G-III Apparel Group Inc. — Abbreviated[1] Version

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Most of the information in this case has been obtained from public sources, first and foremost the IPO prospectus of G-III, the industry reports provided by the Department of Commerce, and the data bases of Compustat, CRSP, and SDC. More IPO information is available at http://www.iporesources.org/. Alan Feller (CFO and COO of G-III) and Aron Goldfarb (founder of G-III), and Richard White (Oppenheimer) graciously provided additional insights. Boris Grinberg added assistance, and Antonio Bernardo, Jos van Bommel, Francesca Cornelli, Jay Ritter, and Mike Vetsuypens added helpful comments. Most of all, the author thanks his mother, Charlotte Welch—who owns and runs a beautiful mid-sized clothes-store, COME PRIMA BY CHARLOTTE WELCH, in Fulda, Germany—for explaining the apparel business and using the store to finance his education.

I Introduction

In late 1989, Clive How was managing the portfolios of high-net worth individuals. A number of his clients had read about unusually high IPO returns, and had requested a substantial part of their assets to be invested in new firms. Clive agreed with this strategy, believing that new firms were one of the few opportunities where an intelligent portfolio manager could outperform. After all, new firms were not yet widely followed by analysts and other investors. While scouting for good opportunities, he had stumbled into a road show of the G-III Apparel Company. G-III (pronounced "gee-three") was a leading producer of leather apparel, and was proposing an IPO for early December. Clive believed that, like smart portfolio managers, smart company management would always outperform. G-III seemed to be an interesting opportunity, so Clive decided to evaluate it as a potential investment.

II The Industry

G-III's business was not easy to classify. G-III's main input, leather, was also used by shoe, luggage, handbag, glove and fashion accessory manufacturers, as well as the upholstery business. Leather is basically a by-product of meat production. Prices were increasing at a fairly steady and somewhat predictable rate (about 3% per year, real), and the product itself was a highly traded commodity. Over the last 5 years, G-III had paid approximately $1 to $1.30 per square foot for leather hides, which accounted for 90% of G-III's raw material costs.

G-III's main output, clothes, competed in the apparel industry, which was otherwise dominated by textile based companies. Nevertheless, G-III clearly considered itself an apparel company, not a leather company. Apparel is one of the largest sectors of the U.S. economy, employing close to one million people in 1989. Unlike leather, which had underperformed its expectations in the last 12 months, apparel had enjoyed an unexpected surge. This growth had come as consumers enjoyed increased disposable income, which they had used to replenish their wardrobes after years of diminished spending (in effect shifting consumption from durables into apparel). Growth rates were expected to reach about 3% (real) in 1989, following less than 1% in 1988. Producers had been partly to blame for the 1988 showing, having misread the fashion interests of their consumers.

III The Company

A The Business

G-III produced a wide range of leather apparel, primarily moderately-priced women's wear: coats, jackets, pants, and skirts. Although some product was produced under private label, most product was sold under G-III's own brand names: G-III, Siena, and Cayenne. The G-III women's division sold items from $40–$300 (retail price), Siena sold items between $260 and $1,800, the new Cayenne division sold items between $100 and $500, and a recent push into men's wear under the G-III label sold items with prices between $150 and $500. Most of G-III's sales were to chains, both general stores (such as Dillards, The May Company and Sears Roebuck) and specialty chains (The Limited [20% of sales], and Wilson's House of Suede [8% of sales, down from 15% two years earlier]),[1] and sold under G-III's brand names. As is common in the high-volume apparel business, the company was not focused on design choices, but followed the styles of the rest of the industry or the specific sample designs provided by its customers. The company also had just begun to export, primarily to Canada, and expected foreign sales to be a growth venue.

One third of G-III's production was from the company's New York City factories, the other two-thirds from independent contractors, primarily in Korea. New York production allowed the company to test trends, to react to changes, or to fill sudden demand, on short notice. Korean production allowed the company to produce items at lower cost, despite the 6% U.S. import duty on its Korean products. One buying agent in Korea provided 40–50% of all purchases (varying each year). Similarly, 40% of its U.S. leather were obtained from one vendor (Henry Sokol Leather Co). However, the tannery and manufacturing of leather apparel was fiercely competitive, and any business relationship could easily be replaced with another if necessary. The company did not sell product on consignment and generally did not accept returns (except when defective). Orders tended to be placed on short notice, and sales could not be easily predicted from the firms backlog.

The company employed 235 people, of which 134 worked in design and manufacturing, 64 in warehouse facilities, and 11 in sales. 157 employees were covered by union agreements, but employee relationships had historically been cordial. The company paid about $500,000 in annual rent for its offices, warehouses, showrooms, and other facilities.

G-III was generally predicted to capture about 10% of 1989 industry sales, up from only 2% in 1985, in an industry that grew at a 15% annual rate. From 1986 to 1989, the company's net sales had grown at a compound annual rate of 68%.

[1] Wilson's was both a producer of leather goods (and thus a competitor of G-III) and a customer.

