G III APPAREL GROUP LTD /DE/
Form 10-K
March 28, 2019
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 K

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

For the fiscal year ended January 31, 2019

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)	41 1590959 (I.R.S. Employer Identification No.)
512 Seventh Avenue, New York, New York (Address of principal executive offices)	10018 (Zip Code)

Registrant's telephone number, including area code:

(212) 403 0500

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

Title of Class	Name of Exchange on which registered
Common Stock, $0.01 par value	Nasdaq Global Select Market

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

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10 K or any amendment to this Form 10 K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 Act) Yes No

As of July 31, 2018, the aggregate market value of the registrant's voting stock held by non-affiliates of the registrant (based on the last sale price for such shares as quoted by the Nasdaq Global Select Market) was approximately $2,069,366,515.

The number of outstanding shares of the registrant's Common Stock as of March 25, 2019 was 48,708,410.

Documents incorporated by reference: Certain portions of the registrant's definitive Proxy Statement relating to the registrant's Annual Meeting of Stockholders to be held on or about June 13, 2019, to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, are incorporated by reference into Part III of this Report.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in this Annual Report on Form 10 K or incorporated by reference into this Annual Report on Form 10 K, in future filings by us with the Securities and Exchange Commission (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, those described in Part I, "Item 1A. Risk Factors" and the following:

- our dependence on licensed products;
- our dependence on the strategies and reputation of our licensors;
- costs and uncertainties with respect to expansion of our product offerings;
- the performance of our products at retail and customer acceptance of new products;
- retail customer concentration;
- risks of doing business abroad;
- price, availability and quality of materials used in our products;
- the need to protect our trademarks and other intellectual property;
- risks relating to our retail business;
- dependence on existing management;
- our ability to make strategic acquisitions and possible disruptions from acquisitions;
- need for additional financing;
- seasonal nature of our business;
- our reliance on foreign manufacturers;
- the need to successfully upgrade, maintain and secure our information systems;
- data security or privacy breaches;
- the impact of the current economic and credit environment on us, our customers, suppliers and vendors;
- the effects of competition in the markets in which we operate, including from e-commerce retailers;
- the redefinition of the retail store landscape in light of widespread retail store closings and the bankruptcy of a number of prominent retailers;
- consolidation of our retail customers;
- the impact on our business of the imposition of tariffs by the United States government and the escalation of trade tensions between countries;
- additional legislation and/or regulation in the United States or around the world;
- our ability to import products in a timely and cost effective manner;
- our ability to continue to maintain our reputation;
- fluctuations in the price of our common stock;
- potential effect on the price of our common stock if actual results are worse than financial forecasts;
- the effect of regulations applicable to us as a U.S. public company; and
- our ability to successfully implement our business strategies to realize the anticipated benefits of the acquisition of Donna Karan International Inc. ("DKI").

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 in Part I of this Form 10 K under the heading “Risk Factors.” 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.

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WEBSITE ACCESS TO REPORTS

Our website is www.g-iii.com. We make available, free of charge, on our website (under the heading "Investors") our Annual Reports on Form 10 K, Quarterly Reports on Form 10 Q, Current Reports on Form 8 K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. No information contained on our website is intended to be included as part of, or incorporated by reference into, this Annual Report on Form 10 K. Information relating to our corporate governance, including copies of our Code of Ethics and Conduct, Audit, Compensation and Nominating and Corporate Governance Committee Charters, and other policies and guidelines, are available at our website under "Investors." Paper copies of these filings and corporate governance documents are available to stockholders free of charge by written request to Investor Relations, G-III Apparel Group, Ltd., 512 Seventh Avenue, 31st Floor, New York, New York 10018. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC's website is http://www.sec.gov.

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ITEM 1. BUSINESS.

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 ended January 31, 2019 is referred to as "fiscal 2019."

G-III Apparel Group, Ltd. is a Delaware corporation that was formed in 1989. We and our predecessors have conducted our business since 1974.

All share and per share data in this Annual Report on Form 10 K have been retroactively adjusted to reflect our two-for-one stock split effected on May 1, 2015.

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 of distribution including brick and mortar and online channels.

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

Our products are sold through a cross section of leading retailers such as Macy's, Dillard's, Hudson's Bay Company, including their Lord & Taylor and Saks Fifth Avenue divisions, Nordstrom, TJX Companies, Ross Stores and Burlington. We also sell our products over the web through retail partners such as macys.com and nordstrom.com, each of which has a substantial online business. In addition, we sell to pure play online retail partners such as Amazon and Fanatics.

We also distribute apparel and other products through our own retail stores. Substantially all of our DKNY, Wilsons Leather and G.H. Bass stores are operated as outlet stores. As of January 31, 2019, we operated 139 Wilsons Leather stores, 111 G.H. Bass stores, 42 DKNY stores, 11 Karl Lagerfeld Paris stores and 5 Calvin Klein Performance stores, of which 300 were located in the continental United States and 8 are located internationally. Wilsons Leather, G.H. Bass, DKNY and Karl Lagerfeld Paris each operates its own online store. In addition, as of January 31, 2019, Vilebrequin products were distributed through 96 company-operated stores, as well as through 68 franchised locations and e-commerce stores in Europe and the United States.

Segments

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

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

Our retail operations segment includes direct sales to consumers through company-operated stores and product sales through our owned websites for the DKNY, Donna Karan, Wilsons Leather, G.H. Bass and Karl Lagerfeld Paris businesses. Our retail operations segment consists primarily of our Wilsons Leather, G.H. Bass and DKNY stores, substantially all of which are operated as outlet stores, as well as a limited number of Calvin Klein Performance and Karl Lagerfeld Paris stores.

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Strategic Initiatives

We are focused on the following strategic initiatives, which we believe are critical to our long-term success:

· Owning brands: We now own a portfolio of proprietary brands, including DKNY, Donna Karan, Vilebrequin, G.H. Bass and Andrew Marc. Owning our own brands is advantageous to us for several reasons:

- We can realize significantly higher operating margins because we are not required to pay licensing fees on sales by us of our proprietary products and can also generate licensing revenues (which have no related cost of goods sold) for classes of products not manufactured by us.
- There are no channel restrictions, permitting us to market our products internationally, and to utilize a variety of different distribution channels, including online and off-price channels.
- We are able to license our proprietary brands in new categories and geographies to best in class licensees.
- We are able to build equity in these brands to benefit the long-term interests of our stockholders.

· Focusing on our five global power brands: While we sell products under more than 30 licensed and proprietary brands, five global power brands anchor our business: DKNY, Donna Karan, Calvin Klein, Tommy Hilfiger and Karl Lagerfeld Paris. Each of these brands has substantial name recognition and is well-known in the marketplace. We believe each brand also provides us with significant growth opportunities.

· Expanding our international business: We continue to expand our international business and enter into new markets worldwide. We believe that the international sales and profit opportunity is quite significant for our DKNY and Donna Karan businesses.

· Increasing online business opportunities: We are continuing to make changes to our business to address the additional challenges and opportunities created by the evolving role of the online marketplace in the retail sector and expect to increase the sale of our products in an omni-channel environment. We are investing in digital personnel, marketing, logistics, planning and distribution. We believe that consumers are increasingly engaging with brands through online channels, and that this trend will continue to grow in the coming years. The five global power brands that serve as the anchor of our business position us to be the direct beneficiaries of this trend, whether by continuing to leverage our partnerships with the online businesses operated by our licensors and major retailers to facilitate customer engagement or by building out our own online capabilities.

· Reducing the losses in our retail business: We are also focusing on significantly reducing the losses of our retail business with the goal of attaining profitability by terminating or renegotiating long-term leases as they come up for renewal, implementing cost-cutting initiatives, revising our merchandising strategies and repurposing certain Wilsons and G.H. Bass stores for our Karl Lagerfeld Paris or DKNY brands. We also hired a new President of our retail business who is an industry veteran with a proven track record at leading retailers.

The ongoing development of the DKI businesses serves as a pillar of our strategic efforts. The acquisition of DKI added two proprietary power brands to our growing portfolio and the ability to expand our footprint globally, while enabling us to compete more effectively in omni-channel retail. The acquisition of DKI fit squarely into our strategy to diversify and expand our business and to increase our ownership of brands. We believe that DKNY and Donna Karan are two of the most iconic and recognizable power brands and that we are well positioned to unlock their potential, resulting in a much bigger opportunity than their previous management had realized. We are focusing on the expansion of the DKNY brand, while continuing to re-establish Donna Karan and other associated brands. We are leveraging our demonstrated ability to drive organic growth and develop talent throughout our company to maximize the potential of the DKNY and Donna Karan brands.

In fiscal 2018 and fiscal 2019, we restructured and repositioned the DKNY and Donna Karan brands. We re-launched the DKNY apparel line and also re-launched Donna Karan as an aspirational luxury brand that is priced above DKNY and targeted to fine department stores globally. These steps began paying off in the second half of fiscal 2018 and through fiscal 2019. Our strategy is for DKNY and Donna Karan to be more accessible brands, both designed and priced to reach a wider range of customers. We believe there is untapped global licensing and distribution potential for these brands and intend to grow royalty streams in the DKNY and Donna Karan businesses through expansion of additional categories with existing licensees, as well as new categories with new licensees. We are committed to making DKNY the premier fashion and lifestyle brand.

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We also entered into a joint venture to produce and market women's and men's apparel and accessories under a long-term license for DKNY and Donna Karan in the People's Republic of China, including Macau, Hong Kong and Taiwan. The operators of the joint venture were formerly executives of Tommy Hilfiger and were instrumental in the expansion of the Tommy Hilfiger brand in China. This joint venture is the exclusive seller of women's and men's apparel, handbags, luggage and certain accessories under the DKNY and Donna Karan brands in the territory. The joint venture commenced operations in the second half of fiscal 2018 and was operating approximately 50 points of sale as of January 31, 2019.

The acquisition of DKI was not our only recent important strategic initiative. We have continually expanded our relationship with Calvin Klein, our most important license relationship representing over $1 billion of our sales in fiscal 2019. Initially, we had licenses for Calvin Klein men's and women's outerwear. We subsequently added licenses for women's suits, dresses, women's performance wear, women's better sportswear, men's and women's swimwear, women's handbags and small leather goods and luggage, as well as to operate Calvin Klein Performance retail stores in the United States.

We have continued to expand our partnership with the Karl Lagerfeld Paris brand as we now design, source and produce women's apparel, women's handbags, men's apparel and women's and men's footwear. We have expanded our licensing relationship with Tommy Hilfiger which includes all women's apparel categories (excluding intimates, sleepwear and accessories) in the United States and Canada. This expansion complemented our other Tommy Hilfiger licenses for men's and women's outerwear and luggage.

Competitive Strengths

We believe that retailers today are seeking resources with the size and power to partner effectively on all aspects of the supply chain, from design, sourcing and quality control to logistics and warehousing. We believe that G-III is a partner of choice in these endeavors, and that we are able to capitalize on the following competitive strengths to expand our position as an all-season diversified apparel company:

Broad portfolio of recognized brands. In an environment of rapidly changing consumer fashion trends, we benefit from a balanced mix 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 believe we are a licensee of choice for well-known brands, as demonstrated by our partnerships with such brands as Calvin Klein, Tommy Hilfiger, Karl Lagerfeld Paris, Kenneth Cole, Cole Haan, Guess?, Vince Camuto, Levi's and Dockers that have built a loyal following of both fashion-conscious consumers and retailers who desire high quality, well designed products. In addition to our licensed brands, we own a number of proprietary brands, including DKNY, Donna Karan, Vilebrequin, G.H. Bass, Andrew Marc, Marc New York, Eliza J and Jessica Howard. Our experience in developing and acquiring licensed brands and proprietary labels, as well as our reputation for producing high quality, well-designed apparel, has led major department stores and retailers to select us as a designer and manufacturer for their own private label programs.

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We currently market apparel and other products under, among others, the following licensed and proprietary brand names:

Women's	Men's	Team Sports
Licensed Brands		
Calvin Klein	Calvin Klein	National Football League
Tommy Hilfiger	Tommy Hilfiger	Major League Baseball
Karl Lagerfeld Paris	Karl Lagerfeld Paris	National Basketball Association
Guess?	Guess?	National Hockey League
Kenneth Cole	Kenneth Cole	Touch by Alyssa Milano
Cole Haan	Cole Haan	Collegiate Licensing Company
Levi's	Levi's	Starter
Vince Camuto	Dockers	Alliance of American Football
Kensie		
Proprietary Brands		
DKNY	DKNY	G-III Sports by Carl Banks
Donna Karan	Andrew Marc	G-III for Her
Andrew Marc	Marc New York	
Marc New York	Vilebrequin	
Vilebrequin	G. H. Bass	
G. H. Bass	Black Rivet	
Eliza J	Wilsons	
Jessica Howard		
Wilsons		

Diversified distribution base. We market our products at multiple price points and across multiple channels of distribution, allowing us to provide products to a broad range of consumers. Our products are sold to approximately 2,000 customers, including a cross section of retailers such as Macy’s, Dillard’s, Hudson’s Bay Company, including their Lord & Taylor and Saks Fifth Avenue divisions, Nordstrom, TJX Companies, Ross Stores and Burlington, as well as membership clubs such as Costco and Sam’s Club. We also sell to pure play online retail partners such as Amazon and Fanatics. Our strong relationships with retailers have been established through many years of personal customer service and adherence to meeting or exceeding retailer expectations.

In addition to selling our products through a diverse range of other retailers, our store network provides us with our own retail channel. We recognize that the retail landscape continues to evolve, and we are changing our retail strategy to significantly reduce our losses with the goal of attaining profitability in this segment. We are in the process of executing a turn-around of this segment of our business, including the termination and renegotiation of long-term leases as they come up for renewal, overall cost cutting, improved merchandising strategies and re-purposing certain Wilsons Leather and G.H. Bass stores for our Karl Lagerfeld Paris and/or DKNY brands. We have hired a new President of our retail business who is an industry veteran with a proven track record at leading retailers. In addition, we continue to make changes to our business to address the additional challenges and opportunities created by the evolving role of the online marketplace in the retail sector and expect to expand the sale of our products in an omni-channel environment.

Superior design, sourcing and quality control. Our in-house design and merchandising teams design substantially all of our licensed, proprietary and private label products. Our designers work closely with our licensors and private label customers to create designs and styles that represent the look they want. We have a network of worldwide suppliers that allows us to negotiate competitive terms without relying on any single vendor. In addition, we employ a quality control team and a sourcing group in China to ensure the quality of our products. We believe we have developed a significant customer following and positive reputation in the industry as a result of our design capabilities, sourcing expertise, on-time delivery and high standards of quality control.

Leadership position in the wholesale business. As one of the largest wholesalers of outerwear, dresses and sportswear, we are widely recognized within the apparel industry for our high-quality and well-designed products. Our expertise and reputation in designing, sourcing and marketing apparel has enabled us to build strong customer relationships and to become one of the leading dress and sportswear suppliers in the United States over the past several years. We have also expanded into other women’s and men’s apparel categories, as well as to non-apparel categories such as handbags, footwear, small leather goods, cold weather accessories and luggage.

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Experienced management team. Our executive management team has worked together for a significant period of time and has extensive experience in the apparel industry. Morris Goldfarb, our Chairman and Chief Executive Officer, has been with us for 45 years. Sammy Aaron, our Vice Chairman and President, joined us in 2005 when we acquired Marvin Richards, Wayne S. Miller, our Chief Operating Officer, has been with us for over 20 years, Neal S. Nackman, our Chief Financial Officer, has been with us for 15 years and Jeffrey Goldfarb, our Executive Vice President, has been with us for over 15 years. Our leadership team has demonstrated experience in successfully acquiring, managing, integrating and positioning new businesses having completed nine acquisitions and several joint ventures over the last 14 years, while also adding numerous new licenses and licensed products.

Wholesale Operations

Licensed Products

The sale of licensed products is a key element of our strategy and we have continually expanded our offerings of licensed products for more than 25 years. In August 2018, we renewed our license agreements with Guess? for an additional five-year term and in September 2018, we renewed our license agreement with Kenneth Cole for an additional four-year term. We also recently extended our license agreements with the National Hockey League through 2022 and for the Starter brand through 2023. Further, in November 2018, we were granted an additional five-year renewal option for our Vince Camuto dress license, through 2025.

