G-III Apparel Group continues to see double-digit growth following its acquisition of Donna Karan

By Erin Floyd - September 6, 2017

For the second quarter in a row, G-III Apparel reports double-digit growth. The parent company of Donna Karan saw net sales increase for the second quarter of 2018 by 21.6% to $538 million, a second quarter record for the company.

Of the $538 million in net sales for Q2, $45 million came from the Donna Karan and DKNY brands, which G-III acquired in 2016. The second quarter jump follows a 16% jump in sales to $529 million for the first quarter of 2018. The apparel group's portfolio also includes brands such as G. H. Bass, Andrew Marc, Marc New York and Jessica Howard, as well as licenses operated under brands such as Calvin Klein, Tommy Hilfiger, Karl Lagerfeld Paris, Kenneth Cole and Ivanka Trump.

As a result of the second quarter financial results, the company has increased its outlook for the full fiscal year. G-III now expects revenues for the year to reach $2.8 billion, compared to previous estimates of $2.76 billion. The company also projects third quarter net sales to reach $1.03 billion.

The company's chairman and CEO Morris Goldfarb attributed the significant growth to the brand's diverse portfolio, which has included Donna Karan since December 2016. "This great portfolio is enabling us to perform well despite significant headwinds in the marketplace. We are fortunate to have developed a diverse business, anchored by Calvin Klein and supported by other brands including Tommy Hilfiger and Karl Lagerfeld Paris. And now, Donna Karan and DKNY, both global power brands, will help us capture additional opportunities. We are positioned to provide exciting new assortments to a range of retailers and to demonstrate leadership in our industry at a critical time," he said in a statement.

In 2016, G-III purchased the Donna Karan and DKNY brands for $650 million from French luxury group LVMH, which had controlled the American labels since 2001. At the time LVMH officials described DKNY, Donna Karan's
lower-priced offshoot, as a poor fit for the conglomerate, which has put its focus on luxury labels such as Louis Vuitton and Givenchy.

Though it has seen successful sales following its acquisition of Donna Karan, G-III faced significant controversy earlier this year when it was discovered that it had covertly re-labeled items from the Ivanka Trump apparel line. The company sold products from Trump’s line under the “Adrienne Vittadini Studio” label and sold them to discount department store chain Stein Mart without Trump’s knowledge. G-III apologized for the decision in April and claimed that sales of the Ivanka Trump clothing line were still strong despite its associations with the Trump administration.

As it stated following the first quarter of 2018, G-III intends to reduce operating costs through store closures. “In our own retail operations, we expect to improve performance through store rationalization, better merchandising and expense reductions. We believe we can mitigate the pressure on our retail results while reaping the benefits of an exciting new phase of wholesale growth as we look forward to a successful second half of the year,” Goldfarb stated.

Going forward, G-III still expects to see transitional costs of approximately $8 million related to the Donna Karan acquisition. It also attributed the second quarter’s net loss of $8.6 million, up from $1.3 million in the same quarter in the previous year, to the Donna Karan deal.

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