G-III depended heavily on the maintenance or increase of consumer demand for leather wearing apparel, and that demand had been favorably affected in the mid-1980s when technological changes in leather tanning techniques increased the color and texture alternatives of leather garments. These new leather finishing technologies allowed jackets made from inexpensive skins to feel as luxurious as jackets costing as much as three to five times a decade earlier. "Bomber jackets," one of G-III's main product lines, which used to cost roughly $600 could now be produced and sold for $100–$200. The attractiveness of G-III as an investment would depend heavily on G-III's ability to continue the growth and profitability of the recent past. But in the apparel business, in particular, the high levels of return on equity shown did not usually persist for long even in advanced technological enterprises. Still, G-III believed its quality, broad selection and ability to quickly adjust output to changing styles were important to its success. Its customer orientation had served it well in the past. In addition, G-III was one of the largest independent wholesale manufacturers of leather apparel in the United States. Its relative size in a fragmented industry was important to retailers, and should be an advantage if G-III were to seek acquisitions. Despite its size, the company had had practically no press coverage, and was known primarily to fashion insiders. As is common in the apparel business, most of G-III's sales and profits were in the first and last fiscal quarters.

B The Company and Its Management

G-III was founded in 1974 by Aron Goldfarb. Aron Goldfarb was a Polish Jew who had survived the Holocaust and moved to the U.S. in 1956.[2] He had worked his way up in the New York fashion district, eventually founding a company named G&N (Goldfarb and Novak), in which he learned how to manufacture and market leather apparel. After he separated from Mr. Novak, Aron Goldfarb founded his own company, G-III, the "III" denoting himself and his two sons. By 1989, the 66-year-old Aron Goldfarb remained chairman of the board, but his son, Morris Goldfarb had taken over the day-to-day management as president and chief executive officer. The remaining management team were mostly in their forties, veterans of the apparel business, but not indispensable to the operations. An abbreviated management structure of G-III is listed in Exhibit 1.

The relative importance of the Goldfarb's was reflected in their salaries. Morris drew $443,000 per annum, Aron drew $380,000. Three other officers drew between $100,000 and $160,000 per year from 1988–1989. Post-IPO, Morris and Aron's salaries were slated to increase to between $500,000 and $650,000 after the of-

[2] In 1994, the U.S. Holocaust Memorial Museum (Washington) published a book about Aron Goldfarb's life, entitled "Maybe you will survive."

fering, plus a performance bonus of 5% of pre-tax profits in excess of $1 million, plus some options and life insurance.

Before the offering, Aron Goldfarb held 1,579,111 shares, equivalent to 34.0% of the company; Morris held 2,378,666 shares, or 51.2%. Together, the executive officers and directors owned 91.9% of all shares. The offering contemplated to sell 2 million shares at $13 each (the preliminary prospectus indicated a price range of $13-$16), of which 500,000 shares were sold by Aron and the rest were newly issued, for a total of 6,144,144 shares. Other insiders retained their holdings, and the customary *Rule 144*[3] lockup prevented the sale of 3,904,444 shares. Ninety days after the offering, 466,666 shares could be sold, subject to agreements with the underwriters. The insiders agreed to additional selling restrictions for the first 180 dates after the offering, basically excluding any inside sales. The company had also instituted a stock option plan, in which key employees, consultants, and directors would receive warrants with an exercise price within 10% of the firm's value.

IV The Initial Public Offering

A The IPO Prospectus

Exhibits 1–3 contain the first three text pages of the IPO prospectus. (Pages 1 and 2 of the IPO prospectus show fashion models wearing G-III leather fashions.) G-III's prospectus format was mostly boilerplate, the first page describing the offering, the second page the company, the third page the financials. (The full G-III IPO prospectus is available at http://welch.som.yale.edu/.)

B Other Information from the Financial Statements

Aside from Exhibit 3, the prominently displayed financial summary (on page 4 of the IPO prospectus) and the cash flow statement deep in the prospectus, there were considerable financial details. Among the more noteworthy tidbits were the following: G-III had $18.8 million in short term debt, and $3.5 million in long term debt. It anticipated that the proceeds of the offering would be used to reduce these figures to $4.9 million and $1.5 million, respectively. G-III had recently violated some of its covenants for its mortgage/lease (noted in footnote F13). However, it had obtained a waiver from their creditors for these violations from July 1988 through July 1989.

[3] Restricted shares may not be sold under Rule 144, unless they have been fully paid for and held for 2 years. Thereafter, the amount of shares that may be sold depends on trading volume and market value.

(G-III was still in non-compliance at the time of the IPO, but renegotiating a new waiver.) G-III's did not purchase, but leased its space. Leases were guaranteed by principal, and so not reported as current obligations, but long-term obligations. The company had never paid dividends and had no plans to pay dividends in the near future. The company had some dealings with other corporations fully or partially controlled by some its directors or the Goldfarbs, but these were disclosed in the prospectus which stated that all such transactions were made at terms at least as good if not better than those obtainable from outside parties. Finally, the company had recently managed to reduce its pension expense from $171,000 in (fiscal year) 1987 to $46,000 in 1988 to $55,000 in 1989. (The 1987 drop was accomplished through the termination of two noncontributory plans in August 1987. The company had contributed $125,000 to this plan in July 1987. The remaining pension plan was a multi-employer plan, covered by a collective bargaining agreement and not administered by G-III.) Pension expense to G-III's pension plan was $8,600 and $17,500 in the three months period ending October 1988 and October 1989, respectively.

C The Underwriter Syndicate

In May 1988, the Equity Securities Trading Co had performed a limited IPO, and as a result had received a warrant for 20,000 shares at a price of $7.20, expiring on May 5, 1993. Basically, G-III had merged into Ante Corp., a very small publicly traded vehicle, which had not been large enough to be listed on a prominent exchange. In the end, this neither helped nor hurt G-III's "real" IPO, but left it with 46 other holders of record and 195 beneficial holders of common stock even before the IPO.