License	Date Current Term Ends	Date Potential Renewal Term Ends
Fashion Licenses		
Calvin Klein (Men's outerwear)	December 31, 2023	None
Calvin Klein (Women's outerwear)	December 31, 2023	None
Calvin Klein (Women's dresses)	December 31, 2023	None
Calvin Klein (Women's suits)	December 31, 2023	None
Calvin Klein (Women's performance wear)	December 31, 2023	None
Calvin Klein (Women's better sportswear)	December 31, 2023	None
Calvin Klein (Better luggage)	December 31, 2023	None
Calvin Klein (Women's handbags and small leather goods)	December 31, 2023	None
Calvin Klein (Women's performance retail)		None

	December 31, 2023	
Calvin Klein (Men's and women's swimwear)	December 31, 2023	None
Cole Haan (Men's and women's outerwear)	December 31, 2020	December 31, 2025
Dockers (Men's outerwear)	November 30, 2021	None
Guess/Guess? (Men's and women's outerwear)	December 31, 2023	None
Guess/Guess? (Women's dresses)	December 31, 2023	None
Karl Lagerfeld Paris (Women's and men's apparel, women's handbags, women's and men's footwear)	December 31, 2020	December 31, 2030
Kenneth Cole NY/Reaction Kenneth Cole (Men's and women's outerwear)	December 31, 2022	December 31, 2025
Kensie (Women's sportswear, dresses, suits, activewear and sweaters)	January 31, 2021	None
Levi's (Men's and women's outerwear)	November 30, 2021	None
Tommy Hilfiger (Men's and women's outerwear)	December 31, 2021	December 31, 2025
Tommy Hilfiger (Luggage)	December 31, 2020	None
Tommy Hilfiger (Women's apparel)	December 31, 2021	December 31, 2025
Vince Camuto (Women's dresses)	December 31, 2020	December 31, 2025
Team Sports Licenses		
Collegiate Licensing Company	December 31, 2019	None
Major League Baseball	December 31, 2019	None
National Basketball Association	September 30, 2020	None
National Football League	March 31, 2020	None
National Hockey League	June 30, 2022	None
Starter	December 31, 2023	December 31, 2028

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We believe that consumers prefer to buy brands they know, and we have continually sought licenses that would 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 believe that brand owners are looking to consolidate the number of licensees they engage to develop product and to choose licensees who have a successful track record of developing brands. We continue to seek other opportunities to enter into license agreements in order to expand our product offerings under well-known labels and broaden the markets that we serve.

Under our license agreements, we are generally required to achieve minimum net sales of licensed products, pay guaranteed minimum royalties, make specified royalty and advertising payments (usually based on a percentage of net sales of licensed products), and receive prior approval of the licensor as to all design and other elements of a product prior to production. License agreements also may restrict our ability to enter into other license agreements for competing products or acquire businesses that produce competing products without the consent of the licensor. If we do not satisfy any of these requirements or otherwise fail to meet our obligations under a license agreement, a licensor usually will have the right to terminate our license. License agreements also typically restrict our ability to assign or transfer the agreement without the prior written consent of a licensor and generally provide that a change in control, including as a result of the acquisition of us by another company, is considered to be a transfer of the license agreement that would give a licensor the right to terminate the license unless it has approved the transaction. Our ability to renew the current term of a license agreement may be subject to the discretion of the licensor or to attaining minimum sales and/or royalty levels and to our compliance with the provisions of the agreement.

Proprietary Brands

Dating back to the beginning of our company, G-III has sold apparel under its own proprietary brands. Over the years, we developed or acquired brands such as G-III Sports by Carl Banks, Eliza J and Jessica Howard. We acquired Andrew Marc, an aspirational luxury outerwear brand, G.H. Bass, a well-known heritage brand, and Vilebrequin, which provides us with a premier brand selling status products worldwide. Most recently, we acquired DKI, which owns DKNY and Donna Karan, two of the world’s most iconic and recognizable power brands.

DKNY and Donna Karan

The DKI business has a portfolio of some of the world’s most iconic fashion brands, including DKNY and Donna Karan. First launched in 1984, DKI designed, sourced, marketed, retailed, and distributed collections of women’s and men’s clothing, sportswear, accessories and shoes under the DKNY and Donna Karan brand names until it was acquired by G-III in 2016.

Based on DKNY’s and Donna Karan’s significant brand equity, we believe there are opportunities to expand existing categories, launch new initiatives and develop a strong licensing and distribution base. We believe that the DKNY brand has the potential for significant growth. In addition, other areas for growth include the relaunch of Donna Karan, as well as increased licensing revenues. We expect sales growth across many categories of the business.

During fiscal 2019, we mutually agreed with Macy's to end their exclusivity with respect to our DKNY brand. While we plan to expand the reach of this brand into additional department stores in North America, we expect Macy's to remain a significant customer of DKNY products and play a major part in DKNY's growth initiatives.

Our DKNY products are designed to provide a total wardrobe for a woman's active, modern lifestyle. Products developed reflect the DKNY brand DNA and emphasize a strong price-value relationship. We believe that DKNY has the potential to be the premier fashion and lifestyle brand. DKNY products produced by us or by our various licensees are sold through department stores, specialty retailers and online retailers worldwide, as well as through company-operated retail stores, e-commerce sites and international brand partners and distributors.

We believe that the Donna Karan brand offers significant growth potential. We re-launched Donna Karan as an aspirational luxury brand that is priced above DKNY and targeted to fine department stores located in the United States, such as Dillard's, Lord & Taylor, Saks Fifth Avenue, Nordstrom and Bloomingdales, as well as fine department stores internationally.

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The acquisition of DKI provided us an opportunity to expand our online retail channels. We believe there are significant opportunities to focus and enhance the DKNY and Donna Karan websites, prudently expand retail stores over the long term, including through conversion of stores within the existing G-III retail base, and capitalize on industry relationships to ensure premium placement for certain product categories in department and other retail stores nationwide.

Vilebrequin

Vilebrequin is a premier provider of status swimwear, resort wear and related accessories. Vilebrequin sells its products in over 90 countries around the world. Vilebrequin has also licensed its brand internationally for a denim line. We believe that Vilebrequin has the potential to significantly develop its distribution network worldwide and expand its product offerings. A majority of Vilebrequin's current revenues are derived from sales in Europe and the United States. As of January 31, 2019, Vilebrequin products were distributed through 96 company-operated stores, plus e-commerce websites in each of Europe and the United States, as well as through 68 franchised locations and e-commerce stores and select wholesale distribution.

Vilebrequin's iconic designs and reputation are linked to its French Riviera heritage arising from its founding in St. Tropez over forty years ago. Vilebrequin's men's swimwear, which accounts for the majority of its sales, is known for its exclusive prints, wide range of colors, attention to detail, fabric quality and well-designed cut. In addition to swimwear, Vilebrequin sells a line of resort wear products, including shirts, T-shirts, Bermuda shorts and trousers, and related accessories, including hats, beach bags, beach towels, shoes, sunglasses and watches. Vilebrequin also offers a collection of women's swimwear and resort wear. We believe that Vilebrequin is a powerful brand. We plan to continue adding more company operated and franchised retail locations and increase our wholesale distribution of Vilebrequin product throughout the world, as well as develop the business beyond its heritage in men's swimwear, resort wear and related accessories.

Licensing of Proprietary Brands

As our portfolio of propriety brands has grown, we have licensed these brands in new categories. We began licensing Andrew Marc, Vilebrequin and G.H. Bass in selected categories after acquiring these brands. Our licensing program has significantly increased as a result of owning the DKNY and Donna Karan brands.

We currently license the DKNY and Donna Karan brands for a broad array of products in the U.S. and internationally including fragrance, hosiery, intimates, eyewear, jewelry, home furnishings and sleepwear. The DKNY brand is licensed in the U.S. and internationally for children's clothing, watches and men's tailored clothing. We have strong relationships with category leading license partners, including Estee Lauder, Fossil, PVH Corp. ("PVH") and Hanesbrands. We have also licensed DKNY and Donna Karan's men's and women's apparel and accessories in China pursuant to a long-term license agreement with a joint venture of which we are a 49% owner. Further, we license the DKNY brand in North America for the following product categories: men's sportswear, men's dress shirts, men's neckwear, men’s underwear, men’s loungewear, small leather goods, women’s belts and cold weather accessories and the DKNY and Donna Karan brands in North America for socks. Most recently, we licensed DKNY men’s underwear, men’s loungewear, men’s swimwear and men’s socks in Europe, the UK and Russia. We intend to continue to focus on expanding licensing opportunities for the DKNY and Donna Karan brands. We believe that we can capitalize on significant, untapped global licensing potential for these brands in a number of categories and we intend to grow royalty streams by expanding existing licenses, as well as through new categories with new licensees.

We currently license the G.H. Bass brand for the wholesale distribution of men’s, women’s and children’s footwear, boy’s tailored clothing, men’s sportswear, men’s socks and women’s hosiery, and men’s accessories and small leather goods and home furnishings.

We currently license the Vilebrequin brand internationally for a denim line.

We currently license the Andrew Marc brand in North America for men’s and boy’s tailored clothing.

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Retail Operations

We are a national retailer of outerwear, apparel, footwear and accessories in the United States. As of January 31, 2019, our retail operations segment consisted of 308 leased retail stores, of which 139 are stores operated under our Wilsons Leather name, 111 are stores operated under our G.H. Bass brand, 42 stores are operated under our DKNY brand, 11 stores are operated under the licensed Karl Lagerfeld Paris brand and 5 stores are operated under the licensed Calvin Klein Performance brand. Wilsons Leather, G.H. Bass, DKNY and Karl Lagerfeld Paris each operates its own online store.

Substantially all of our Wilsons Leather, G.H. Bass and DKNY stores are operated as outlet stores and located in larger outlet centers. Wilsons Leather stores average approximately 3,690 square feet, G.H. Bass stores average approximately 5,900 square feet and DKNY stores average approximately 3,740 square feet. Given the current retail environment, we are focusing on significantly reducing our losses in our retail business with the goal of attaining profitability by allowing leases to expire as they come up for renewal if we are unable to satisfactorily renegotiate the terms of those leases. We also hired a new President of our retail business who is an industry veteran with a proven track record at leading retailers. In addition, we continue to evaluate our operating expenses, revise our merchandising strategy and repurpose certain Wilsons Leather and G.H. Bass stores for the Karl Lagerfeld Paris or DKNY brands. We intend to continue our program of store count reduction and of increasing the efficiency and productivity of our retail operations.

At January 31, 2018, we operated 367 retail stores across our Wilsons Leather, G.H. Bass, DKNY, Karl Lagerfeld Paris and Calvin Klein Performance brands. At January 31, 2019, the store count for these brands had decreased to 308 locations. We expect to further reduce our store count and anticipate closing an additional approximately 40 to 45 stores by the end of fiscal 2020.

Our Wilsons Leather retail stores primarily sell men’s and women’s outerwear and accessories. Outerwear sold in our Wilsons Leather stores includes both products sold to the retail operations segment by G-III’s wholesale operations segment, as well as products sourced by the retail operations segment. Accessories are purchased from third parties. All of our G.H. Bass outlet stores offer G.H. Bass casual and dress shoes for men and women and most of our G.H. Bass stores also carry G.H. Bass apparel for men and women, including tops, bottoms and outerwear, as well as accessories such as handbags, wallets, belts and travel gear. Our DKNY stores offer a large range of products including sportswear, dresses, suit separates, outerwear, handbags, footwear, intimates, sleepwear, hosiery, watches and eyewear. Merchandise is shipped from our main Brooklyn Park, Minnesota distribution center, as well as four regional distribution centers, to replenish stores as needed with key styles and to build inventory for the peak holiday selling season.

We sell our products over the web through retail partners such as macys.com and nordstrom.com, each of which has a substantial online business. As e-commerce 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. Our e-commerce business consists of our own web platforms at www.dkny.com, www.donnakaran.com, www.wilsonsleather.com, www.ghbass.com, www.vilebrequin.com and www.andrewmarc.com. We also sell our Karl Lagerfeld Paris products on our website, www.karllagerfeldparis.com. In addition, we sell to pure play online retail partners such as Amazon and Fanatics.

Products — Development and Design

G-III designs, sources and markets women's and men's apparel at a wide range of retail price points. Our product offerings primarily include outerwear, dresses, sportswear, swimwear, women's suits and women's performance wear. We also market footwear and accessories including women's handbags, small leather goods, cold weather accessories, and luggage.

G-III's licensed apparel consists of both women's and men's products in a broad range of categories. See "Wholesale Operations — Licensed Products" above. Our strategy is to seek licenses that will enable us to offer a range of products targeting different price points and different distribution channels. We also offer a wide range of products under our own proprietary brands.

We work with a diversified group of retail chains, such as Costco, Ross Stores and Nordstrom in developing product lines that are sold under their private label programs. Our design teams collaborate with our customers to produce custom-made products for department and specialty chain stores. Store buyers may provide samples to us or may select styles already available in our showrooms. We believe we have established a reputation among these buyers for our ability to produce high quality product on a reliable, expeditious and cost-effective basis.

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Our in-house designers are responsible for the design and look of our licensed, proprietary and private label products. We work closely with our licensors to create designs and styles for each of our licensed brands. Licensors generally must approve products to be sold under their brand names prior to production. We maintain a global pulse on styles, using trend services and color services to enable us to quickly respond to style changes in the apparel industry. Our experienced design personnel and our focused use of outside services enable us to incorporate current trends and consumer preferences in designing new products and styles.

Our design personnel meet regularly with our sales and merchandising departments, as well as with the design and merchandising staffs of our licensors, to review market trends, sales results and the popularity of our latest products. In addition, our representatives regularly attend trade and fashion shows and shop at fashion forward stores in the United States, Europe and the Far East for inspiration. Our designers present sample items along with their evaluation of the styles expected to be in demand in the United States. We also seek input from selected customers with respect to product design. We believe that our sensitivity to the needs of retailers, coupled with the flexibility of our production capabilities and our continual monitoring of the retail market, enables us to modify designs and order specifications in a timely fashion.

Manufacturing and Sourcing

G-III wholesale operations and retail operations segments arrange for the production of products from independent manufacturers located primarily in China and, to a lesser extent, in Vietnam, Indonesia, Jordan, India, Bangladesh, Pakistan, Myanmar, Sri Lanka, Singapore, Cambodia, and Central and South America. Vilebrequin's products are manufactured primarily in Bulgaria, Morocco, Tunisia, Turkey, China, and Italy. A small portion of our garments are manufactured in the United States. We continue to make efforts to diversify production away from China and implement strategies to further diversify our production base.

We currently have representative offices in Hangzhou, Nanjing, Qingdao and Dongguan, China, as well as in Vietnam and Indonesia. These offices act as our liaison with manufacturers in the Far East. G-III's headquarters provides these liaison offices with production orders stating the quantity, quality, delivery time and types of garments to be produced. The personnel in our liaison offices assist in the negotiation and placement of orders with manufacturers. In allocating production among independent suppliers, we consider a number of criteria, including, but not limited to, quality, availability of production capacity, pricing and ability to meet changing production requirements.

To facilitate better service for our customers and accommodate the volume of manufacturing in the Far East, we also have a subsidiary in Hong Kong. Our Hong Kong subsidiary supports third party production of products on an agency fee basis and acts as an agent for substantially all of our production. Our China and Hong Kong offices monitor production at manufacturers' facilities to ensure quality control, compliance with our specifications and timely delivery of finished garments to our distribution facilities and, in some cases, direct to our customers.

In connection with the foreign manufacture of our products, manufacturers purchase raw materials including fabric, wool, leather and other submaterials (such as linings, zippers, buttons and trim) at our direction. Prior to commencing the manufacture of products, samples of raw materials or submaterials are sent to us for approval. We regularly inspect and supervise the manufacture of our products in order to ensure timely delivery, maintain quality control and monitor compliance with our manufacturing specifications. We also inspect finished products at the factory site.

We generally arrange for the production of products on a purchase order basis with completed products manufactured to our design specifications. We assume the risk of loss predominantly on a Freight-On-Board (F.O.B.) basis when goods are delivered to a shipper and are insured against casualty losses arising during shipping.

As is customary, we have not entered into any long-term contractual arrangements with any contractor or manufacturer. We believe that the production capacity of foreign manufacturers with which we have developed, or are developing, a relationship is adequate to meet our production requirements for the foreseeable future. We believe that alternative foreign manufacturers are readily available.

A majority of all finished goods manufactured for us is shipped to our distribution facilities or to designated third party facilities for final inspection, allocation, and reshipment to customers. The goods are delivered to our customers and us by independent shippers. We choose the form of shipment (principally ship, truck or air) based upon a customer’s needs, cost and timing considerations.

