0.5%. As of October 31, 2021, TRB had an aggregate €2.5 million (\$2.8 million) drawn under these facilities.

Outstanding Borrowings

Our primary operating cash requirements are to fund our seasonal buildup in inventories and accounts receivable, primarily during the second and third fiscal quarters each year. Due to the seasonality of our business, we generally reach our peak borrowings under our asset-based credit facility during our third fiscal quarter. The primary sources to meet our operating cash requirements have been borrowings under this credit facility and cash generated from operations.

We had no borrowings outstanding under our revolving credit facility at October 31, 2021 and October 31, 2020. We had \$400 million in borrowings outstanding under the Notes at October 31, 2021 and October 31, 2020. Our contingent liability under open letters of credit was approximately \$17.1 million and \$9.7 million at October 31, 2021 and 2020, respectively. In addition to the amounts outstanding under these two loan agreements, at October 31, 2021 and 2020, we had \$125 million of face value principal amount outstanding under the LVMH Note. As of October 31, 2021 and 2020, we had an aggregate of €7.3 million (\$8.4 million) and €6.2 million (\$7.2 million) outstanding under Vilebrequin's unsecured loans. As of October 31, 2021 and 2020, we also had €2.5 million (\$2.8 million) and €2.5 million (\$2.9 million) outstanding under Vilebrequin's overdraft facilities.

We had cash and cash equivalents of \$279.6 million at October 31, 2021 and \$149.7 million at October 31, 2020.

Share Repurchase Program

Our Board of Directors authorized a share repurchase program in the aggregate amount of 5,000,000 shares. The timing and actual number of shares repurchased, if any, will depend on a number of factors, including market conditions and prevailing stock prices, and are subject to compliance with certain covenants contained in our loan agreement. Share repurchases may take place on the open market, in privately negotiated transactions or by other means, and would be made in accordance with applicable securities laws. No shares were repurchased during the three months ended October 31, 2021. As of December 3, 2021, we had 2,949,362 authorized shares remaining under this program and 48,568,473 shares of common stock outstanding.

Cash from Operating Activities

We used \$15.4 million in cash from operating activities during nine months ended October 31, 2021, primarily as a result of increases of \$351.7 million in accounts receivable and \$32.5 million in inventories, as well as decreases of \$34.7 million in operating lease liabilities and \$18.1 million in customer refund liabilities. These items were offset, in part, by our net income of \$152.2 million and non-cash charges relating primarily to operating lease costs of \$31.6 million, depreciation and amortization of \$21.2 million and share-based compensation of \$11.8 million. We also generated cash from increase in accounts payable and accrued expenses of \$136.1 million.

The changes in operating cash flow items are consistent with our seasonal pattern of sales activity for the fall shipping season resulting in the increases in accounts receivable, inventory and accounts payable. The fall shipping season begins during the latter half of our second quarter. Our typical seasonal patterns were disrupted last year due to the COVID-19 pandemic.

Cash from Investing Activities

We used \$51.3 million of cash in investing activities during nine months ended October 31, 2021, primarily as a result of a \$25.0 million minority investment in an e-commerce retailer. In addition, we also had \$13.0 million in capital expenditures primarily related to infrastructure and information technology expenditures and additional fixturing costs at department stores as well as \$13.3 million for our investment in connection with a brand acquisition.

Cash from Financing Activities

Net cash used in financing activities was \$4.5 million during nine months ended October 31, 2021 primarily as a result \$4.3 million for taxes paid in connection with net share settlements.

Critical Accounting Policies

Our discussion of results of operations and financial condition relies on our consolidated financial statements that are prepared based on certain critical accounting policies that require management to make judgments and estimates that are subject to varying degrees of uncertainty. We believe that investors need to be aware of these policies and how they impact our financial statements as a whole, as well as our related discussion and analysis presented herein. While we believe that these accounting policies are based on sound measurement criteria, actual future events can, and often do, result in outcomes that can be materially different from these estimates or forecasts.

The accounting policies and related estimates described in our Annual Report on Form 10-K for the year ended January 31, 2021 are those that depend most heavily on these judgments and estimates. As of October 31, 2021, there have been no material changes to our critical accounting policies, other than the change in our retail inventory valuation method from the lower of cost or market as determined by the retail inventory method to the lower of cost or market under the weighted average cost method as discussed in Note 1 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There are no material changes to the disclosure made with respect to these matters in our Annual Report on Form 10-K for the year ended January 31, 2021.

Item 4. Controls and Procedures.

As of the end of the period covered by this report, our management, including our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure, and thus, are effective in making known to them material information relating to G-III required to be included in this report.