The proposed general IPO was handled by Richard White on behalf of Oppenheimer. A private attorney in the law firm of Bell, Kalnick, Klee & Green had introduced Richard White after finding out of Morris Goldfarb's interest to go public. In exchange, the law firm received a finder's fee. Oppenheimer ranked somewhere between 15 and 20 in terms of underwritten IPO's, competing for the G-III IPOs with the likes of Bear Sterns, Ladenburg, or even Lehman, Paine-Webber, Dean-Witter, and Prudential. In G-III's case, the presence of an apparel analyst (Dennis Rosenberg) was an advantage.

The IPO process began in late August/early September and culminated in the offering in December. G-III had changed auditors on July 31, 1989 from McMichael to Grant Thornton, who had audited the financial statements for the three years prior to the offering. The selection of a more well-known auditor was not unusual in preparation of an initial public offering, and McMichael had confirmed that it was in agreement with the new auditors' assessments.

As lawyers, OPPENHEIMER had retained MORGAN, LEWIS & BOCKIUS of New York City, G-III had retained FULBRIGHT JAWORSKI & REAVIS MCGRATH. The company had renamed itself (dropping its prior name "ANTE CORP"), consolidated its subsidiaries (G-III LEATHER FASHIONS and SIENA LEATHER), and incorporated in Delaware prior to the offering (previously, Minnesota). The company was slated to begin trading on NASDAQ/NMS under the symbol GIII immediately after the IPO.

OPPENHEIMER conducted road shows in New York, Boston, Minneapolis, Chicago, Los Angeles, San Francisco, Zürich, Paris, and London. Attending institutional investors appeared to be quite receptive to the offering. (The firm or the underwriters had no intrinsic preference in favor of either institutional or individual investors.) The formal book-building process began about 2 weeks before the offering. The prospectus stated that OPPENHEIMER had agreed to underwrite 612,500 shares itself; 20 underwriters, including almost all the tier-1 underwriters, had agreed to underwrite 35,000 shares each; 10 underwriters had agreed to underwrite 25,000 shares; and 25 underwriters had agreed to underwrite 17,500 shares each.

A Note on Syndication: The real IPO process is more intricate, mostly due to historical (and perhaps archaic) conventions. Underwriting and selling are two different activities. In IPOs of the size of G-III, the lead underwriter sells almost all the shares himself. Historically, underwriters had different and unique investor networks and thus a syndicate had more placing ability than an individual Investment bank. Today, however, practically all investment banks share the same institutional clients, and thus there is little need for an underwriter to ask fellow syndicate members to help sell shares. One disadvantage of sharing distribution is that lead underwriters wish to avoid investors' "flipping" of shares into the aftermarket immediately after the offering. Controlling such flipping is more difficult when shares are placed by other brokers. Still, syndicate participants may, on occasion, receive some IPO shares to place, say, 3,500 shares if they underwrite 35,000 shares.

The main reason underwriters give for the presence of a syndicate today is "shared liability." If investors in the offering later sue the company and its experts, underwriter liability is distributed according to their participation in the syndicate. In exchange for their syndicate participation, non-lead underwriters receive 20%[4] of the 7% fee ($0.91 per share) paid by the issuer. However, underwriter expenses (attorneys, travel, entertainment, stabilization costs) are allocated to the same 20%, and, in offerings of the size of G-III, syndicate underwriters receive close to nothing. In effect, investment banks consider selling shares (for commissions) to be the profitable component, and underwriting to be the unprofitable liability component. Receiving primarily liability and practically no compensation, why underwriters would agree to participate in a syndicate? The main reason for participating in another underwriter's offering is *reciprocity*—in exchange for their participation, OPPENHEIMER would participate as a syndicate member in the future IPOs of these underwriters. Thus, syndicates are de facto a complicated mechanism to share liability risk. (In larger initial public offerings, however, syndicate participation can become profitable.)

[4] OPPENHEIMER would receive 20% as a management fee, the brokers distributing the shares would receive the remaining 60%. Because most brokers would end up being OPPENHEIMER brokers, OPPENHEIMER would in turn recapture some of these commissions.

In G-III's case, the underwriter discount was $0.91 per share, and underwriters agreed to sell to other dealers at no greater a discount than $0.53, who in turn could sell at a discount no greater than $0.10. In addition, the underwriters received a 30-day overallotment option to purchase 300,000 shares, exercisable at $12.09. These shares had to be bought from Morris Goldfarb, and had to be distributed among the underwriter syndicate in the same fraction that the original shares were allocated. Further, underwriters were allowed to exercise the option *only* to cover over-allotments made in connection with the offering. G-III indemnified the underwriters against liabilities, losses and expenses under the 1933 Act, but it was understood by all participants that such indemnification would provide only limited protection to the underwriter. G-III also agreed to sell five-year warrants to purchase 200,000 shares at a price of $15.60 for $200,000. These warrants were not transferable and not exercisable for one year. Finally, the underwriters agreed not to have intent to make sales to discretionary accounts in excess of 5% of the total numbers of shares of stock offered.[5]

D Use of Proceeds and Risks

Of the 1.5 million primary shares sold, most were slated to facilitate the company's operational growth (necessary additions to working capital, financing of inventory and accounts receivable). In addition, the company planned to repay a $2 million note to its bank. (The note was guaranteed by the Goldfarbs.)

The prospectus specifically mentioned the following risk factors:

- Reliance on Foreign Manufacturers.
- Dependence on Key Personnel.
- Dependence on Key Customers.
- The Nature of the Apparel Business.
- Seasonality.
- Control by the Goldfarbs.
- Future share sales.
- Lack of significant trading, causing NASDAQ to drop G-III.
- Uncertainty about the right offering price.