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Corporate Social Responsibility

Our business has been built on family values and the belief that with hard work, conviction and a commitment to the greater good we could redefine what is possible. While we have always worked to create value for our stakeholders, we also seek to be a positive force in making our industry and our communities better. Our goals are simple: to Engage Our People, Protect Our Environment, and Invest in Our Communities.

- Engage Our People - With more than 9,000 employees across the globe, G-III's greatest asset is our people. We have worked hard to create an environment of inclusion and diversity globally that extends to our employees as well as those who work in our contracted factories. As of January 31, 2019, approximately 55 percent of our top management positions are held by women. We collaboratively work with our license partners and various social compliance organizations to advocate for greater accountability and transparency in our supply chain and support worker well-being programs in our contracted factories.
- Protect Our Environment - We are seeking to reduce our impact on the environment by focusing on sustainability initiatives in our operations and throughout our supply chain. We are commencing several programs to reduce our consumption of energy, paper and plastics.
- Invest in Our Communities – The importance of community is woven into our DNA. Our philanthropic efforts span a range of causes, including health and wellness, education and development, and corporate citizenship. We also work with a number of organizations that provide financial assistance, housing, clothing and employment counseling to underserved women and families. We donate to numerous nonprofit organizations and our employees provide many hours of volunteer support.

We are committed to embedding these principles into our business and better engaging our employees and those who work in our contracted factories, protecting our environment and supporting our communities while accepting our responsibility to be a good corporate citizen.

Customs and Import Restrictions

Our arrangements with textile manufacturers and suppliers are subject to requisite customs clearances for textile apparel and the imposition of export duties. United States Customs duties on our textile apparel presently range from duty free to 32%, depending upon the type of fabric used, how the garment is constructed and the country of export. A substantial majority of our product is imported into the United States and, to a lesser extent, into Canada and Europe. Countries in which our products are sold may, from time to time, impose new duties, tariffs, surcharges or other import controls or restrictions or adjust prevailing duty or tariff levels, as well as quota restrictions. Any action by the executive branch of the United States government to increase tariffs on imported goods, such as the tariffs imposed on steel and aluminum and the imposition of tariffs on goods imported from China, could adversely affect our business. Under the provisions of the World Trade Organization ("WTO") agreement governing international trade in textiles, known as the "WTO Agreement on Textiles and Clothing," the United States and other WTO member countries have eliminated quotas on textiles and apparel-related products from WTO member countries. As a result, quota restrictions generally do not affect our business in most countries.

Apparel and other products sold by us are also subject to regulations that relate to product labeling, content and safety requirements, licensing requirements and flammability testing. We believe that we are in compliance with those regulations, as well as applicable federal, state, local, and foreign regulations relating to the discharge of materials hazardous to the environment.

Raw Materials

We purchase substantially all of the products manufactured for us on a finished goods basis. We coordinate the sourcing of raw materials used in the production of our products, which are generally available from numerous sources. The apparel industry competes with manufacturers of many other products for the supply of raw materials.

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Marketing and Distribution

G-III's products are sold primarily to department, specialty and mass merchant retail stores in the United States. We sell to approximately 2,000 customers, ranging from national and regional chains to small specialty stores. We also distribute our products through our retail stores and, to a lesser extent, through our DKNY, Donna Karan, Wilsons Leather, G.H. Bass, Vilebrequin and Andrew Marc websites, the Karl Lagerfeld Paris website, and the websites of our retail partners such as Macy's, Nordstrom, Amazon and Fanatics.

Sales to our ten largest customers accounted for 69.7% of our net sales in fiscal 2019 compared to 63.2% of our net sales in fiscal 2018 and 64.1% of our net sales in fiscal 2017. Sales to Macy's, which includes sales to its Macy's and Bloomingdale's store chains, as well as through macys.com, accounted for an aggregate of 24.8% of our net sales in fiscal 2019 compared to 22.2% of our net sales in fiscal 2018 and 21.8% of our net sales in fiscal 2017. In addition, sales to TJX Companies accounted for an aggregate of 12.4% of our net sales in fiscal 2019. The loss of either of these customers or a significant reduction in purchases by our largest customers could have a material adverse effect on our results of operations.

A substantial majority of our sales are made in the United States. We also market our products in Canada, Central America, South America, Europe, the Middle East and the Far East, which, on a combined basis, accounted for approximately 13.7% of our net sales in fiscal 2019 compared to 12.1% of our net sales in fiscal 2018.

Our products are sold primarily through our direct sales force along with our principal executives who are also actively involved in the sale of our products. Some of our products are also sold by independent sales representatives located throughout the United States. The Canadian market is serviced by a sales and customer service team based both in the United States and in Canada. Vilebrequin products are sold through a direct sales force primarily located across Europe. Sales outside of the United States and Canada may be managed by our salespeople located in our sales offices in Europe or Asia depending on the customer.

Brand name products sold by us pursuant to a license agreement are promoted by institutional and product advertisements placed by the licensor. Our license agreements generally require us to pay the licensor a fee, based on a percentage of net sales of licensed product, to pay for a portion of these advertising costs. We may also be required to spend a specified percentage of net sales of a licensed product on advertising placed by us.

Our marketing and press efforts on behalf of the DKNY and Donna Karan brands are highly focused around communicating brand DNA and visual identity for the new evolution of DKNY and Donna Karan. We are re-building the brand image through high impact ad campaigns that feature socially relevant talent. We are striving to create noteworthy marketing initiatives, collaborations and image programs to build brand awareness and bring in a new young customer. Donna Karan and DKNY will continue to support global licensees with brand campaigns and product images to tell the brand story. We expect to invest in digital media and storytelling for brand amplification and to establish comprehensive commercial marketing tools that will support our global wholesale and retail channels.

Marketing efforts by Wilsons Leather and G.H. Bass are primarily focused on increasing store traffic and then converting customers to buyers. This goal is mainly accomplished through our customer relations programs, local advertising and mall marketing promotions along with marketing initiatives through the Internet, social media and public relations support. We continue to revitalize and build the G.H. Bass heritage brand through products featuring new design and comfort technology, improved assortments and additional category licenses.

Vilebrequin's marketing efforts have been based on continually offering new swimwear prints and expanding the range of its products to new categories such as women's swimwear, ready-to-wear and accessories. Besides its traditional advertising networks (print and outdoor advertising), Vilebrequin is seeking to develop new marketing channels through the use of digital media, product placement and public relations. Through the growth of its network of stores, distributors and franchisees, Vilebrequin is seeking to reinforce its position in its traditional markets, such as the United States, Europe and the Middle East, and to develop new markets in Asia.

We advertise our Andrew Marc and Marc New York brands and are engaged in both cooperative advertising programs with retailers and direct to the consumer. Our marketing strategy is focused on media, public relations and channel marketing. Our media strategy for Andrew Marc includes traditional print, such as catalogs, and outdoor advertising, as well as digital and social media initiatives.

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We believe we have developed awareness of our other owned labels primarily through our reputation, consumer acceptance and the fashion press. We primarily rely on our reputation and relationships to generate business in the private label portion of our wholesale operations segment. We believe we have developed a significant customer following and positive reputation in the industry as a result of, among other things, our standards of quality control, on-time delivery, competitive pricing and willingness and ability to assist customers in their merchandising of our products.

As e-commerce sales of apparel continue to increase, we are developing initiatives to increase our digital presence through our own web sites and through the websites of our retail partners. We are working closely with our retail partners to provide consumers with a high quality viewing experience for our products. We are also working to increase our e-commerce sales through marketing, social influencers and other online drivers of sales.

Seasonality

Retail sales of apparel have traditionally been seasonal in nature. Historically, our wholesale business has been dependent on our sales during our third and fourth quarter. Net sales during the third and fourth quarter accounted for approximately 61% of our net sales in fiscal 2019, 62% of our net sales in fiscal 2018 and 54% of our net sales in fiscal 2017. We are highly dependent on our results of operations during the second half of our fiscal year. The second half of the year is expected to continue to provide a larger amount of our net sales and a substantial majority of our net income for the foreseeable future.

Order Book

A portion of our orders consists of short-term purchase orders from customers who place orders on an as-needed basis. Information relative to open purchase orders at any date may also be materially affected by, among other things, the timing of the initial showing of apparel to the trade, as well as by the timing of recording of orders and shipments. As a result, we do not believe that disclosure of the amount of our unfilled customer orders at any time is meaningful.

Competition

We have numerous competitors with respect to the sale of our products, including brand owners, distributors that import products from abroad, and domestic retailers with established foreign manufacturing capabilities. Some of our competitors have greater financial and marketing resources and greater manufacturing capacity than we do. Our retail business competes against a diverse group of retailers, including, among others, other outlet stores, department stores, specialty stores, warehouse clubs and e-commerce retailers. Sales of our products are affected by style, price, quality, brand reputation and general fashion trends.

Trademarks

We own some of the trademarks used by us in connection with our wholesale operations segment, as well as almost all of the trademarks used in our retail operations segment. We act as licensee of certain trademarks owned by third parties that are used in connection with our business. The principal brands that we license are summarized under the heading “Wholesale Operations – Licensed Products” above. We also use the licensed Calvin Klein and Karl Lagerfeld Paris brands in our retail operations segment. We own a number of proprietary brands that we use in connection with our business and products including, among others, DKNY, Donna Karan, Vilebrequin, G.H. Bass, Andrew Marc, Marc New York, Eliza J, Jessica Howard and G-III Sports by Carl Banks. We have registered, or applied for registration of, many of our trademarks in multiple jurisdictions for use on a variety of apparel and related other products.

In markets outside of the United States, our rights to some of our trademarks may not be clearly established. In the course of our attempt to expand into foreign markets, we may experience conflicts with various third parties who have acquired ownership rights in certain trademarks that would impede our use and registration of some of our trademarks. Such conflicts may arise from time to time as we pursue international expansion. Although we have not in the past suffered any material restraints or restrictions on doing business in desirable markets or in new product categories, we cannot be sure that significant impediments will not arise in the future as we expand product offerings and introduce additional brands to new markets.

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We regard our trademarks and other proprietary rights as valuable assets and believe that they have value in the marketing of our products. We vigorously protect our trademarks and other intellectual property rights against infringement.

Employees

As of January 31, 2019, we employed approximately 4,100 employees on a full-time basis and approximately 3,300 employees on a part-time basis. During our peak retail selling season from October through January, we employed approximately 2,400 additional seasonal associates in our retail stores. We employ both union and non-union personnel and believe that our relations with our employees are good. We have not experienced any interruption of our operations due to a labor disagreement with our employees.

G-III is a party to an agreement with a labor union. As of January 31, 2019, this agreement covers approximately 440 of our full-time employees, most of whom work in our warehouses located in New Jersey, and is currently in effect through November 15, 2020. As successor to the Donna Karan Company LLC (“DKC”), G-III is also subject to DKC’s agreement with the same union. The Donna Karan agreement covers approximately 26 full time employees, most of whom work in their warehouse in New Jersey. This agreement is currently in effect through May 31, 2019.

As successor to DKC, G-III is also subject to DKC’s agreement with another labor union. As of January 31, 2019, this agreement covers approximately 3 of our full-time employees, who work as tailors and sample makers in our New York offices. The agreement is currently in effect through May 31, 2019.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information with respect to our executive officers.

Name	Age	Position
Morris Goldfarb	68	Chairman of the Board, Chief Executive Officer and Director
Sammy Aaron	59	Vice Chairman, President and Director
Wayne S. Miller	61	Chief Operating Officer and Secretary
Neal S. Nackman	59	Chief Financial Officer and Treasurer
Jeffrey Goldfarb	42	Executive Vice President and Director

Morris Goldfarb is our Chairman of the Board and Chief Executive Officer, as well as one of our directors. Mr. Goldfarb has served as an executive officer of G-III and our predecessors since our formation in 1974.

Sammy Aaron is our Vice Chairman and President, as well as one of our directors. He has served as an executive officer since we acquired the Marvin Richards business in July 2005. Mr. Aaron is also the Chief Executive Officer of our Calvin Klein divisions.

Wayne S. Miller has been our Chief Operating Officer since December 2003 and our Secretary since November 1998. He also served as our Chief Financial Officer from April 1998 until September 2005 and as our Treasurer from November 1998 until April 2006.

Neal S. Nackman has been our Chief Financial Officer since September 2005 and was elected Treasurer in April 2006. Mr. Nackman served as Vice President — Finance from December 2003 until April 2006.

Jeffrey Goldfarb has been our Executive Vice President and Director of Strategic Planning since June 2016, and serves as one of our directors. He has been employed by G-III in a number of other capacities since 2002. Prior to becoming Executive Vice President, he served as our Director of Business Development for more than five years. Jeffrey Goldfarb is the son of Morris Goldfarb.

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ITEM 1A. RISK FACTORS.

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking statements contained in this Annual Report on Form 10 K. Any of the following risks could materially adversely affect our business, our prospects, our operating results, our financial condition, the trading prices of our securities and the actual outcome of matters as to which forward-looking statements are made in this report. Additional risks that we do not yet know of or that we currently think are immaterial may also affect our business operations.

Risk Factors Relating to Our Wholesale Operations

The failure to maintain our license agreements could cause us to lose significant revenues and have a material adverse effect on our results of operations.

We are dependent on sales of licensed products for a substantial portion of our revenues. In fiscal 2019, net sales of licensed product accounted for 57.4% of our net sales compared to 58.6% of our net sales in fiscal 2018 and 60.7% of our net sales in fiscal 2017.

We are generally required to achieve specified minimum net sales, make specified royalty and advertising payments and receive prior approval of the licensor as to all design and other elements of a product prior to production. License agreements also may restrict our ability to enter into other license agreements for competing products or acquire businesses that produce competing products without the consent of the licensor. If we do not satisfy any of these requirements or receive approval with respect to a restricted transaction, a licensor usually will have the right to terminate our license. Even if a licensor does not terminate our license, the failure to achieve net sales sufficient to cover our required minimum royalty payments could have a material adverse effect on our results of operations. If a license contains a renewal provision, there are usually minimum net sales and other conditions that must be met in order to be able to renew a license. Even if we comply with all the terms of a license agreement, we cannot be sure that we will be able to renew an agreement when it expires even if we desire to do so. The failure to maintain or renew our license agreements could cause us to lose significant revenue and have a material adverse effect on our results of operations.

Our success is dependent on the strategies and reputation of our licensors.

We strive to offer our products on a multiple brand, multiple channel and multiple price point basis. As a part of this strategy, we license the names and brands of numerous recognized companies and designers. In entering into these license agreements, we plan our products to be targeted towards different market segments based on consumer demographics, design, suggested pricing and channel of distribution. If any of our licensors decides to “reposition” its products under the brands we license from them, introduce similar products under similar brand names or otherwise change the parameters of design, pricing, distribution, target market or competitive set, we could experience a significant downturn in that brand’s business, adversely affecting our sales and profitability. In addition, as licensed products may be personally associated with designers, our sales of those products could be materially and adversely affected if any of those individuals’ images, reputations or popularity were to be negatively impacted.

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.

We have ten different license agreements relating to a variety of products sold under the Calvin Klein brand that is owned by PVH. We have three different license agreements for products sold under the Tommy Hilfiger brand, which is also owned by PVH. Net sales of these two brands owned by PVH constituted approximately 46% of our net sales in both fiscal 2019 and fiscal 2018. Any adverse change in our relationship with PVH, or in the reputation of Calvin Klein or Tommy Hilfiger, would have a material adverse effect on our results of operations.

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Our failure to realize the benefits of the DKI business in a timely and cost-efficient manner could affect our results of operations.

The success of the DKI acquisition will depend, in part, on our ability to fully realize the anticipated benefits of adding the DKNY and Donna Karan businesses to our portfolio. Prior to our acquisition, sales of the DKI business were decreasing. The DKI business incurred significant net losses in the time period prior to our acquisition, as well after our acquisition in the two months of our fiscal 2017 year and in fiscal 2018. In addition, at the time of the acquisition, DKI's retail operations were generating losses and experiencing declines in comparable store sales, sales per square foot and gross margins. To realize the anticipated benefits of the transaction, we must increase sales of DKNY and Donna Karan products and improve the DKNY retail operations. Any failure to timely realize these anticipated benefits could have a material adverse effect on our results of operations and financial position. These efforts will also require substantial commitments of management time and attention and other resources, which could otherwise have been allocated to different uses that may have been beneficial to our business.