Changes in Internal Control over Financial Reporting

During our last fiscal quarter, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1A. Risk Factors.

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risk factors contained in “Item 1A.-Risk Factors” in our Annual Report on Form 10-K for the year ended January 31, 2021 (the “Annual Report”), which could materially affect our business, financial condition and/or future results. As of October 31, 2021, there have been no material changes in our risk factors from those set forth in the Annual Report. The risks described in the Annual Report are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or future results.

Item 6. Exhibits.

- 3.1 Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company’s Form 8-K, dated July 2, 2008).
- 3.1(a) [Certificate of Amendment of Certificate of Incorporation, dated June 8, 2006 \(incorporated by reference to Exhibit 3.1 to the Company’s Form 10-Q, dated September 13, 2006\).](#)
- 3.1(b) [Certificate of Amendment of Certificate of Incorporation, dated June 7, 2011 \(incorporated by reference to Exhibit 3.1 to the Company’s Form 8-K, dated June 9, 2011\).](#)
- 3.1(c) [Certificate of Amendment of Certificate of Incorporation, dated June 30, 2015 \(incorporated by reference to Exhibit 3.1 to the Company’s Form 8-K, dated July 1, 2015\).](#)
- 3.2 [By-Laws, as amended, of G-III \(incorporated by reference to Exhibit 3.1 to the Company’s Form 8-K, dated March 15, 2013\).](#)
- 31.1 [Certification by Morris Goldfarb, Chief Executive Officer of G-III Apparel Group, Ltd., pursuant to Rule 13a - 14\(a\) or Rule 15d - 14\(a\) of the Securities Exchange Act of 1934, as amended, in connection with G-III Apparel Group, Ltd.’s Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2021.](#)
- 31.2 [Certification by Neal S. Nackman, Chief Financial Officer of G-III Apparel Group, Ltd., pursuant to Rule 13a - 14\(a\) or Rule 15d - 14\(a\) of the Securities Exchange Act of 1934, as amended, in connection with G-III Apparel Group, Ltd.’s Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2021.](#)
- 32.1* [Certification by Morris Goldfarb, Chief Executive Officer of G-III Apparel Group, Ltd., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with G-III Apparel Group, Ltd.’s Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2021.](#)
- 32.2* [Certification by Neal S. Nackman, Chief Financial Officer of G-III Apparel Group, Ltd., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with G-III Apparel Group, Ltd.’s Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2021.](#)
- 101.INS iXBRL Instance Document.
- 101.SCH iXBRL Schema Document.
- 101.CAL iXBRL Calculation Linkbase Document.
- 101.DEF iXBRL Extension Definition.
- 101.LAB iXBRL Label Linkbase Document.
- 101.PRE iXBRL Presentation Linkbase Document.
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

* This certification is deemed furnished, and not filed, for purposes of section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

G-III APPAREL GROUP, LTD.
(Registrant)

Date: December 9, 2021

By: /s/ Morris Goldfarb
Morris Goldfarb
Chief Executive Officer

Date: December 9, 2021

By: /s/ Neal S. Nackman
Neal S. Nackman
Chief Financial Officer

CERTIFICATION PURSUANT TO
RULE 13a - 14(a) OR RULE 15d - 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Morris Goldfarb, certify that:

1. I have reviewed this quarterly report on Form 10-Q of G-III Apparel Group, Ltd.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a - 15(e) and 15d - 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 9, 2021

/s/ Morris Goldfarb

Morris Goldfarb
Chief Executive Officer

CERTIFICATION PURSUANT TO
RULE 13a - 14(a) OR RULE 15d - 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Neal S. Nackman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of G-III Apparel Group, Ltd.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a - 15(e) and 15d - 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 9, 2021

/s/ Neal S. Nackman

Neal S. Nackman
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of G-III Apparel Group, Ltd. (the "Company") on Form 10-Q for the quarterly period ended October 31, 2021, as filed with the Securities and Exchange Commission (the "Report"), I, Morris Goldfarb, Chief Executive Officer of the Company, hereby certify that, to my knowledge, (a) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Morris Goldfarb

Morris Goldfarb
Chief Executive Officer

Date: December 9, 2021

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of G-III Apparel Group, Ltd. (the "Company") on Form 10-Q for the quarterly period ended October 31, 2021, as filed with the Securities and Exchange Commission (the "Report"), I, Neal S. Nackman, Chief Financial Officer of the Company, hereby certify that, to my knowledge, (a) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Neal S. Nackman

Neal S. Nackman
Chief Financial Officer

Date: December 9, 2021

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