V Pricing The Offering

The most important issue-at-hand was determining the appropriate pricing of the IPO.

[5] The underwriter for a previous offering had also received a warrant for 20,000 shares, 4 years from April 1989, at strike price of $7.20, for $100.

A Comparable Apparel IPOs

G-III's prime competitors were Winlet, Andrew Mark, Mirage, and US Cooper Sportswear. Unfortunately, none of these were traded on a public exchange, and no information as to their sales, etc., was available. (G-III believes itself to be the largest leather outerwear producer, but with no public information from their competitors, this could neither be confirmed nor dispelled.)

Because IPOs have no prior market value history, sellers and buyers typically value shares by comparing the still private IPO candidate with similar publicly traded companies. A long search identified Oshkosh, Mayfair, Gitano, Legends Co of Chicago, and Yes Clothing to be appropriate "comparables" for G-III. But Mayfair had recently been taken over and Benetton was an Italian company, clearly operating in a different environment which would make its financial data difficult to interpret. Even though the "comp firms" were publicly traded and even though G-III operated in a mature industry, there was still only a small number of comparison firms and not much public information!

Thomson Financial/Securities Data Corp., provided the issuing information in Exhibit 4.

The Compustat data base, Exhibit 5 displays the publicly accessible financial information on the comparables.

Analysts typically value firms in two ways. (The two are typically seen as complementary.) The first way is to project free cash flows for a "net present value" analysis. The second way is to compute ratios on everything in sight in order to "benchmark" the IPO to its public comparables. (It is common in the industry to compute such ratios based on projected, next-year's financials, not historical financials.) Some such ratios are computed in Exhibit 6. Typically, the combination of multiple techniques is hoped to help analysts "triangulate" on the appropriate firm value.

VI The Context

With most of G-III's comparables not having executed their own IPOs within the last three months, an analysis of general IPO market conditions seemed wise. Exhibit 7 displays the number of IPOs and the dollar amount raised in the market for small firm-commitment initial public offerings (i.e., those offerings raising no more than $50 million). The exhibit also provides the dollar amount that was raised by entrepreneurs cashing out ("secondary shares"). By historical standards, 1989 had not been a very active issuing year, although there had been even "dryer" periods in the early eighties.

One well-known reason for these fluctuations in IPO activity was the variation in the overall stock market. For example, right after the crash of 1987, there were almost no offerings at all. Still, important questions remained: Would an IPO gather a better price in a hot-issue market, than in a cold-issue market? Would an IPO's after-market performance be better if the IPO was completed in a hot-issue or a cold-issue market? The answers to these questions seemed to be important to G-III, because investors in late 1989 would presumably be more eager to buy G-III shares if recent IPOs had been "good buys." Indeed, if other IPOs had displayed great returns, G-III might even be able to increase its offering or price. Yet, if IPOs in the days, weeks, or months before the offering had displayed poor returns, investors might not take to the G-III offering, even if it was solid.

Exhibit 8 shows the stock market environment in which small companies operated. The exhibit describes the returns gathered by small firms (with less than \$1B at the start of the month), categorized into those firms which had conducted an IPO within the most recent 3 years and those firms which had not. While Exhibit 8 answers the question of how "young firms" (IPOs) had fared in recent months, it does not answer whether IPOs that had gone public in hot-issue markets performed any differently. Exhibit 9 displays, by issuing month, some basic information about small IPOs (where small means less than \$50 million dollar being raised). (Naturally, long-run pricing information for offerings in 1988 and 1989 was incomplete and thus truncated.) This information could potentially shed some light on the general condition of the IPO market.

VII The Questions

Clive would now have to make some decisions:

1. How sound was G-III's business? Was it suitable for an IPO?
2. How good was G-III's management? How suitable was G-III's management? How trustworthy was G-III's management?
3. Why had G-III opted for an IPO rather than searching for alternative forms of capital?
4. Was the money raised in the offering put to good purpose?
5. How sophisticated had G-III dealt with its financial situation? What situation was G-III in pre-IPO? Why had it chosen to list on NASDAQ/NMS?
6. Who is OPPENHEIMER? What was the role of OPPENHEIMER in the process? Was OPPENHEIMER's role commensurate with its fees?
7. Was $13 an appropriate price for G-III? What was the intrinsic value of a share of G-III?
8. How would picking the wrong comparables influence estimates?
9. How hot would demand for shares be?
10. Should an investor purchase G-III in the IPO or in the after-market?
11. How long should an investor hold onto G-III?
12. Did G-III display good timing ability?
13. How would institutions react? What would institutional participation mean for G-III and its stockholders?
14. Would G-III come back to raise more money soon? Would it matter?
15. What skeletons could potentially hide in the closet?
16. What had Clive forgotten to check into?

Exhibit 1 The Background of some Key Members of the Management Team.

Morris Goldfarb, 39 years old, is a director of the Company and serves as its President and Chief Executive Officer. He has served as either President or Vice President of G-III since 1974 and as President of Siena since their respective formations. Mr. Goldfarb is responsible for the domestic and foreign production of Siena's line of apparel and for the foreign manufacture, marketing, merchandising and financing of the G-III line of apparel. He also has overall responsibility for developing selling programs, customer relations and administration of the Company.
In 1988-1989, Morris Goldfarb drew a salary and bonus of $442,900. He owns 51.2% of the firm before the offering, and is likely to hold 33.8% after the offering (selling 300,000 shares of his 2,378,666 shares through the overallotment option).