Our business and the success of our products could also be harmed if we are unable to maintain or enhance the images of our proprietary brands.

Our success has also been due to the growth of our proprietary brands, their favorable images and our customers' connection to our brands. Our acquisition of DKI and its DKNY and Donna Karan brands further expanded our portfolio of proprietary brands that also includes G.H. Bass, Vilebrequin and Andrew Marc, among others. If we are unable to timely and appropriately respond to changing consumer demand, the value and images of our brands may be impaired. Even if we react appropriately to changes in consumer preferences, consumers may consider the image of our brands to be outdated or associate our brands with styles that are no longer popular. In addition, brand value is based in part on consumer perceptions of a variety of qualities, including merchandise quality and corporate integrity. Negative claims or publicity regarding G-III, our brands or our products could adversely affect our reputation and sales regardless of whether such claims are accurate. Social media, which accelerates the dissemination of information, can increase the challenges of responding to negative claims. In the past, many apparel companies have experienced periods of rapid growth in sales and earnings followed by periods of declining sales and losses. Our businesses may be similarly affected in the future.

If our customers change their buying patterns, request additional allowances, develop their own private label brands or enter into agreements with national brand manufacturers to sell their products on an exclusive basis, our sales to these customers could be materially adversely affected.

Our customers' buying patterns, as well as the need to provide additional allowances to customers, could have a material adverse effect on our business, results of operations and financial condition. Customers' strategic initiatives, including developing their own private labels brands, selling national brands on an exclusive basis or reducing the number of vendors they purchase from, could also impact our sales to these customers. There is a trend among major retailers to concentrate purchasing among a narrowing group of vendors. To the extent that any of our key customers reduces the number of its vendors and, as a result, reduces or eliminates purchases from us, there could be a material adverse effect on us.

We have significant customer concentration, and the loss of one of our large customers could adversely affect our business.

Our ten largest customers, all of which are department or discount store groups, accounted for approximately 69.7% of our net sales in fiscal 2019, 63.2% of our net sales in fiscal 2018 and 64.1% of our net sales in fiscal 2017, with the Macy’s Inc. group accounting for approximately 24.8% of our net sales in fiscal 2019 compared to 22.2% of our net sales in fiscal 2018 and 21.8% of our net sales in fiscal 2017. In addition, TJX Companies accounted for approximately 12.4% of our net sales in fiscal 2019. We expect that these customers will continue to provide a significant percentage of our sales as they are important customers of our products. Consolidation in the retail industry could increase the concentration of our sales to our largest customers. A number of large department or discount store groups, including Macy’s and Lord & Taylor, have announced their intention to close a significant number of stores. This reduction in store count could adversely affect our results of operations.

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Sales to customers generally occur on an order-by-order basis that may be subject to cancellation or rescheduling by the customer. A decision by our major customers to decrease the amount of merchandise purchased from us, increase the use of their own private label brands, sell a national brand on an exclusive basis or change the manner of doing business with us could reduce our revenues and materially adversely affect our results of operations. The loss of any of our large customers, or the bankruptcy or serious financial difficulty of any of our large customers, could have a material adverse effect on us.

If we miscalculate the market for our products, we may end up with significant excess inventories for some products and missed opportunities for others.

We often produce products to hold in inventory in order to meet our customers' delivery requirements and to be able to quickly fulfill reorders. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities for others. In addition, weak sales and resulting markdown requests from customers could have a material adverse effect on our results of operations.

Risks Relating to Our Retail Operations

Our retail operations segment may continue to incur losses if our retail turnaround strategy and/or our execution of the turnaround strategy are unsuccessful.

Our retail operations segment reported an operating loss of $49.0 million in fiscal 2019 and $49.1 million in fiscal 2018. The retail landscape continues to evolve and, as a result, we are implementing a retail turnaround strategy in an attempt to significantly reduce the losses in our retail business with the goal of attaining profitability in our retail operations segment. We are in the process of executing a turnaround strategy of this segment of our business, including termination or renegotiation of long-term leases as they come up for renewal, overall cost cutting, improved merchandising strategies for our Wilsons and G.H. Bass store chains and re-purposing certain Wilsons and G.H. Bass stores for our Karl Lagerfeld Paris or DKNY brands. We also hired a new President of our retail business who is an industry veteran with a proven track record at leading retailers. We need to successfully implement this strategy in order to significantly reduce the losses of our retail business with the goal of attaining profitability in our retail operations segment and there is no assurance that we can do so.

We may be required to record impairments of long-lived assets or incur other charges relating to our company-operated retail stores.

Impairment testing of our retail stores' long-lived assets requires us to make estimates about our future performance and cash flows that are inherently uncertain. These estimates can be affected by numerous factors, including changes in economic conditions, our results of operations, and competitive conditions in the industry. Due to the fixed-cost structure associated with our retail operations, negative cash flows or the closure of a store could result in an impairment of leasehold improvements or other long-lived assets, write-downs of inventory, severance costs, lease termination costs or the loss of working capital, which could adversely impact our business and financial results. We recorded impairments related to our retail operations of $2.8 million in fiscal 2019, $6.5 million in fiscal 2018 and $10.5 million in fiscal 2017. These impairment charges may increase as we continue to evaluate our retail operations segment. The recording of additional impairments in the future may have a material adverse impact on our business and financial results.

Leasing of significant amounts of real estate exposes us to possible liabilities and losses.

All of the stores operated by us are leased. Accordingly, we are subject to all of the risks associated with leasing real estate. Store leases generally require us to pay a fixed minimum rent and a variable amount based on a percentage of annual sales at that location. We generally cannot cancel our leases. If an existing or future store is not profitable, and we decide to close it, we may be committed to perform certain obligations under the applicable lease including, among other things, paying rent for the balance of the applicable lease term. As each of our leases expires, if we do not have a renewal option, we may be unable to negotiate a renewal on commercially acceptable terms, or at all, which could cause us to close stores in desirable locations. In addition, we may not be able to close an unprofitable store due to an existing operating covenant, which may cause us to operate the location at a loss and prevent us from finding a more desirable location.

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Our retail stores are heavily dependent on the ability and desire of consumers to travel and shop. A reduction in the volume of outlet mall traffic could adversely affect our retail sales.

Substantially all of the stores in our retail operations segment are operated as outlet stores and located in larger outlet centers, many of which are located in, or near, vacation destinations or away from large population centers where department stores and other traditional retailers are concentrated. Economic uncertainty, increased fuel prices, travel concerns and other circumstances, which would lead to decreased travel, could have a material adverse effect on sales at our outlet stores. Other factors that could affect the success of our outlet stores include:

- the location of the outlet mall or the location of a particular store within the mall;
- the other tenants occupying space at the outlet mall;
- increased competition in areas where the outlet malls are located;
- a downturn in the economy generally or in a particular area where an outlet mall is located;
- the shift to online shopping;
- a downturn in foreign shoppers in the United States; and
- the amount of advertising and promotional dollars spent on attracting consumers to outlet malls.

Sales at our outlet stores are derived, in part, from the volume of traffic at the malls where our stores are located. In fiscal 2019, our outlet stores continued to experience a reduction in consumer traffic, which adversely affected the results of our retail operations segment. Our outlet stores benefit from the ability of a mall’s other tenants and other area attractions to generate consumer traffic in the vicinity of our stores and the continuing popularity of outlet malls as shopping destinations. Changes in areas around our existing retail locations, including the type and nature of the other retailers located near our stores, that result in reductions in customer foot traffic or otherwise render the locations unsuitable could cause our sales to be less than expected. A reduction in outlet mall traffic as a result of these or other factors could materially adversely affect our business.

Our ability to successfully operate retail stores depends on many factors.

Our ability to successfully operate our retail stores depends on many factors, including, among others, our ability to:

- negotiate acceptable lease terms, including desired rent and tenant improvement allowances;
- achieve brand awareness, affinity and purchase intent in our markets;
- achieve increased sales and gross margins at our stores;
- hire, train and retain store associates and field management;
- assimilate store associates and field management into our corporate culture; and
- source and supply sufficient inventory levels.

The retail business is intensely competitive and increased or new competition could have a material adverse effect on us.

The retail industry is intensely competitive. We compete against a diverse group of retailers, including, among others, other outlet stores, department stores, specialty stores, warehouse clubs and e-commerce retailers. We also compete in particular markets with a number of retailers that specialize in the products that we sell. A number of different competitive factors could have a material adverse effect on our retail business, results of operations and financial condition including:

- increased operational efficiencies of competitors;
- competitive pricing strategies, including deep discount pricing by a broad range of retailers during periods of poor consumer confidence or economic instability;
- expansion of product offerings by existing competitors;
- entry by new competitors into markets in which we operate retail stores;
- adoption by existing competitors of innovative retail sales methods; and
- increased consumer preference for online apparel purchases and innovations by e-commerce retailers such as Amazon.

We may not be able to continue to compete successfully with our existing or new competitors, or be assured that prolonged periods of deep discount pricing by our competitors will not have a material adverse effect on our business.

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Our e-commerce business faces distinct risks, and our failure to successfully manage it could have a negative impact on our profitability.

We are investing in our e-commerce business and seeking to increase the amount of business derived from our e-commerce operations. The successful operation and expansion of our e-commerce business, as well as our ability to provide a positive shopping experience that will generate orders and drive subsequent visits, depends on efficient and uninterrupted operation of our order-taking and fulfillment operations. Risks associated with our e-commerce business include:

- the failure of the computer systems, including those of third-party vendors, that operate our e-commerce sites including, among others, inadequate system capacity, computer viruses, human error, changes in programming, security breaches, system upgrades or migration of these services to new systems;
- disruptions in telecom service or power outages;
- reliance on third parties for computer hardware and software, as well as delivery of merchandise to our customers on-time and without damage;
- rapid technology changes;
- the failure to deliver products to customers on-time or to satisfy customers' expectations;
- credit or debit card fraud;
- natural disasters or adverse weather conditions;
- changes in applicable federal, state and international regulations;
- liability for online content; and
- consumer privacy concerns and regulation.

Problems in any of these areas could result in a reduction in sales, increased costs and damage to our reputation and brands, which could adversely affect our business and results of operations.

Laws on privacy continue to evolve and further limits on how we collect or use customer information could adversely affect our business.

We collect and store customer information primarily for marketing purposes and to improve the services we provide. The use or retention of certain customer information is subject to applicable privacy laws. These laws and the judicial interpretation of such laws are evolving on a frequent basis. If we fail to comply with these laws, we may be subject to fines or penalties, which could impact our business, financial condition and results of operations. Any limitations imposed on the use of such customer information by federal, state or local governments, could have an adverse effect on our future marketing activities. Governmental focus on data security and/or privacy may lead to additional legislation or regulations. As a result, we may have to modify our business with the goal of further improving data security, which would result in increased expenses and operating complexity. To the extent our or our business partners' security procedures and protection of customer information prove to be insufficient or inadequate, we may become subject to litigation or other claims, which could expose us to liability and cause damage to our reputation, brand and results of operations.

We are subject to rules relating to the processing of credit card payments. Failure to comply with these rules could result in an ability to process payments which would adversely affect our retail business.

Because we process and transmit payment card information, we are subject to the Payment Card Industry (“PCI”) Data Security Standard (the “Standard”), and card brand operating rules (“Card Rules”). The Standard is a comprehensive set of requirements for enhancing payment account data security that was developed by the PCI Security Standards Council to help facilitate the broad adoption of consistent data security measures. We are required by payment card network rules to comply with the Standard, and our failure to do so may result in fines or restrictions on our ability to accept payment cards. Under certain circumstances specified in the payment card network rules, we may be required to submit to periodic audits, self-assessments or other assessments of our compliance with the Standard. Such activities may reveal that we have failed to comply with the Standard. If an audit, self-assessment or other test determines that we need to take steps to remediate any deficiencies, such remediation efforts may distract the management team of our retail business and require it to undertake costly and time consuming remediation efforts. In addition, even if we comply with the Standard, there is no assurance that we will be protected from a security breach. Further, changes in technology and processing procedures may result in changes to the Card Rules. Such changes may require us to make significant investments in operating systems and technology that may impact our business. Failure to keep up with changes in technology could result in the loss of business. Failure to comply with the Standard or Card Rules could result in losing certification under the PCI standards and an inability to process payments.

Risk Factors Relating to the Operation of Our Business

If we lose the services of our key personnel, or are unable to attract key personnel, our business will be harmed.

Our future success depends on Morris Goldfarb, our Chairman and Chief Executive Officer, and other key personnel. The loss of the services of Mr. Goldfarb and any negative market or industry perception arising from the loss of his services could have a material adverse effect on us and the market price of our common stock. Our other executive officers have substantial experience and expertise in our business and have made significant contributions to our success. The unexpected loss of services of one or more of these individuals or the inability to attract key personnel could also adversely affect us.

We have expanded our business through acquisitions that could result in diversion of resources, an inability to integrate acquired operations and extra expenses. This could disrupt our business and adversely affect our financial condition.

Part of our growth strategy is to pursue acquisitions. The negotiation of potential acquisitions as well as the integration of acquired businesses could divert our management's time and resources. Acquired businesses may not be successfully integrated with our operations. We may not realize the intended benefits of an acquisition, such as our acquisition of DKI. We also might not be successful in identifying or negotiating suitable acquisitions, which could negatively impact our growth strategy.

Acquisitions could also result in:

- substantial cash expenditures;
- potentially dilutive issuances of equity securities;
- the incurrence of debt and contingent liabilities;
- a decrease in our profit margins;
- amortization of intangibles and potential impairment of goodwill;
- reduction of management attention to other parts of our business;
- failure to generate expected financial results or reach business goals; and
- increased expenditures on human resources and related costs.

If acquisitions disrupt our operations, our business may suffer.

We conduct certain of our operations through joint ventures. There could be disagreements with our joint venture partners that could adversely affect our interest in the joint ventures.

We own 49% in each of two joint ventures, one with respect to the Karl Lagerfeld brand in the United States, Mexico and Canada and one with respect to the use of the DKNY and Donna Karan brands in China. We may enter into additional joint ventures in the future. Our joint venture partners, as well as any future partners, may have interests that are different from our interests that may result in conflicting views as to the conduct of the business of the joint venture. In the event that we have a disagreement with a joint venture partner with respect to a particular issue to come before the joint venture, or as to the management or conduct of the business of the joint venture, we may not be able to resolve such disagreement in our favor. Any such disagreement could have a material adverse effect on our interest in the joint venture, the business of the joint venture or the portion of our growth strategy related to the joint venture.

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We have incurred a significant amount of debt, which could adversely affect us.

Our indebtedness significantly increased as a result of the acquisition of DKI. We are a party to a $650 million senior secured asset-based revolving credit facility, which replaced our previous $450 million facility, and a $300 million senior secured term loan facility (“Term Facility”) (collectively, the “Bank Debt”). In addition to the indebtedness under the Bank Debt, we also incurred $125 million of debt pursuant to a junior lien secured note in favor of LVMH Moet Hennessy Louis Vuitton Inc. (“LVMH”). The increase in the amount of our outstanding debt could adversely affect us by decreasing our business flexibility and increasing our borrowing costs. The Bank Debt contains certain restrictive covenants imposing operating and financial restrictions on us. These covenants restrict our ability and the ability of certain of our subsidiaries, among other things, to: incur or guarantee indebtedness; incur liens; pay dividends or repurchase stock; enter into transactions with affiliates; consummate asset sales, acquisitions or mergers; prepay certain other indebtedness; or make investments. The revolving credit facility also requires us to comply with certain financial covenants.

The operating restrictions and financial covenants in the Bank Debt may limit our ability to finance future operations, capital needs or acquisitions or to engage in other business activities. Our ability to comply with financial covenants could be materially affected by events beyond our control, and there can be no assurance that we will satisfy any such requirements. If we fail to comply with these covenants, we may need to seek waivers or amendments of such covenants, seek alternative or additional sources of financing or reduce our expenditures. We may be unable to obtain such waivers, amendments or alternative or additional financing on favorable terms, or at all.

If an event of default occurs, the lenders under the Bank Debt, as well as the holder of the LVMH note, may declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable and exercise remedies in respect of the collateral. We may not be able to repay all amounts due under the Bank Debt or LVMH note in the event these amounts are declared due upon an event of default.

Our debt level and related debt service obligations could have negative consequences, including:

- requiring us to dedicate significant cash flow from operations to the payment of principal, interest and other amounts payable on our debt, which would reduce the funds we have available for other purposes;
- making it more difficult or expensive for us to obtain any necessary future financing for working capital, capital expenditures, debt service requirements, debt refinancing, acquisitions or other purposes;
- reducing our flexibility in planning for, or reacting to, changes in our industry or market conditions;
- making us more vulnerable in the event of a downturn in our business operations or in the economy; and
- exposing us to interest rate risk given that a substantial portion of our debt obligations is at variable interest rates.

Our ability to continue to have the necessary liquidity to operate our business may be adversely impacted by a number of factors, including uncertain conditions in the credit and financial markets, which could limit the availability and increase the cost of financing. A deterioration of our results of operations and cash flow resulting from decreases in consumer spending, could, among other things, impact our ability to comply with financial covenants in our existing credit facility.

Our historical sources of liquidity to fund ongoing cash requirements include cash flows from operations, cash and cash equivalents, borrowings through our revolving credit facility and equity offerings. The sufficiency and availability of credit may be adversely affected by a variety of factors, including, without limitation, the tightening of the credit markets, including lending by financial institutions who are sources of credit for our borrowing and liquidity; an increase in the cost of capital; the reduced availability of credit; our ability to execute our strategy; the level of our cash flows, which will be impacted by retailer and consumer acceptance of our products and the level of consumer discretionary spending; maintenance of financial covenants included in our revolving credit facility; and interest rate fluctuations. Interest rates increased in fiscal 2018 and 2019 and may continue to increase in fiscal 2020. We cannot predict the effect of increasing interest rates on the availability or aggregate cost of our borrowings. We cannot be certain that any additional required financing, whether debt or equity, will be available in amounts needed or on terms acceptable to us, if at all.

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As of January 31, 2019, we were in compliance with the financial covenants in our revolving credit facility. Compliance with these financial covenants is dependent on the results of our operations, which are subject to a number of factors including current economic conditions. The economic environment has at times resulted in lower consumer confidence and lower retail sales. Adverse developments in the economy could lead to reduced consumer spending which could adversely impact our net sales and cash flow, which could affect our compliance with our financial covenants. A violation of our covenants could limit access to our credit facilities. Should such restrictions on our credit facilities and these factors occur, they could have a material adverse effect on our business and results of operations.

We may need additional financing to continue to grow.

We incurred significant additional debt in connection with our acquisition of DKI. The continued growth of our business, including as a result of acquisitions, depends on our access to sufficient funds to support our growth. Our primary source of working capital to support the growth of our operations is our revolving credit agreement which currently extends to December 2021. Our growth is dependent on our ability to continue to be able to extend and increase our line of credit. If we are unable to refinance our debt, we cannot be sure we will be able to secure alternative financing on satisfactory terms or at all. The loss of the use of this credit facility or the inability to replace this facility when it expires would materially impair our ability to operate our business.

Changes in the method of determining LIBOR, or the replacement of LIBOR with an alternate reference rate, may increase interest expense under our Bank Debt or future bank borrowings.

LIBOR, the London interbank offered rate, is frequently used to determine interest rates under bank borrowings. Our Bank Debt uses LIBOR or an alternate base rate (as defined in our loan agreements) to determine the interest paid under borrowings pursuant to our Bank Debt. The financial authority that regulates LIBOR has announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. Our current revolving credit facility extends through December 2021 and our term loan extends through December 2022. We will need to extend or replace our revolving credit facility prior to its expiration and may need to do so as well with respect to our term loan. At this time, it is not possible to predict the effect on the cost of our borrowings under our Bank Debt or under any other debt we may incur in addition to or as a replacement for any of our Bank Debt as a result of the possible elimination of LIBOR or changes to the manner in which LIBOR is calculated.

The Term Facility was the first debt issued by us that was rated by rating agencies. Our credit rating and ability to access well-functioning capital markets are important to our ability to secure future debt financing on acceptable terms.

Our access to the debt markets and the terms of such access depend on multiple factors including the condition of the debt capital markets, our operating performance and our credit ratings. The Term Facility was the first debt issued by us that was assigned a rating by the major credit rating agencies. These ratings are based on a number of factors including their assessment of our financial strength and financial policies. Our borrowing costs will be dependent to some extent on the rating assigned to our debt. However, there can be no assurance that any particular rating assigned to us will remain in effect for any given period of time or that a rating will not be changed or withdrawn by a rating agency if, in that rating agency’s judgment, future circumstances relating to the basis of the rating so warrant. Incurrence of additional debt by us could adversely affect our credit rating. Any disruptions or turmoil in the capital markets or any downgrade of our credit rating could adversely affect our cost of funds, liquidity, competitive position and access to capital markets, which could materially and adversely affect our business operations, financial condition and results of operations.

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Our business is highly seasonal.

Retail sales of apparel have traditionally been seasonal in nature. Historically, our wholesale business has been dependent on our sales during the third and fourth quarter. Net sales during the third and fourth quarter accounted for approximately 61% of our net sales in fiscal 2019, 62% of our net sales in fiscal 2018 and 54% of our net sales in fiscal 2017. We are highly dependent on our results of operations during the second half of our fiscal year. Any difficulties we may encounter during this period as a result of weather or disruption of manufacturing or transportation of our products will have a magnified effect on our net sales and net income for the year. In addition, because of the large amount of outerwear we sell at both wholesale and retail, unusually warm weather conditions during the peak fall and winter outerwear selling season, including as a result of any change in historical climate patterns, could have a material adverse effect on our results of operations. Our quarterly results of operations for our retail business also may fluctuate based upon such factors as the timing of certain holiday seasons, the number and timing of new store openings, the acceptability of seasonal merchandise offerings, the timing and level of markdowns, store closings and remodels, competitive factors, weather and general economic conditions. The second half of the year is expected to continue to provide a larger amount of our net sales and a substantial majority of our net income for the foreseeable future.

Extreme or unseasonable weather conditions could adversely affect our business.

Extreme weather events and changes in weather patterns can influence customer trends and shopping habits. Extended periods of unseasonably warm temperatures during the fall and winter seasons, or cool weather during the summer season, may diminish demand for our seasonal merchandise. Heavy snowfall, hurricanes or other severe weather events in the areas in which our retail stores and the retail stores of our wholesale customers are located may decrease customer traffic in those stores and reduce our sales and profitability. If severe weather events were to force closure of or disrupt operations at the distribution centers we use for our merchandise, we could incur higher costs and experience longer lead times to distribute our products to our retail stores, wholesale customers or e-commerce customers. If prolonged, such extreme or unseasonable weather conditions could adversely affect our business, financial condition and results of operations.

If we are unable to successfully translate market trends into attractive product offerings, our sales and profitability could suffer.

The retail and apparel industries are subject to sudden shifts in consumer trends and consumer spending. Our ability to successfully compete depends on a number of factors, including our ability to effectively anticipate, gauge and respond to changing consumer demands and tastes across multiple product lines and tiers of distribution. We are required to translate market trends into attractive product offerings and operate within substantial production and delivery constraints. We cannot be sure we will continue to be successful in this regard. We need to anticipate and respond to changing trends quickly, efficiently and effectively in order to be successful. Our failure to anticipate, identify or react appropriately to changes in customer tastes, preferences, shopping and spending patterns could lead to, among other things, excess inventories or a shortage or products and could have a material adverse effect on our financial condition and results of operations.

We are subject to the risk of inventory loss and theft.

Efficient inventory management is a key component of our business success and profitability. To be successful, we must maintain sufficient inventory levels and an appropriate product mix to meet the demands of our wholesale and retail customers without allowing those levels to increase to such an extent that the costs to store and hold the goods unduly impacts our financial results. If our buying decisions do not accurately predict customer trends or purchasing actions, we may have to take unanticipated markdowns to dispose of the excess inventory, which also can adversely impact our financial results. We continue to focus on ways to reduce these risks, but we cannot be certain you that we will continue to be successful in our inventory management. If we are not successful in managing our inventory balances, our cash flows from operations and net income may be negatively affected.

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We have experienced inventory shrinkage in the past, and we cannot be certain that incidences of inventory loss and theft will decrease in the future or that the measures we are taking will effectively reduce the problem of inventory shrinkage. Although some level of inventory shrinkage is an unavoidable cost of doing business, if we were to experience higher rates of inventory shrinkage or incur increased security costs to combat inventory theft, our results of operations could be adversely affected.

Fluctuations in the price, availability and quality of materials used in our products could have a material adverse effect on our cost of goods sold and our ability to meet our customers' demands.

Fluctuations in the price, availability and quality of raw materials used in our products could have a material adverse effect on our cost of sales or our ability to meet our customers' demands. We compete with numerous entities for supplies of materials and manufacturing capacity. Raw materials are vulnerable to adverse climate conditions, animal diseases and natural disasters that can affect the supply and price of raw materials. We may not be able to pass on all or any portion of higher raw material prices to our customers. Future increases in raw material prices could have an adverse effect on our results of operations.

Any raw material price increase or increase in costs related to the transport of our products (primarily petroleum costs) could increase our cost of sales and decrease our profitability unless we are able to pass higher prices on to our customers. In addition, if one or more of our competitors is able to reduce its production costs by taking greater advantage of any reductions in raw material prices, favorable sourcing agreements or new manufacturing technologies (which enable manufacturers to produce goods on a more cost-effective basis) we may face pricing pressures from those competitors and may be forced to reduce our prices or face a decline in net sales, either of which could have an adverse effect on our business, results of operations or financial condition.

Our trademark and other intellectual property rights may not be adequately protected.

We believe that our trademarks and other proprietary rights are important to our success and our competitive position. We may, however, experience conflict with various third parties who acquire or claim ownership rights in certain trademarks. We cannot be sure that the actions we have taken to establish and protect our trademarks and other proprietary rights will be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as a violation of the trademarks and proprietary rights of others.

In the course of our attempts to expand into foreign markets, we may experience conflicts with various third parties who have acquired ownership rights in certain trademarks, which would impede our use and registration of some of our trademarks. Such conflicts are common and may arise from time to time as we pursue international expansion, such as with the international expansion of our DKNY, Donna Karan, Vilebrequin, Andrew Marc, G.H. Bass and Wilsons businesses. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as the laws of the United States. Enforcing rights to our intellectual property may be difficult and expensive, and we may not be successful in combating counterfeit products and stopping infringement of our intellectual property rights, which could make it easier for competitors to capture market share. Furthermore, our efforts to enforce our trademark and other intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our trademark and other intellectual property rights. If we are unsuccessful in protecting and enforcing our intellectual property rights, continued sales of such competing products by third parties could harm our brands and adversely impact our business, financial condition and results of operations.

We are dependent upon foreign manufacturers.

We do not own or operate any manufacturing facilities. We also do not have long-term written agreements with any of our manufacturers. As a result, any of these manufacturers may unilaterally terminate its relationship with us at any time. Almost all of our products are imported from independent foreign manufacturers. The failure of these manufacturers to meet required quality standards could damage our relationships with our customers. In addition, the failure by these manufacturers to ship products to us in a timely manner could cause us to miss the delivery date requirements of our customers. The failure to make timely deliveries could cause customers to cancel orders, refuse to accept delivery of products or demand reduced prices.

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While we source our products from many different manufacturers, we rely on a few manufacturers for a significant amount of our products. We sourced 14.4% of our purchases in fiscal 2019 and 14.7% of our purchases in fiscal 2018 from one vendor in China. We sourced 23.9% (13.6% and 10.3%) of our purchases in fiscal 2017 from two vendors in China. The loss of these vendors or a disruption in receipt of products from these vendors could adversely affect our ability to deliver goods to our customers on time and in the requested quantities.

We are also dependent on these manufacturers for compliance with our policies and the policies of our licensors and customers regarding labor practices employed by factories that manufacture product for us. Any failure by these manufacturers to comply with required labor standards or any other divergence in their labor or other practices from those generally considered ethical in the United States and the potential negative publicity relating to any of these events, could result in a violation by us of our license agreements, and harm us and our reputation. In addition, a manufacturer's failure to comply with safety or content regulations and standards could result in substantial liability and harm to our reputation.

The use of foreign manufacturers subjects us to additional risks.

Our arrangements with foreign manufacturers are subject to the usual risks of engaging in business abroad, including currency fluctuations, political or labor instability and potential import restrictions, duties and tariffs. We do not maintain insurance for the potential lost profits due to disruptions of our overseas manufacturers. Because our products are produced abroad, mostly in China, political or economic instability in China or elsewhere could cause substantial disruption in the business of our foreign manufacturers. Products sourced from China represented approximately 61.5% of our inventory purchased in fiscal 2019, 65.1% of our inventory purchased in fiscal 2018 and 72.0% of our inventory purchased in fiscal 2017. In the past, the Chinese government has reduced tax rebates to factories for the manufacture of textile and leather garments. The rebate reduction resulted in factories seeking to recoup more of their costs from customers, resulting in higher prices for goods imported from China. This tax rebate has been reinstated in certain instances. However, new or increased reductions in this rebate would cause an increase in the cost of finished products from China which could materially adversely affect our financial condition and results of operations.

Heightened terrorism security concerns could subject imported goods to additional, more frequent or more thorough inspections. This could delay deliveries or increase costs, which could adversely impact our results of operations.

Our expansion into the European market exposes us to uncertain economic conditions in the Euro zone.

Demand for our products depends in part on the general economic conditions affecting the countries in which we do business. We are attempting to expand our presence in the European markets, including for our DKNY, Donna Karan and Vilebrequin businesses. The economic situation in Europe is still recovering and economic performance remains uncertain. There is still some concern that certain European countries may default in payments due on their national debt obligations and from related European financial restructuring efforts. If such defaults were to occur, or if European financial restructuring efforts create their own instability, current instability in the global credit markets may increase. Continued financial instability in Europe could adversely affect our European operations and, in turn, could have a material adverse effect on us.

We have foreign currency exposures relating to buying and selling in currencies other than the U.S. dollar, our functional currency.

We have foreign currency exposure related to foreign denominated revenues and costs, which must be translated into U.S. dollars. Fluctuations in foreign currency exchange rates may adversely affect our reported earnings and the comparability of period-to-period results of operations. In addition, while certain currencies (notably the Hong Kong dollar and Chinese Renminbi) are currently managed in value in relation to the U.S. dollar by foreign central banks or governmental entities, such conditions may change, thereby exposing us to various risks as a result.

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Certain of our foreign operations purchase products from suppliers denominated in U.S. dollars and Euros, which may expose such operations to increases in cost of goods sold (thereby lowering profit margins) as a result of foreign currency fluctuations. Our exposures are primarily concentrated in the Euro. Changes in currency exchange rates may also affect the relative prices at which we and our foreign competitors purchase and sell products in the same market and the cost of certain items required in our operations. In addition, certain of our foreign operations have receivables or payables denominated in currencies other than their functional currencies, which exposes such operations to foreign exchange losses as a result of foreign currency fluctuations. Such fluctuations in foreign currency exchange rates could have an adverse effect on our business, results of operations and financial condition. We are not currently engaged in any hedging activities to protect against currency risks. If there is downward pressure on the value of the dollar, our purchase prices for our products could increase. We may not be able to offset an increase in product costs with a price increase to our customers.

Changes in tax legislation or exposure to additional tax liabilities could impact our business.

We are subject to income taxes in the United States and other jurisdictions. Our domestic and international tax liabilities are dependent on the allocation of revenue and expenses in various jurisdictions. Significant judgement is required in determining our global provision for income taxes. Changes in the U.S. federal, state, and international tax legislations can have an adverse impact on our income tax liabilities and effective tax rate. Although we believe our income tax estimates are reasonable, the ultimate outcomes may have a negative impact on our results of operations.

Our future effective tax rate could be adversely affected by a variety of factors, including changes in our business operations, changes in tax laws or rulings, or developments in government tax examinations. A number of countries are actively pursuing fundamental changes to the tax laws applicable to multinational companies. Furthermore, tax authorities may choose to examine or investigate our tax reporting or tax liability, including an examination of our existing transfer pricing policies. Adverse outcomes from examinations may lead to adjustments to our income tax liabilities or provisions for uncertain tax position reserves.

On December 22, 2017, tax reform legislation known as the Tax Cuts and Jobs Act ("TCJA") was enacted in the United States. The TCJA introduced significant changes to U.S. income tax law that have had a beneficial impact on our financial position and effective tax rate. Accounting for the income tax effects of the U.S. Tax Reform Act and subsequent guidance issued required complex calculations to be performed and significant judgments in interpreting the new legislation. Additional guidance may be issued on how the TCJA provisions will impact state and local taxation, which could have an adverse impact on our results of operations.