Aron Goldfarb, 66 years old, is Chairman of the Board and a director of the Company, and has served as either President or Vice President of G-III since its formation in 1974 and as a Vice President of Siena since its formation in 1981. Mr. Goldfarb is responsible for the domestic manufacture of G-III's apparel, including obtaining the raw materials necessary for production and supervising the manufacturing process and employee relations. From 1956 to 1974, Aron Goldfarb was a principal in a number of businesses which manufactured and marketed Leather garments.
In 1988-1989, Aron Goldfarb drew a salary and bonus of $380,300. He owns 34.0% of the firm before the offering, and will hold 17.6% after the offering (selling 500,000 shares).

Carl Katz, 48 years old, is a director of the Company and has been employed as an Executive Vice President of Siena since 1989 and, prior thereto, as a Vice President of Siena since 1981. Mr. Katz supervises the merchandising and design, as well as production and pattern and sample making, for the Siena division. In 1988-1989, Carl Katz drew a salary of $105,600.

Thomas J. Brosig, 40 years old, is the Company's Executive Vice President of Administration and Finance and has been employed by the Company in such capacity since August 1989. For the three years prior thereto, Mr. Brosig was President of TJ Associates Business Consulting Services From 1982 through 1986, he was Controller and Director of Strategic Planning for Bermans Specialty Stores, Inc. ("Bermans").

Christine Magnatta, 45 years old, is the Chief Financial Officer, Treasurer and Secretary of the Company and has been employed by the Company since September 1988. Prior to that time, Ms. Magnatta was Vice President, Finance and Administration of Precision Screen Machines, Inc. (a screen printing equipment manufacturer) from 1985 to 1988, and Controller of STC Systems, Inc. (a mini-computer business system manufacturer) from 1973 to 1985.

Lyle Berman, 47 years old, a director of the Company, is a founder of Ante Corp. and served as its President, Treasurer and a director from July 1987 to August 1989. Mr. Berman is presently the President of Berman's Consulting Corp., and serves as a consultant to the Company (at $15,000 per month). From March 1987 until its acquisition by Wilson's in November 1988, Mr. Berman was Chairman of the Board of Directors, President and Chief Executive Officer of Bermans. From 1979 until March 1987, Mr. Berman was President and Chief Executive Officer of a predecessor corporation to Bermans. Between 1964 and 1979, Mr. Berman held various positions, including vice president of store operations, with such predecessor corporation. See "Certain Transactions."

- Aron Goldfarb is the father of Morris Goldfarb.
- Together, all 12 Executives held 91.9% of the pre-IPO stock, 61.3% of the post-IPO shares. Compensation figures do not include detailed bonus schemes.
- Each director holds office until the next annual meeting of stockholders or until his successor shall have been elected and qualified. Subject to the terms of applicable employment agreements, officers serve at the pleasure of the Board of Directors.
- The Board of Directors has an Executive Committee, Audit Committee and Option Committee. The Executive Committee, composed of Morris Goldfarb, Aron Goldfarb and Carl Katz is vested with the powers of the Board of Directors between meetings of the Board. The Audit Committee, composed of Lyle Berman, Sigmund Weiss and, upon his becoming a director, Willem van Bokhorst, is charged with reviewing the Company's annual audit and meeting with the Company's independent accountants to review the Company's internal controls and financial management practices. The Option Committee, composed of Morris Goldfarb and Aron Goldfarb, will function as the Committee under the 1989 "Stock Option Plan."

Exhibit 1 IPO Prospectus: Coverpage.

2,000,000 Shares

G-III

APPAREL GROUP, LTD.

Common Stock

Of the 2,000,000 shares of Common Stock offered hereby, 1,500,000 shares we being sold by G-III Apparel Group, Ltd. and 500,000 shares are being sold by a Selling Stockholder. See "Principal and Selling Stockholders." The Company will not receive any proceeds from the sale of shares by the Selling Stockholder. See "Underwriting" for factors considered in determining the public offering price.

Prior to this offering, there has been a limited market for the Common Stock of the Company. The Common Stock has been approved for quotation on the NASDAQ National Market System under the trading symbol "GIII". See "Common Stock Market Information."

See "Investment Considerations" for a discussion of certain factors that should be considered by prospective purchasers of the Common Stock.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwritting Discount(1)	Proceeds to Company(2)(3)	Proceeds to Selling Stockholders(3)
Per Share...	$13.00	$.91	$12.09	$12.09
Total (3)...	$26,000,000	$1,820,OOO	$18,135,000	$6,045,000

(1)See "Underwriting" for information concerning indemnification of the Underwriters and other information.
(2) Before deduction expenses of the offering estimated at $452,000 payable by the Company.
(3) The Underwriters have been granted an option, exercisable within 30 days of the date hereof, from either a second Selling Stockholder or the Company, to purchase up to 300,000 additional shares of Common Stock at the Price to Public per share, less the Underwriting Discount, for the purpose of covering over-allotments, if any. If the Underwriters exercise such option in full, the total Price to Public, Underwriting Discount and Proceeds to Selling Stockholders would be $29,900,000, $2,093,000 and $9,672,000, respectively, if such shares are sold by the Selling Stockholder. If such shares are sold by the Company, Proceeds to Selling Stockholders would not change and total Proceeds to Company would be $21,762,000. See "Underwriting."

The shares of Common Stock are offered by the Underwriters when, as if delivered to and accepted by them, subject to their right to withdraw, cancel or reject orders in whole or in part and subject to certain other conditions. It is expected that delivery of certificates representing the shares will be made against payment on or about December 21, 1989, at the office of Oppenheimer & Co., Inc., Oppenheimer Tower, World Financial Center, New York, New York 10281.