We are also required to pay taxes other than income taxes, such as payroll, sales, use, value-added, net worth, property, and goods and services taxes, in both the United States and various other jurisdictions. Tax authorities regularly examine these non-income taxes. The outcomes from these examinations, changes in the business, changes in applicable tax rules or other tax matters may have an adverse impact on our results of operations.

We are subject to risks associated with international operations.

Our ability to capitalize on the potential of our international operations, including to realize the benefits of our DKNY, Donna Karan and Vilebrequin businesses and successfully expand into international markets, is subject to risks associated with international operations. These include:

- the burdens of complying with a variety of foreign laws and regulations, including trade and labor restrictions;
- compliance with United States and other country laws relating to foreign operations, including the Foreign Corrupt Practices Act, which prohibits U.S. companies from making improper payments to foreign officials for the purpose of obtaining or retaining business;
- unexpected changes in regulatory requirements; and
- new tariffs or other barriers in international markets.

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We are also subject to general political and economic risks in connection with our international operations, including:

· political instability and terrorist attacks;
· changes in diplomatic and trade relationships; and
· general and economic fluctuations in specific countries or markets.

Changes in regulatory, geopolitical, social or economic policies and other factors may have a material adverse effect on our international business in the future or may require us to exit a particular market or significantly modify our current business practices.

Tariffs that have been and might be imposed by the United States government or a resulting trade war could have a material adverse effect on our results of operations.

In 2018, the United States government announced tariffs on certain steel and aluminum products imported into the United States, which has led to reciprocal tariffs being imposed by the European Union and other governments on products imported from the United States. The United States government has implemented tariffs on goods imported from China, and additional tariffs on goods imported from China are under consideration.

The apparel and accessories industry has been impacted by tariffs implemented by the United States government on goods imported from China. Tariffs on handbags and leather outerwear imported from China were effective beginning in September 2018, and are initially in the amount of 10% of the merchandise cost to us. The level of additional tariffs on these product categories was scheduled to increase to 25% beginning January 1, 2019 and other tariffs on a broader range of apparel and accessory products are also under consideration. The United States government has postponed the increase in tariffs to 25% while the U.S. and China seek to resolve their trade and related differences. If the U.S. and China are not able to resolve their differences, additional tariffs may be put in place and additional products may become subject to tariffs. The significant majority of the products that we sell in the United States are manufactured in China. Potential tariffs on products imported by us from China would increase our costs, require us to increase prices to our customers or, if we are unable to do so, result in lower gross margins on the products sold by us. Actions or statements by the President of the United States or other members of his administration may provide further clarification as to whether the current 10% tariff increase will continue, whether the 25% increase will take effect in the future and what other products may become subject to additional tariffs. These additional tariffs may apply to apparel, handbags, footwear and other items imported by us from China.

The President of the United States has, at times, threatened to institute even wider ranging tariffs on all goods imported from China. China has already imposed tariffs on a wide range of American products in retaliation for the American tariffs on steel and aluminum. Additional tariffs could be imposed by China in response to actual or threatened tariffs on products imported from China. The imposition of additional tariffs by the United States could trigger the adoption of tariffs by other countries as well. Any resulting escalation of trade tensions, including a “trade war,” could have a significant adverse effect on world trade and the world economy, as well as on our results of operations. At this time, we cannot predict how the recently enacted tariffs will impact our business. Tariffs on products imported by us from China could have a material adverse effect on our business and results of operations.

We have been audited by the Canadian Border Services Agency ("CBSA") and are in the process of appealing the CBSA ruling. Loss of this appeal could have an adverse effect on our results of operations.

In October 2017, the CBSA issued a final audit report to G-III's Canadian subsidiary that challenged the valuation used by the Canadian subsidiary for certain goods imported into Canada. The period covered by the examination is February 1, 2014 through the date of the final report, October 27, 2017. The CBSA has requested us to reassess our 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 us to the vendor. The CBSA has also requested that we change the valuation method used to pay duties with respect to good imported in the future.

We secured a bond to guarantee payment in the amount of CAD$26.9 million ($20.9 million) in March 2018, representing customs duty and interest that is claimed to be owed by us through December 31, 2017. In March 2018, we amended the duties filed for the month of January 2018 in accordance with the new valuation method. This amount was paid to the

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CBSA. Beginning February 1, 2018, we began paying duties in Canada on imported goods based on the price paid or payable by the Canadian retail customers. Duties paid on the higher dutiable value are not being charged as an expense in our statement of operations, but are being recorded as a deferred expense until the appeal process is concluded.

If our appeal of the audit findings is not successful, we will have to pay the duties and interest that have been secured by the bond. This will result in a charge to our statement of operations for past duties, as well as for the additional duties we deferred beginning on February 1, 2018 through the conclusion of the appeal process. In addition, our loss of the appeal would result in increased duties paid in Canada on products imported into Canada and will increase our cost of sales and decrease our profitability unless we are able to pass higher prices on to our customers. This could have an adverse effect on our results of operations.

If we do not successfully upgrade, maintain and secure our information systems to support the needs of our organization, this could have an adverse impact on the operation of our business.

We rely heavily on information systems to manage operations, including a full range of financial, sourcing, retail and merchandising systems, and regularly make investments to upgrade, enhance or replace these systems. The reliability and capacity of our information systems is critical. Despite our preventative efforts, our systems are vulnerable from time to time to damage or interruption from, among other things, security breaches, computer viruses, power outages and other technical malfunctions. Any disruptions affecting our information systems, or any delays or difficulties in transitioning to new systems or in integrating them with current systems, could have a material adverse impact on the operation of our business. In addition, our ability to continue to operate our business without significant interruption in the event of a disaster or other disruption depends in part on the ability of our information systems to operate in accordance with our disaster recovery and business continuity plans.

A data security or privacy breach could adversely affect our business.

The protection of customer, employee and company data is critical to us. Customers have a high expectation that we will adequately protect their personal information from cyberattack or other security breaches. A significant breach of customer, employee, or company data could damage our reputation and result in lost sales, fines, or lawsuits. Our business involves the receipt and storage of personal information about customers and employees. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breaches due to employee error, malfeasance or other disruptions. Any such breach or attack could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen.

Because the methods used to obtain unauthorized access change frequently and may not be immediately detected, we may be unable to anticipate these methods or promptly implement preventative measures. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, disrupt our operations and the services we provide to customers and damage our reputation, which could adversely affect our business, revenues and competitive position. In addition to taking the necessary precautions ourselves, we require that third-party service providers implement reasonable security measures to protect our customers' identity and privacy. We do not, however, control these third-party service providers and cannot guarantee that no electronic or physical computer break-ins and security breaches will occur in the future.

Our use and handling of personally identifiable data is regulated at the international, federal and state levels. For example, the European Union adopted a new regulation that became effective in May 2018, called the General Data Protection Regulation ("GDPR"), which requires companies to meet additional requirements regarding the handling of personal data, including its use, protection and the ability of persons whose data is stored to exercise certain additional rights with respect to their personal data. The GDPR calls for privacy and process enhancements, accompanied by a commitment of resources and other expenditures in support of compliance. Violations of GDPR could result in significant penalties. The regulatory environment surrounding information security and privacy is increasingly demanding. California recently adopted a new regulation called the California Consumer Privacy Act ("CCPA") that is effective January 1, 2020, with enforcement expected to begin between January 1, 2020 and July 1, 2020. CCPA provides broad rights to California consumers with respect to the collection and use of their information by businesses. We are reviewing our operations to determine our

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obligations under CCPA. The California law could lead to similar laws in other U.S. states or at a national level. Privacy and information security laws and regulations change from time to time, and compliance with them may result in cost increases due to necessary systems changes and the development of new processes. If we fail to comply with these laws and regulations, we could be subjected to legal risk. We are also contractually obligated to comply with certain industry standards regarding payment card information. Increasing costs associated with information security, such as increased investment in technology, the cost of compliance and costs resulting from consumer fraud could cause our business and results of operations to suffer materially.

Risk Factors Relating to the Economy and the Apparel Industry

Recent and future economic conditions, including volatility in the financial and credit markets, may adversely affect our business.

Economic conditions have affected, and in the future may adversely affect, the apparel industry and our major customers. Economic conditions have, at times, led to a reduction in overall consumer spending, which could have an adverse impact on sales of our products. A disruption in the ability of our significant customers to access liquidity could cause serious disruptions or an overall deterioration of their businesses which could lead to a significant reduction in their orders of our products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our results of operations and liquidity. A significant adverse change in a customer’s financial and/or credit position could also require us to sell fewer products to that customer, assume greater credit risk relating to that customer’s receivables or could limit our ability to collect receivables related to previous purchases by that customer. As a result, our reserves for doubtful accounts and write-offs of accounts receivable may increase.

The cyclical nature of the apparel industry and uncertainty over future economic prospects and consumer spending could have a material adverse effect on our results of operations.

The apparel industry is cyclical. Purchases of outerwear, sportswear, swimwear, footwear and other apparel and accessories tend to decline during recessionary periods and may decline for a variety of other reasons, including changes in fashion trends and the introduction of new products or pricing changes by our competitors. Uncertainties regarding future economic prospects may affect consumer-spending habits and could have an adverse effect on our results of operations. Uncertainty with respect to consumer spending as a result of weak economic conditions has, at times, caused our customers to delay the placing of initial orders and to slow the pace of reorders during the seasonal peak of our business. Weak economic conditions have had a material adverse effect on our results of operations at times in the past and could have a material adverse effect on our results of operations in the future as well.

The competitive nature of our industry may result in lower prices for our products and decreased gross profit margins.

The apparel business is highly competitive. We have numerous competitors with respect to the sale of apparel, footwear and accessories, including e-commerce websites, distributors that import products from abroad and domestic retailers with established foreign manufacturing capabilities. Many of our competitors have greater financial and marketing resources and greater manufacturing capacity than we do. The general availability of contract manufacturing capacity also allows ease of access by new market entrants. The competitive nature of the apparel industry may result in lower prices for our products and decreased gross profit margins, either of which may materially adversely affect our sales and profitability. Sales of our products are affected by a number of competitive factors including style, price, quality, brand recognition and reputation, product appeal and general fashion trends.

If major department, mass merchant and specialty store chains consolidate, close stores or cease to do business, our business could be negatively affected.

We sell our products to major department, mass merchant and specialty store chains. Continued consolidation in the retail industry, as well as store closing or retailers ceasing to do business, could negatively impact our business. Macy’s, JC Penney and Kohl’s, as well as other store chains, have announced their intention to close stores. Bon-Ton Stores, a customer of ours for many years, filed for bankruptcy last year and closed all of its stores. Store closings could adversely

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affect our business and results of operations. Consolidation could reduce the number of our customers and potential customers. With increased consolidation in the retail industry, we are increasingly dependent on retailers whose bargaining strength may increase and whose share of our business may grow. As a result, we may face greater pressure from these customers to provide more favorable terms, including increased support of their retail margins. As purchasing decisions become more centralized, the risks from consolidation increase. A store group could decide to close stores, decrease the amount of product purchased from us, modify the amount of floor space allocated to outerwear or other apparel in general or to our products specifically or focus on promoting private label products or national brand products for which it has exclusive rights rather than promoting our products. Customers are also concentrating purchases among a narrowing group of vendors. These types of decisions by our key customers could adversely affect our business.

If new legislation restricting the importation or increasing the cost of textiles and apparel produced abroad is enacted, our business could be adversely affected.

Legislation that would restrict the importation or increase the cost of textiles and apparel produced abroad has been periodically introduced in Congress. The enactment of new legislation or international trade regulation, or executive action affecting international textile or trade agreements, could adversely affect our business. International trade agreements that can provide for tariffs and/or quotas can increase the cost and limit the amount of product that can be imported.

We cannot predict whether quotas, duties, taxes, or other similar restrictions will be imposed by the U.S., the European Union, Asia, or other countries upon the import or export of our products in the future, or what effect any of these actions would have, if any, on our business, results of operations, and financial condition. Changes in regulatory, geopolitical, social, economic, or monetary policies and other factors may have a material adverse effect on our business in the future, or may require us to exit a particular market or significantly modify our current business practices.

As previously discussed, the U.S. presidential administration has imposed retaliatory duties against China, and threatened to impose additional duties, in order to reverse what it perceives as unfair trade practices that have negatively impacted manufacturing in the U.S. The administration has also discussed the implementation of other duties that would impose an additional tax on imported goods regardless of origin. It is possible that the United States may impose new trade or other initiatives that adversely affect the trading status of countries where our apparel is manufactured and such initiatives could include retaliatory duties, higher tariffs or other trade sanctions. The administration has indicated it may make modifications to international trade policy or agreements or engage in other restrictive trade practices that may have the effect of reducing the amount or increasing the cost of imported goods. Changes in existing trade agreements or imposition of tariffs on our products imported from China or other countries could have a material adverse effect on our operations and financial results.

China's accession agreement for membership in the World Trade Organization provides that member countries, including the United States, may impose safeguard quotas on specific products. We are unable to assess the potential for future action by the United States government with respect to any product category in the event that the quantity of imported apparel significantly disrupts the apparel market in the United States. Future action by the United States in response to a disruption in its apparel markets could limit our ability to import apparel and increase our costs.

The effects of war, acts of terrorism or natural disasters could adversely affect our business and results of operations.

The continued threat of terrorism, heightened security measures and military action in response to acts of terrorism or civil unrest has, at times, disrupted commerce and intensified concerns regarding the United States and world economies. Any further acts of terrorism or new or extended hostilities may disrupt commerce and undermine consumer confidence, which could negatively impact our sales and results of operations. Similarly, the occurrence of one or more natural disasters, such as hurricanes, fires, floods or earthquakes could result in the closure of one or more of our distribution centers, our corporate headquarters or a significant number of stores or impact one or more of our key suppliers. In addition, these types of events could result in increases in energy prices or a fuel shortage, the temporary or long-term disruption in the supply of product, disruption in the transport of product from overseas, delay in the delivery of product to our factories, our customers or our stores and disruption in our information and communication systems. Accordingly, these types of events could have a material adverse effect on our business and our results of operations.

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Other Risks Relating to Ownership of Our Common Stock

Our Chairman and Chief Executive Officer may be in a position to control matters requiring a stockholder vote.

As of March 25, 2019, Morris Goldfarb, our Chairman and Chief Executive Officer, beneficially owned approximately 7.9% of our common stock. His significant role in our management and his reputation in the apparel industry could make his support crucial to the approval of any major transaction involving us. As a result, he may have the ability to control the outcome on matters requiring stockholder approval including, but not limited to, the election of directors and any merger, consolidation or sale of all or substantially all of our assets. He also may have the ability to control our management and affairs.

The price of our common stock has fluctuated significantly and could continue to fluctuate significantly.

Between February 1, 2016 and March 25, 2019, the market price of our common stock has ranged from a low of $18.00 to a high of $55.89 per share. The market price of our common stock may change significantly in response to various factors and events beyond our control, including:

- fluctuations in our quarterly revenues or those of our competitors as a result of seasonality or other factors;
- a shortfall in revenues or net income from that expected by securities analysts and investors;
- changes in securities analysts' estimates of our financial performance or the financial performance of our competitors or companies in our industry generally;
- announcements concerning our competitors;
- changes in product pricing policies by our competitors or our customers;
- changes in tariff and trade policies;
- general conditions in our industry; and
- general conditions in the securities markets.

Our actual financial results might vary from our publicly disclosed financial forecasts.

From time to time, we publicly disclose financial forecasts. Our forecasts reflect numerous assumptions concerning our expected performance, as well as other factors that are beyond our control and that might not turn out to be correct. As a result, variations from our forecasts could be material. Our financial results are subject to numerous risks and uncertainties, including those identified throughout this "Risk Factors" section and elsewhere in this Annual Report on Form 10 K and in the documents incorporated by reference in this Annual Report. If our actual financial results are worse than our financial forecasts, the price of our common stock may decline.

If our goodwill, trademarks and other intangibles become impaired, we may be required to record charges to earnings.