Oppenheimer & Co., Inc.

The date of this Prospectus is December 14, 1989

PROSPECTUS SUMMARY

The following summary is qualified in its entirely by the more detailed information and consolidated and combined financial statements (including the notes thereto) appearing elsewhere in this Prospectus. Unless otherwise noted, all financial information, share and per share data in this Prospectus (a) have been adjusted to reflect (i) a reorganization of the Company effective July 31, 1989, (ii) the one-for-two reverse stock split of the Common Stock effected as of July 31, 1989, and (iii) the one-for-three reverse stock split of the Common Stock effected as of November 1, 1989 and (b) assume no exercise of (i) warrants for an aggregate of 220,000 shares of Common Stock or (ii) the over-allotment option.

THE COMPANY

G-III Apparel Group, Ltd. (the “Company”) designs, manufactures and markets an extensive range of leather apparel. The Company’s primary market is moderately priced women’s leather apparel and, to a lesser extent, upscale, more fashion oriented women’s leather apparel and men’s leather outerwear. The Company’s products include leather coats, jackets, pants, skirts and other sportswear.

The Company sells its products under its brand labels G-III,™ Siena™ and Cayenne™ and, to a lesser extent, under private retail labels, to approximately 1,000 customers ranging from nationwide chains of retail and department stores to specialty boutiques. A majority of the Company’s net sales are made to national and regional retail chains such as the Lerner, Limited, and Lane Bryant divisions of The Limited, Inc., Wilson’s House of Suede, Maurices Inc., Petrie Stores Corp., Burlington Coat Factory Warchouse Corp., Sears, Roebuck & Co., Dillards Department Stores, Inc., May Company and Casual Corner.

In its fiscal year ended July 31, 1989, the Company manufactured approximately 31% of its products at its factories in New York City with the remainder manufactured for the Company by independent contractors, principally in South Korea, and also in New York, Hong Kong and South America.

Over the past three fiscal years, the Company’s net sales have grown at a compound annual rate of 68%, and pro forma net income has increased from approximately $700,000 to $5,900,000. The Company believes that as a result of this growth it is one of the largest independent wholesale manufacturers of leather apparel in the United States. The Company’s success has been due in part to its ability to offer a broad selection of styles, colors, sizes and skin varieties, and to anticipate retailers’ near term buying requirements by adjusting its production and delivery schedules towards well received and in demand styles. The Company believes that its reputation for servicing retailers with quality merchandise, on-time delivery and competitive prices has positioned the Company for continued growth.

The Company’s strategy is to increase sales to existing customers and attract new customers by expanding its product lines. The Company plans to further develop its Siena line of higher priced, more fashion oriented leather apparel, its Cayenne line of mid-priced leather apparel, its line of men’s apparel and various private label programs for national retail chains and catalog merchants. The Company also expects to introduce a leather outerwear line for children within the next 12 months.

THE OFFERING

Common Stock Offered by:	
The Company	1,500,000 shares
The Selling Stockholder	500,000 shares
Common Stock to be Outstanding immediately after this Offering	6,144,444 shares
Use of Proceeds	To finance the growth of the Company’s operations, primarily by additions to working capital, to permit the financing of additional inventory and accounts receivable relating to increased sales and to repay a $2,000,000 note.
NASDAQ Symbol	GIII

Exhibit 3 IPO Prospectus: Page 4.

CONSOLIDATED AND COMBINED SUMMARY FINANCIAL INFORMATION

(Dollars in thousands except per share data)

	Year Ended July 31, (1)					Three Months Ended October 31,	
	1985	1986	1987	1988	1989	1988	1989
INCOME STATEMENT DATA:							
Net sales	$11,100	$21,375	$30,260	$50,002	$98,786	$30,734	$53,778
Gross profit	2,089	2,922	4,673	7,882	17,129	5,023	9,930
Selling, general and administrative expenses	2,018	2,350	2,635	3,951	5,416	1,558	2,460
Operating profit	71	572	2,038	3,931	11,713	3,465	7,470
Income before income taxes	48	301	1,533	3,086	10,347	3,191	6,652
Net income	40	154	727	2,719	9,526	2,921	3,780
Pro forma net income (2)	40	154	727	1,724	5,940	1,813	3,780
Pro forma net income per common share based upon 4,644,444 shares outstanding in each period	$.01	$.03	$.16	$.37	$1.28	$.39	$.81

	July 31, 1989	October 31, 1989 (1)	
BALANCE SHEET DATA:		Actual	As Adjusted (3)
Working capital	$ 6,199	$ 9,827	$25,510
Total assets	38,089	41,181	41,181
Short-term debt	20,547	18,778	4,938
Long-term debt	3,547	3,480	1,480
Total stockholders' equity	5,317	9,096	26,779

(1) See Note 1 to "Selected Consolidated and Combined Financial Data."

(2) Pro forma net income represents net income less a pro forma provision for income taxes. A subsidiary of the Company elected to be treated as a Subchapter S corporation for the years ended July 31, 1988 and 1989 and, as a result, was not subject to Federal and New York State income taxes for such years.

(3) Adjusted to reflect the sale of 1,500,000 shares of Common Stock by the Company hereby and the anticipated use of the net proceeds therefrom.

Exhibit 4 Initial Public Offerings of Five Chosen Comparables and Post-IPO Value.