As of January 31, 2019, we had goodwill, trademarks and other intangibles in an aggregate amount of $743.3 million, or approximately 34% of our total assets and approximately 63% of our stockholders' equity. Approximately $621.7 million of our goodwill, trademarks and other intangibles was recorded in connection with our acquisition of DKI. Under accounting principles generally accepted in the United States ("GAAP"), we review our goodwill and other indefinite life intangibles for impairment annually during the fourth quarter of each fiscal year and when events or changes in circumstances indicate the carrying value may not be recoverable due to factors such as reduced estimates of future cash flows and profitability, increased cost of debt, slower growth rates in our industry or a decline in our stock price and market capitalization. Estimates of future cash flows and profitability are based on an updated long-term financial outlook of our operations. However, actual performance in the near-term or long-term could be materially different from these forecasts, which could impact future estimates. A significant decline in our market capitalization or deterioration in our projected results could result in an impairment of our goodwill, trademarks and/or other intangibles. We may be required to record a significant charge to earnings in our financial statements during a period in which an impairment of our goodwill is determined to exist which would negatively impact our results of operations and could negatively impact our stock price.

We are subject to significant corporate regulation as a public company and failure to comply with applicable regulations could subject us to liability or negatively affect our stock price.

As a publicly traded company, we are subject to a significant body of regulation, including the reporting requirements of the Exchange Act, the listing requirements of the Nasdaq Global Select Market, the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

The internal control over financial reporting required by Section 404 of the Sarbanes-Oxley Act may not prevent or detect misstatements because of certain of its limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. As a result, even effective internal controls may not provide reasonable assurances with respect to the preparation and presentation of financial statements. We cannot provide assurance that, in the future, our management will not find a material weakness in connection with its annual review of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. We also cannot provide assurance that we could correct any such weakness to allow our management to assess the effectiveness of our internal control over financial reporting as of the end of our fiscal year in time to enable our independent registered public accounting firm to state that such assessment will have been fairly stated in our Annual Report on Form 10 K or state that we have maintained effective internal control over financial reporting as of the end of our fiscal year. Discovery and disclosure of a material weakness in our internal control over financial reporting could have a material impact on our financial statements and could cause our stock price to decline.

There are significant corporate governance and executive compensation-related provisions in the Dodd-Frank Act that have required, and continue to require, the SEC to adopt additional rules and regulations in these areas. Our efforts to comply with Dodd-Frank requirements have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management’s time from other business activities. For example, we are subject to SEC disclosure obligations relating to our use of minerals that have a risk of being so-called “conflict minerals” such as columbite-tantalite, cassiterite (tin), wolframite (tungsten) and gold. These minerals are present in a number of our products.

We have incurred and will continue to incur costs associated with complying with the supply chain due diligence procedures required by the SEC. The preparation of our conflict minerals report is dependent upon the implementation and operation of our systems and processes and information supplied by our suppliers of products that contain, or potentially contain, conflict minerals. To the extent that the information that we receive from our suppliers is inaccurate or inadequate or our processes in obtaining that information do not fulfill the SEC’s requirements, we could face both reputational and SEC enforcement risks.

Given the uncertainty associated with the manner in which additional corporate governance and executive compensation-related provisions of the Dodd-Frank Act will be implemented, the full extent of the impact such requirements will have on our operations is unclear. The changes resulting from the Dodd-Frank Act may require changes to certain business practices, or otherwise adversely affect our business.

While we have developed and instituted corporate compliance programs and continue to update our programs in response to newly implemented or changing regulatory requirements, we cannot provide assurance that we are or will be in compliance with all potentially applicable corporate regulations. If we fail to comply with any of these regulations, we could be subject to a range of regulatory actions, fines or other sanctions or litigation.

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ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our significant offices, sales showrooms, distribution centers and warehouses, all of which are leased, consist of:

Location	Property Type	Lease Expiration	Renewal Option	Square Footage
500 and 512 Seventh Avenue, New York City	Corporate Office and showrooms	March 2023 / March 2028	5-year	313,000
Dayton, New Jersey	Distribution center	January 2025	-	385,000
Jamesburg, New Jersey	Distribution center	December 2020	5-year	783,000
Brooklyn Park, Minnesota	Retail operations office, warehouse and distribution facility	April 2022	-	301,000
Carlstadt, New Jersey	Distribution center	April 2024	10-year	197,000
240 West 40th Street, New York City	Office and showroom	July 2020	-	144,000

Retail Stores

As of January 31, 2019, we operated 404 leased store locations, of which 139 are Wilsons Leather retail stores, 111 are G.H. Bass retail stores, 96 are Vilebrequin retail stores, 42 are DKNY stores, 11 are Karl Lagerfeld Paris stores and 5 are Calvin Klein Performance retail stores.

Most leases for retail stores in the United States require us to pay annual minimum rent plus a contingent rent dependent on the store’s annual sales in excess of a specified threshold. In addition, the leases generally require us to pay costs such as real estate taxes and common area maintenance costs. Retail store leases are typically between three and ten years in duration.

Our leases expire at varying dates through 2029. During fiscal 2019, we entered into 22 new store leases, renewed 60 store leases and terminated or allowed 76 store leases to expire. Almost all of our stores, other than certain Vilebrequin and DKNY stores, are located in the United States. Vilebrequin has 61 stores located in Europe, 27 stores located in the United States and 8 stores located in Asia. DKNY has 34 stores located in the United States, 4 stores located in Canada and 4 stores located in Europe.

The following table indicates the periods during which our retail leases expire.

Fiscal Year Ending January 31,	Number of Stores
2020	115
2021	63
2022	44
2023	35
2024 and thereafter	147
Total	404

ITEM 3. LEGAL PROCEEDINGS.

In the ordinary course of our business, we are subject to periodic claims, investigations and lawsuits. Although we cannot predict with certainty the ultimate resolution of claims, investigations and lawsuits, asserted against us, we do not believe that any currently pending legal proceeding or proceedings to which we are a party will have a material adverse effect on our business, financial condition or results of operations.

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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”), our wholly-owned subsidiary. 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 the date of the final report, October 27, 2017. 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 secured a bond to guarantee payment to the CBSA for the 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, we amended the duties filed for the month of January 2018 under the new valuation method. This amount was paid to the CBSA. Beginning February 1, 2018, we began paying duties based on the new valuation method.

G-III Canada, based on the advice of counsel, believes it has positions that support 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.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER REPURCHASES OF EQUITY SECURITIES.

Market For Common Stock

The Nasdaq Global Select Market is the principal United States trading market for our common stock. Our common stock is traded under the symbol "GIII".

On March 25, 2019, there were 20 holders of record and, we believe, approximately 22,000 beneficial owners of our common stock.

Dividend Policy

Our Board of Directors (the "Board") currently intends to follow a policy of retaining any earnings to finance the growth and development of our business and does not anticipate paying cash dividends in the foreseeable future. Any future determination as to the payment of cash dividends will be dependent upon our financial condition, results of operations and other factors deemed relevant by the Board.

Issuer Purchases of Equity Securities

The following table sets forth the repurchases of shares of our common stock during the fourth quarter of fiscal 2019:

Date Purchased	Total Number of Shares Purchased (1) (2)	Average Price Paid Per Share (1)	Total Number of Share Purchased as Part of Publicly Announced Program (1)	Maximum Number of Shares that may yet be Purchased

				Under the Program (1)
November 1 - November 30, 2018	—	$ —	—	$ 5,000,000
December 1 - December 31, 2018	723,072	28.09	723,072	4,276,928
January 1 - January 31, 2019	25,434	35.18	—	4,276,928
	748,506	$ 31.64	723,072	$ 4,276,928

(1) In December 2015, our Board of Directors reapproved and increased a previously authorized share repurchase program from the 3,750,000 shares remaining under that plan to 5,000,000 shares. This program has no expiration date. Repurchases under the program may be made from time to time over the period through open market purchases, accelerated share repurchase programs, privately negotiated transactions or other methods, as we deem appropriate.

(2) Included in this table are shares withheld during January 2019 in connection with the settlement of vested restricted stock units to satisfy tax withholding requirements.

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Performance Graph

The following Performance Graph and related information shall not be deemed to be "soliciting material" or "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent that we specifically request that it be treated as soliciting material or incorporate it by reference into such filing.

The SEC requires us to present a chart comparing the cumulative total stockholder return on our Common Stock with the cumulative total stockholder return of (i) a broad equity market index and (ii) a published industry index or peer group. This chart compares the Common Stock with (i) the S&P 500 Composite Index and (ii) the S&P 500 Textiles, Apparel and Luxury Goods Index, and assumes an investment of $100 on January 31, 2014 in each of the Common Stock, the stocks comprising the S&P 500 Composite Index and the stocks comprising the S&P 500 Textiles, Apparel and Luxury Goods Index.

G-III Apparel Group, Ltd.

Comparison of Cumulative Total Return

(January 31, 2014 — January 31, 2019)

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ITEM 6. SELECTED FINANCIAL DATA.

The selected consolidated financial data set forth below as of and for the years ended January 31, 2019, 2018, 2017, 2016 and 2015, have been derived from our audited consolidated financial statements. Our audited consolidated balance sheets as of January 31, 2017, 2016 and 2015, and our audited consolidated statements of income for the years ended January 31, 2016 and 2015 are not included in this filing. The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" (Item 7 of this Report) and the audited consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10 K.

We consolidate the accounts of all of our wholly-owned subsidiaries. KL North America B.V. ("KLNA") and Fabco Holding B.V. ("Fabco") are Dutch limited liability companies that are joint ventures, each of which is 49% owned by us. KLNA operates the Karl Lagerfeld business in the United States, Mexico and Canada and Fabco operates the DKNY/Donna Karan business in China. Karl Lagerfeld Holding B.V. ("KLH") is a Dutch limited liability company that is 19% owned by us. KLH holds the worldwide rights to the Karl Lagerfeld brand. We account for these three investments using the equity method of accounting. Our Vilebrequin subsidiary, KLNA, KLH 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, KLNA, KLH and Fabco are and will be included in our financial statements for the year ended or ending closest to G-III's fiscal year. For example, for G-III's fiscal year ended January 31, 2019, the results of Vilebrequin, KLNA, KLH and Fabco are included for the year ended December 31, 2018. The Company's retail stores report results on a 52/53 week fiscal year for the retail operations segment. The Company's year ended January 31, 2018 was a 53-week fiscal year for the retail operations segment. All other years presented were a 52-week fiscal year for the retail operations segment.

The operating results of DKI have been included in our financial statements since December 1, 2016, the date of acquisition.

	Consolidated Income Statement Data				
	Year Ended January 31,				
	2019	2018	2017	2016	2015
	(In thousands, except per share data)				
Net sales	$ 3,076,208	$ 2,806,938	$ 2,386,435	$ 2,344,142	$ 2,116,855
Cost of goods sold	1,969,099	1,752,199	1,545,107	1,505,504	1,359,596
Gross profit	1,107,109	1,054,739	841,328	838,638	757,259
Selling, general and administrative expenses	834,763	855,247	704,436	628,762	571,990
Depreciation and amortization	38,819	37,783	32,481	25,392	20,374
Asset impairment	2,813	7,884	10,480	—	—

Operating profit	230,714	153,825	93,931	184,484	164,895
Other income (loss)	(2,960)	(1,413)	(580)	1,340	11,488
Interest and financing charges, net	(43,924)	(42,363)	(15,589)	(6,691)	(7,942)
Income before income taxes	183,830	110,049	77,762	179,133	168,441
Income tax expense	45,763	47,925	25,824	64,800	59,450
Net income	138,067	62,124	51,938	114,333	108,991
Add: Loss attributable to noncontrolling interest	—	—	—	—	1,370
Net income attributable to G-III	$ 138,067	$ 62,124	$ 51,938	$ 114,333	$ 110,361
Basic earnings per share	$ 2.81	$ 1.27	$ 1.12	$ 2.52	$ 2.55
Weighted average shares outstanding - basic	49,140	48,820	46,308	45,328	43,298
Diluted earnings per share	$ 2.75	$ 1.25	$ 1.10	$ 2.46	$ 2.48
Weighted average shares outstanding - diluted	50,274	49,750	47,394	46,512	44,424

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	Consolidated Balance Sheet Data				
	Year Ended January 31,				
	2019	2018	2017	2016	2015
	(In thousands)				
Working capital	$ 673,107	$ 612,434	$ 567,519	$ 657,636	$ 557,703
Total assets	2,208,058	1,915,177	1,851,944	1,184,070	1,043,761
Long-term debt	386,604	391,044	461,756	—	—
Total stockholders' equity	1,189,009	1,120,689	1,021,236	888,128	761,258

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

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 ended January 31, 2019 is referred to as “fiscal 2019.”

The following presentation of management’s discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our financial statements, the accompanying notes and other financial information appearing elsewhere in this Report.

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 brick and mortar and online channels.

While our products are sold at a variety of price points through a broad mix of retail partners and our own stores, a majority of our sales are concentrated with our ten largest customers. Sales to our ten largest customers comprised 69.7% of our net sales in 2019, 63.2% of our net sales in fiscal 2018 and 64.1% of our net sales in fiscal 2017.

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.

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 includes direct sales to consumers through company-operated stores and product sales through our owned websites for the DKNY, Donna Karan, Wilsons, G.H. Bass, Andrew Marc and Karl Lagerfeld Paris businesses. Our retail operations segment consists primarily of our Wilsons Leather, G.H. Bass and DKNY stores, substantially all of which are operated as outlet stores, as well as a limited number of Calvin Klein Performance and Karl Lagerfeld Paris stores.

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Recent Transactions

We have acquired businesses that have broadened our product offerings and expanded our ability to serve different tiers of distribution. Our acquisitions and joint ventures are part of our strategy to expand our product offerings and increase the portfolio of proprietary and licensed brands that we offer through different tiers of retail distribution.

DKNY/Donna Karan

In December 2016, we acquired Donna Karan International Inc. ("DKI") from LVMH Moet Hennessy Louis Vuitton Inc. ("LVMH") for a total purchase price of approximately $674 million, after taking into account certain adjustments. DKI owns DKNY and Donna Karan, two of the world's most iconic and recognizable power brands. The acquisition of DKI fit squarely into our strategy to diversify and expand our business and to increase our ownership of brands. We are focusing on the expansion of the DKNY brand, while also re-establishing Donna Karan and other associated brands. We are leveraging our demonstrated ability to drive organic growth, identify and integrate acquisitions and develop talent throughout the organization to maximize the potential of the DKNY and Donna Karan brands. We are committed to making DKNY the premier fashion and lifestyle brand.

In fiscal 2018 and fiscal 2019, we restructured and repositioned the DKNY and Donna Karan brands. We re-launched the DKNY apparel line and also re-launched Donna Karan as an aspirational luxury brand that is priced above DKNY and targeted to fine department stores globally. These steps began paying off in the second half of fiscal 2018 and through fiscal 2019. Our strategy is for DKNY and Donna Karan to be more accessible brands, both designed and priced to reach a wider range of customers. We believe there is untapped global licensing potential for these brands and intend to grow royalty streams in the DKNY and Donna Karan businesses through expansion of additional categories with existing licensees, as well as new categories with new licensees.

In August 2017, we entered into a joint venture to produce and market women's and men's apparel and accessories under a long-term license for DKNY and Donna Karan in the People's Republic of China, including Macau, Hong Kong and Taiwan. The operators of the joint venture were formerly executives of Tommy Hilfiger and were instrumental in the expansion of the Tommy Hilfiger brand in China. The joint venture was funded with $25 million of equity to be used to strengthen the DKNY and Donna Karan brands and accelerate the growth of the business in the region. Of this amount, we contributed an aggregate of $10.0 million. This joint venture is the exclusive seller of women's and men's apparel, handbags, luggage and certain accessories under the DKNY and Donna Karan brands in the territory. The joint venture commenced operations in the second half of fiscal 2018 and was operating approximately 50 points of sale as of January 31, 2019.

Karl Lagerfeld Paris

In June 2015, we acquired a 49% interest in a joint venture that holds the brand rights to the Karl Lagerfeld trademarks, including the Karl Lagerfeld Paris brand for consumer products (with certain exceptions) and apparel in the United States, Canada and Mexico. We were also the first licensee of the joint venture, having been granted a license for women's apparel, women's handbags, women's and men's footwear, and certain men's apparel categories in the territory.

In February 2016, we acquired a 19% minority interest in the parent company of the group that holds the worldwide rights to the Karl Lagerfeld brand. This investment expanded the partnership between us and the owners of the Karl Lagerfeld brand and helped to extend their business development opportunities on a global scale. The business plan for this entity includes developing its wholesale business and further developing out its online presence.

Licensed Products

The sale of licensed products is a key element of our strategy and we have continually expanded our offerings of licensed products for the past 25 years. Sales of licensed products accounted for 57.4% of our net sales in fiscal 2019, 58.6% of our net sales in fiscal 2018 and 60.7% of our net sales in fiscal 2017.

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Our most significant licensor is Calvin Klein with whom we have ten different license agreements. We have also entered into distribution agreements with respect to Calvin Klein luggage in a number of countries in Asia, Europe and North America.

We also have a significant relationship with Tommy Hilfiger that has grown in recent years. We have an expanded license agreement with Tommy Hilfiger for womenswear in the United States and Canada. This license for women's sportswear, dresses, suit separates, performance and denim was in addition to our licenses in the United States and Canada for Tommy Hilfiger men's and women's outerwear and luggage.

In February 2018, we expanded the product offerings under our Karl Lagerfeld Paris license to include men's apparel (previously men's outerwear only) and men's footwear in North America. These expanded product categories are in addition to our North America rights for Karl Lagerfeld Paris women's apparel, women's footwear and women's handbags, all of which are produced and distributed pursuant to a long-term license agreement.

We believe that consumers prefer to buy brands they know, and we have continually sought licenses that would 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 believe that brand owners will look to consolidate the number of licensees they engage to develop product and they will seek licensees with a successful track record of expanding brands into new categories. It is our objective to continue to expand our product offerings and we are continually discussing new licensing opportunities with brand owners.

Retail Operations

Our retail operations segment consists primarily of our Wilsons Leather, G.H. Bass and DKNY retail stores, substantially all of which are operated as outlet stores. As of January 31, 2019, we leased 308 retail stores, of which 139 are stores operated under our Wilsons Leather name, 111 are stores operated under our G.H. Bass brand, 42 stores are operated under our DKNY brand, 11 stores are operated under the licensed Karl Lagerfeld Paris brand and 5 stores are operated under the licensed Calvin Klein Performance brand. Wilsons Leather, G.H. Bass, DKNY and Karl Lagerfeld Paris each operates its own online store.

Given the current retail environment, we are focusing on significantly reducing the losses of our retail business with the goal of attaining profitability. Our strategy includes termination or renegotiation of long-term leases as they come up for renewal, implementing cost-cutting initiatives, revising our merchandising strategy and repurposing certain Wilsons and G.H. Bass stores for the Karl Lagerfeld Paris or DKNY brands. We also hired a new President of our retail business who is an industry veteran with a proven track record at leading retailers. We have already eliminated approximately $5.0 million of annualized expenses and salaries from our retail office support functions. In addition, we intend to continue our program of store count reduction and to increase the efficiency and productivity of our retail operations. At January 31, 2018, we operated 367 retail stores across our Wilsons, G.H. Bass, DKNY, Karl Lagerfeld Paris and Calvin Klein Performance brands. At January 31, 2019, the store count for these brands had decreased to 308 locations. We expect to further reduce our store count and anticipate closing an additional approximately 40 to 45 stores by the end of fiscal 2020.

Trends

Significant trends that affect the apparel industry include retail chains closing unprofitable stores, an increased focus by retail chains and others on expanding e-commerce sales, 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. All of these factors have led to a more promotional retail environment along with aggressive markdowns in an attempt to offset declines caused by a reduction in physical store traffic.

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We sell our products over the web through retail partners such as macys.com and nordstrom.com, each of which has a substantial online business. As e-commerce 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 e-commerce business consists of our own web platforms at www.dkny.com, www.donnakaran.com, www.wilsonsleather.com, www.ghbass.com, www.vilebrequin.com and www.andrewmarc.com. We also sell Karl Lagerfeld Paris products on our website, www.karllagerfeldparis.com. In addition, we sell to pure play online retail partners such as Amazon and Fanatics.

A number of retailers are experiencing financial difficulties, which in some cases have resulted in bankruptcies, liquidations and/or store closings, such as the bankruptcy of Bon-Ton last year. 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 expand the differentiation of 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.

We have attempted to respond to 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.

Tariffs

The apparel and accessories industry has been impacted by tariffs implemented by the United States government on goods imported from China. Tariffs on handbags and leather outerwear imported from China were effective beginning in September 2018, and are initially in the amount of 10% of the merchandise cost to us. The level of additional tariffs on these product categories was scheduled to increase to 25% beginning January 1, 2019 and other tariffs on a broader range of apparel and accessory products are also under consideration. The United States government has postponed the increase in tariffs to 25% while the U.S. and China seek to resolve their trade and related differences. If the U.S. and China are not able to resolve their differences, additional tariffs may be put in place and additional products may become subject to tariffs. The majority of the products that we sell in the United States are manufactured in China. Potential tariffs on products imported by us from China would increase our costs, require us to increase prices to our customers or, if we are unable to do so, result in lower gross margins on the products sold by us.

Tariffs imposed during fiscal 2019 on products imported by us from China primarily impacted our handbag and leather outerwear categories. These categories represented approximately 7% of our net sales in fiscal 2019. Accordingly, tariffs imposed during fiscal 2019 had a minimal impact on our results of operations for fiscal 2019.

If the U.S. and China are not able to resolve their differences, additional tariffs may be put in place and additional products may become subject to tariffs. We have engaged in a number of efforts to mitigate the effect on our results of operations of increases in tariffs on products imported by us from China, including diversifying our sourcing network by arranging to move some production out of China, negotiating with our vendors in China to receive vendor support to lessen the impact of increased tariffs on our cost of goods sold, and discussing with our customers the implementation of price increases that we believe our products can absorb because of the strength of our portfolio of brands. Because of the uncertainties involved with respect to the amount of tariffs that may be applicable, the products to which any additional tariffs will be applied and the results of our mitigation efforts, we cannot estimate at this point the effect of an increase in tariffs on our results of operations for fiscal 2020.

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Use of Estimates and Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Significant accounting policies employed by us, including the use of estimates, are presented in the notes to our consolidated financial statements.

Critical accounting policies are those that are most important to the portrayal of our financial condition and our results of operations, and require management's most difficult, subjective and complex judgments, as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our most critical accounting estimates, discussed below, pertain to revenue recognition, accounts receivable, inventories, income taxes, goodwill and intangible assets, impairment of long-lived assets and equity awards. In determining these estimates, management must use amounts that are based upon its informed judgments and best estimates. We continually evaluate our estimates, including those related to customer allowances and discounts, product returns, bad debts and inventories, and carrying values of intangible assets. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Revenue Recognition

On February 1, 2018, we adopted Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 606 – Revenue From Contracts With Customers ("ASC 606") using the modified retrospective method as of January 31, 2018. Under ASC 606, wholesale revenue is recognized when control transfers to the customer. We consider control to have been transferred when we have transferred physical possession of the product, we have 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 considerations arising from implicit or explicit obligations. Variable consideration includes trade discounts, end of season markdowns, sales allowances, cooperative advertising, return liabilities and other customer allowances. Under ASC 606, we estimate the anticipated variable consideration and record this estimate as a reduction of revenue in the period the related product revenue is recognized. Prior to adopting ASC 606, certain components of variable consideration were recorded at a later date when the liability was known or incurred.

Variable consideration is estimated based on historical experience, current contractual and statutory requirements, specific known events and industry trends. The reserves for variable consideration are recorded under customer refund liabilities. Customer refund liabilities were recorded as a reduction to accounts receivable prior to the adoption of ASC 606. Historical return rates are calculated on a product line basis. The remainder of the historical rates for variable consideration are calculated by customer by product lines.

We recognize retail sales when the customer takes possession of the goods and tenders payment, generally at the point of sale. E-commerce revenues from customers through our e-commerce platforms are recognized when the customer takes possession of the goods. Our sales are recorded net of applicable sales taxes.

Both wholesale revenues and retail store revenues are shown net of returns, discounts and other allowances. Under ASC 606, we now classify cooperative advertising as a reduction of net sales. Previously, cooperative advertising was recorded in selling, general and administrative expenses.

Royalty revenue is recognized at the higher of royalty earned or guaranteed minimum royalty.

Accounts Receivable

In the normal course of business, we extend credit to our wholesale customers based on pre-defined credit criteria. Accounts receivable, as shown on our consolidated balance sheet, are net of an allowance for doubtful accounts. In circumstances where we are aware of a specific customer’s inability to meet its financial obligation (such as in the case of bankruptcy filings, extensive delay in payment or substantial downgrading by credit sources), a specific reserve for bad debts is recorded against amounts due 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 date of the financial statements, assessments of collectability based on historical trends and an evaluation of the impact of economic conditions.

Estimated costs associated with trade discounts, advertising allowances, markdowns, and reserves for returns are reflected as a reduction of net sales. Under ASC 606, all of these reserves, which constitute variable consideration, are classified as current liabilities under “Customer refund liabilities”. Prior to ASC 606, these reserves were part of the allowances netting against accounts receivable. We reserve against known chargebacks, as well as for an estimate of potential future deductions by customers. These provisions result from seasonal negotiations with our customers as well as historical deduction trends, net of historical recoveries and the evaluation of current market conditions.

Inventories

Wholesale inventories are stated at the lower of cost (determined by the first-in, first-out method) or net realizable value, which comprises a significant portion of our inventory. Retail inventories are valued at the lower of cost or market as determined by the retail inventory method. Vilebrequin inventories are stated at the lower of cost (determined by the weighted average method) or net realizable value.

We continually evaluate the composition of our inventories, assessing slow-turning, ongoing product as well as fashion product from prior seasons. The net realizable value of distressed inventory is based on historical sales trends of our individual product lines, the impact of market trends and economic conditions, expected permanent retail markdowns and the value of current orders for this type of inventory. A provision is recorded to reduce the cost of inventories to the estimated net realizable values, if required.

Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax expense, together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet.

Goodwill and Intangible Assets

ASC Topic 350 – Intangibles – Goodwill and Other ("ASC 350") requires that goodwill and intangible assets with an indefinite life be tested for impairment at least annually and are required to be written down when impaired. We perform our test in the fourth fiscal quarter of each year, or more frequently, if events or changes in circumstances indicate the carrying amount of such assets may be impaired. Goodwill and intangible assets with an indefinite life are tested for impairment by comparing the fair value of the reporting unit with its carrying value. In connection with the change in our reportable segments and according to ASC 350, we reassessed the reporting units for goodwill impairment purposes. We identified two reporting units, which are wholesale operations and retail operations. Fair value is generally determined using discounted cash flows, market multiples and market capitalization. Significant estimates used in the fair value methodologies include estimates of future cash flows, future short-term and long-term growth rates, weighted average cost of capital and estimates of market multiples of the reportable unit. If these estimates or their related assumptions change in the future, we may be required to record impairment charges for our goodwill and intangible assets with an indefinite life.

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The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis. The evaluation consists of either using a qualitative approach to determine whether it is more likely than not that the fair value of the assets is less than their respective carrying values or a quantitative impairment test, if necessary. In performing a qualitative evaluation, we consider many factors in evaluating whether the carrying value of goodwill may not be recoverable, including declines in our stock price and market capitalization in relation to our book value and macroeconomic conditions affecting our business. In performing a quantitative evaluation, to estimate the fair value of a reporting unit for the purposes of our annual or periodic analyses, we make estimates and judgments about the future cash flows of that reporting unit. Although our cash flow forecasts are based on assumptions that are consistent with our plans and estimates we are using to manage the underlying businesses, there is significant exercise of judgment involved in determining the cash flows attributable to a reporting unit over its estimated remaining useful life. In addition, we make certain judgments about allocating shared assets to the estimated balance sheets of our reporting units. We also consider our and our competitor’s market capitalization on the date we perform the analysis. Changes in judgment on these assumptions and estimates could result in a goodwill impairment charge. In fiscal 2019, we performed a qualitative evaluation and, in both fiscal 2018 and 2017, we performed a quantitative evaluation.

We have allocated the purchase price of the companies we acquired to the tangible and intangible assets acquired and liabilities we assumed, based on their estimated fair values. These valuations require management to make significant estimations and assumptions, especially with respect to intangible assets.

The fair values assigned to the identifiable intangible assets acquired were based on assumptions and estimates made by management using unobservable inputs reflecting our own assumptions about the inputs that market participants would use in pricing the asset or liability based on the best information available.

In accordance with ASC 350, in the first step of our goodwill impairment review, we compare the fair value of the wholesale operations reporting unit to our carrying value. If the fair value of the reporting unit exceeds our carrying value, goodwill is not impaired and no further testing is required. In fiscal 2018, we wrote off $0.7 million of the goodwill associated with the retail operations segment as a result of the performance of the retail operations segment. In fiscal 2019, we performed a qualitative evaluation where we considered the measurable performance of the wholesale operations reporting unit, our stock price and market capitalization and the current macroeconomics regarding the retail industry where our products are sold. In fiscal 2018, we performed a quantitative evaluation where we estimated the fair value of the reporting units using a weighting of fair values derived most significantly from the market approach and, to a lesser extent, from the income approach. Under the income approach, we calculated the fair value of the reporting units based on the present value of estimated future cash flows. Cash flows projections are based on management’s estimates of revenue growth rates and earnings before interest and taxes, taking into consideration industry and market conditions. The assumptions used for the impairment analysis were developed by management of each reporting unit based on industry projections, as well as specific facts relating to the reporting units. If the reporting units were to experience sales declines or be exposed to enhanced and sustained pricing and volume pressures there would be an increased risk of impairment of goodwill for the reporting units.

Critical estimates in valuing intangible assets include future expected cash flows from license agreements, trade names and customer relationships. In addition, other factors considered are the brand awareness and market position of the products sold by the acquired companies and assumptions about the period of time the brand will continue to be used in the combined company's product portfolio. Management's estimates of fair value are based on assumptions believed to be reasonable, but which are inherently uncertain and unpredictable.

If we did not appropriately allocate these components or we incorrectly estimate the useful lives of these components, our computation of amortization expense may not appropriately reflect the actual impact of these costs over future periods, which may affect our results of operations.

Trademarks having finite lives are amortized over their estimated useful lives and measured for impairment when events or circumstances indicate that the carrying value may be impaired.

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Impairment of Long-Lived Assets

In accordance with ASC Topic 360 — Property, Plant and Equipment, we annually evaluate the carrying value of our long-lived assets to determine whether changes have occurred that would suggest that the carrying amount of such assets may not be recoverable based on the estimated future undiscounted cash flows of the businesses to which the assets relate. Any impairment would be equal to the amount by which the carrying value of the assets exceeded its fair value.

In fiscal 2019, we recorded a $2.8 million impairment charge related to leasehold improvements and furniture and fixtures at certain of our Wilsons, G.H. Bass and DKNY stores as a result of the performance at these stores.

In fiscal 2018, we recorded a $6.5 million impairment charge related to leasehold improvements and furniture and fixtures at certain of our Wilsons, G.H. Bass and Vilebrequin stores as a result of the performance at these stores. In addition, we recorded a $0.7 million impairment charge with respect to furniture and fixtures located in certain customers' stores.

In fiscal 2017, we recorded a $10.5 million impairment charge related to leasehold improvements and furniture and fixtures at certain of our Wilsons and G.H. Bass stores as a result of the performance at these stores.

Equity Awards

All share-based payments to employees, including grants of restricted stock units and employee stock options, are recognized in the consolidated financial statements as compensation expense over the service period (generally the vesting period) based on their fair values. Restricted stock units that do not have market performance conditions are valued based on the quoted market price on date of grant. Restricted stock units with market conditions are valued with the assistance of a valuation expert. Stock options are valued using the Black-Scholes option pricing model. The Black-Scholes model requires subjective assumptions regarding dividend yields, expected volatility, expected life of options and risk-free interest rates. These assumptions reflect management's best estimates. Changes in these inputs and assumptions can materially affect the estimate of fair value and the amount of our compensation expenses for stock options.

Results of Operations

The following table sets forth our operating results as a percentage of our net sales for the fiscal years indicated below:

	2019		2018		2017	
Net sales	100.0	%	100.0	%	100.0	%
Cost of goods sold	64.0		62.4		64.7	
Gross Profit	36.0		37.6		35.3	
Selling, general and administrative expenses	27.1		30.5		29.5	
Depreciation and amortization	1.3		1.3		1.4	
Asset impairments	0.1		0.3		0.4	
Operating profit	7.5		5.5		4.0	
Other loss	(0.1)		(0.1)		—	
Interest and financing charges, net	(1.4)		(1.5)		(0.7)	
Income before income taxes	6.0		3.9		3.3	
Income tax expense	1.5		1.7			