Firm	G-III	Oshkosh	Mayfair	Gitano Group	Legends Co	Yes Clothing
CUSIP	36237H00	68822200	57807400	37636500	52465700	98583200
Symbol	GIII	GOSH	MAYF	GITN,GIT	LGNDA	YSCO
SIC-code	2300	2300	2330	2330	2320	2330
Offering Characteristics						
IPO date	89-12-14	85-05-02	86-12-09	88-09-30	89-01-25	89-11-21
Filing date	89-12-12	85-03-22	86-10-30	88-08-31	89-01-12	89-11-14
Offerprice	$13.00	$25.00	$8.50	$20.50	$1.00	$8.50
Units?	No	No	No	No	Yes	No
Shares Before	4,644,444	7,235,760	2,750,000	12,235,655	3,000,000	3,176,470
Shares Issued	2,000,000	788,000	1,200,000	2,000,000	3,000,000	776,470
—Primary	1,500,000	25,640	900,000	1,600,000	3,000,000	600,000
—Secondary	500,000	762,360	300,000	400,000	·	176,470
Overallotment	300,000	63,000	180,000	300,000	450,000	105,882
–"– Sold	·	63,000	·	·	112,500	?
Underwriter	Oppenheimer	WM Blair	Hanifen-Imhoff	GS/Bear	DH Blair	Seidler-Amdec
Gross Spread	$0.91	$1.70	$0.65	$1.36	$0.10	$0.77
Firm Characteristics						
Common Before	$9.1	$37.5	$2.9	$58.7	$-0.4	$4.0
Assets	$41.2	$69.7	$9.5	$261.5	$0.6	$6.5
Revenues	$121.8	$144.1	$23.5	$442.2	·	$37
Book Value Bef/Shr	$1.96	$5.19	$1.05	$4.8	$-0.14	$1.27
Eps_{yrtodt}	$1.28	$1.76	$0.46	$1.44	·	$0.42
Eps_0	$1.70	$1.74	$0.65	$1.85	·	$0.65
Eps_{-1}	$0.37	$1.13	$0.04	·	·	$0.35
Eps_{-2}	$0.16	$0.73	$0.05	·	·	-$0.01
Eps_{-3}	$0.03	$0.50	$0.01	·	·	$0.02
Post-IPO Prices Per Share						
Post-IPO Price Per Share	?	$30.125	$8.625	$20.375	$1.12500	$8.500
89-12-01 Price Per Share	?	$42.000	($11.125)	$31.750	$1.28125	$7.875
#Shares	6,144,444	14,586,000	(3,600,000)	13,921,000	4,150,000	3,821,000

- Common Equity Before, Assets, and Revenues are expressed in million dollars.
- Sales and EPS_{yrtodt} are sales in full year plus recent quarter minus previous year's equivalent quarter. EPS_t is earnings per share t years ago.
- Benetton is an Italian company. Therefore, its IPO information was inaccessible.
- Neither GITANO nor LEGENDS nor YES CLOTHING had paid a dividend. MAYFAIR was acquired on 89-05-12 for $11.35 per share (last price was $11.23) by APPAREL AMERICA, INC.. OSHKOSH paid a quarterly dividend of about 8 and 10 cent per share and quarter beginning in August of 1985.
- Units for the LEGENDS COMPANY OF CHICAGO consisted of 4 common shares (Class A) plus 4 warrants for shares of Class A.

Exhibit 5 Compustat: Financial Statements of Five Comparables.

COMPARABLES: MOST RECENT QUARTERLIES FROM COMPUSTAT

	G-III		Gitano		Legends		Mayfair		Oshkosh		Yes Clothing	
	Oct 88	Oct 89	Sep88	Sep89	Sep88	Sep89	Sep88	Sep89	Sep88	Sep89	Sep88	Sep89
Net Sales	30.734	53.778	119.011	178.615	NA	1.223	15.875	NA	84.964	107.884	NA	10.634
Gross Profit	5.023	9.930	32.534	49.179		0.331	4.599		23.600	35.460		3.211
SG&A	1.558	2.460	22.597	30.986		0.658	2.761		9.556	11.721		2.059
OpInc Bef DA	3.499	NR	NR	NR		-0.327	NR		NR	NR		NR
OpInc Aft DA	3.465	7.470	9.937	18.193		-0.333	1.838		14.044	23.739		1.152
Inc before Tax	3.191	6.652	6.067	12.118		-0.329	1.746		13.777	22.796		0.941
Net Income	2.921	3.780	4.055	8.603		-0.329	1.101		8.506	13.986		0.576
Current Assets		38.431	238.829	320.688		1.987	25.164		84.563	104.705		NR
Current Liabilities		28.604	129.839	143.662		1.128	10.721		22.115	41.196		
Total Assets		41.181	282.264	389.857		2.136	28.529		111.026	147.200		
ST Debt		18.778	95.030	86.841		0.200	3.720		1.117	13.775		
LT Debt		3.480	0.522	124.917		0.000	0.163		7.516	6.189		
Stock Equity		9.096	94.949	121.070		1.001	17.65		80.290	97.535		
Traded Since	Not Yet		880930		890131		861209		850502		891121	

COMPARABLES: MOST RECENT ANNUALS

	G-III	Gitano		Legends		Mayfair		Oshkosh			Yes Clothing	
	1989	1988	1989	1988	1989	1987	1988	1987	1988	1989	1988	1989
Net Sales	98.786	464.53	625.89	0.144	1.985	32.600	58.140	226.298	252.994	315.076	28.475	40.302
Gross Profit	17.129	133.79	183.70	-0.142	0.010	10.341	16.031	74.469	68.290	110.323	8.275	13.275
SG&A	5.416	81.79	116.629	0.734	2.215	5.383	10.312	29.924	34.158	43.435	5.450	7.734
OpInc Bef DA	11.867	52.00	67.066	-0.876	-2.205	4.958	5.719	44.545	34.132	66.888	2.825	5.541
OpInc Aft DA	11.713	47.80	60.013	-0.878	-2.270	4.803	5.292	41.755	30.705	62.635	2.785	5.463
Inc before IncTax	10.347	37.44	-0.897	-2.681	4.920	5.011	42.237	30.462	61.378	2.255	4.954	
Net Income	9.526*	22.98	30.70	-0.897	-2.681	4.770	3.840	23.899	18.772	37.598	1.331	2.939
Current Assets	35.424	229.54	357.65	0.225	1.119	15.327	20.689	83.479	94.346	115.852	6.055	12.440
Current Liabilities	20.384	136.19	314.37	1.146	0.665	5.024	5.528	21.212	34.062	27.175	3.324	2.598
Total Assets	38.089	5.893	3.61	0.428	1.292	20.195	24.006	113.271	139.065	163.266	6.209	12.770
ST Debt	20.547	85.35	101.67	0.802	0.251	0.374	1.086	1.124	12.963	7.661	0	0
LT Debt	3.547	60.33	136.38	0.003	0.000	0.283	0.171	6.790	5.662	4.530	0	0
Stock Equity	5.317	95.83	126.54	-0.721	0.627	14.888	18.307	83.428	97.186	128.652	2.885	10.172

Notes: Annual 1987 Information for Legends, Gitano, and Mayfair was unavailable. Annual 1989 Information for Oshkosh was unavailable. All figures are quoted in million dollars. Figures for 1989 are estimated. * indicates that G-III had to incur additional Subchapter S income taxes, bringing net income to 5.940. Gross Profit are “Net Revenues” (sales minus costs of good sold).

Exhibit 6 Accounting Ratios in Percent: Panel A (Current Assets)

	Company	CUSIP	Date	$Assets_t$	$\frac{Sales_t}{Assets_t}$	$\frac{Receivables_t}{Assets_t}$	$\frac{Inventories_t}{Assets_t}$	$\frac{Operating\ Income_t}{Assets_t}$	$\frac{Market\ Value_{EOY}}{Assets_t}$	$\frac{Backlog_t}{Assets_t}$	$\frac{Employees_t}{Assets_t}$	$\frac{Working\ Capital\ Accruals_t}{Assets_t}$	$\frac{\Delta Sales_t}{Assets_t}$
	G-III	**36237H**	**7-89**	**38.1**	**259.4**	**55.0**	**26.9**	**31.2**	**158.5**	**NM**	**0.6**	**30.7**	**127.8**
Individual Comparables	Gitano	376365	12-88	292.5	158.8	21.9	51.9	17.8	99.9	63.0	1.4	.	.
	Leslie Fay	527010	12-88	363.0	188.0	30.3	29.5	17.5	48.6	54.0	1.1	3.8	27.7
	Liz Claiborne	539320	12-88	629.1	188.2	10.9	26.7	29.1	240.7	46.1	0.8	-5.8	20.8
	Mayfair	578074	12-88	24.0	242.2	38.6	44.0	23.8	125.6	43.5	1.4	26.6	106.4
	Beeba's	65476M	8-88	51.1	200.4	39.9	38.2	1.2	68.6	72.4	0.8	2.3	-10.2
	Oshkosh B'Gosh	688222	12-88	139.1	181.9	14.6	53.1	24.5	233.4	66.9	4.2	4.9	19.2
	Yes Clothing	985832	3-88	6.2	458.6	25.0	63.8	45.5	.	.	.	.	.
	Gitano	376365	12-89	440.9	142.0	26.4	51.5	15.2	93.9	77.5	1.0	19.6	36.6
	Leslie Fay	527010	12-89	387.3	203.0	30.3	31.3	18.7	49.3	50.9	1.1	9.7	26.7
	Liz Claiborne	539320	12-89	848.5	166.3	15.5	23.4	31.0	249.4	37.8	0.6	4.8	26.7
	Beeba's	65476M	8-89	51.8	248.0	50.3	41.8	14.0	84.1	95.1	1.1	13.8	50.5
	Oshkosh B'Gosh	688222	12-89	163.3	193.0	14.1	54.7	41.0	366.3	48.4	3.8	15.4	38.0
	Yes Clothing	985832	3-89	12.8	315.6	69.3	21.7	43.4	224.4	62.6	0.8	55.3	92.6
Wide Comparables	Mean	27 Firms	88	232.8	198.3	24.8	34.6	3.6	183.6	52.3	2.3	1.2	10.0
	Median		88	32.9	181.9	25.0	38.2	14.5	99.9	52.6	1.6	4.1	18.1
	Stddev		88	452.9	120.3	14.4	18.1	48.6	223.6	27.7	2.1	19.4	99.6
	Mean	24 Firms	89	296.5	192.3	26.0	36.0	10.9	191.1	55.2	2.0	14.8	45.6
	Median		89	41.3	187.8	25.3	40.1	16.4	133.0	48.4	1.4	12.4	31.7
	Stddev		89	531.9	98.9	16.1	17.2	42.4	174.1	49.2	1.4	22.1	92.8
	Mean	51 Firms	88+89	262.2	195.5	25.3	35.3	7.0	187.4	53.8	2.1	8.0	28.6
	Median		88+89	38.2	182.7	25.2	38.8	15.2	103.0	48.4	1.4	5.9	20.0
	Stddev		88+89	487.0	109.7	15.1	17.5	45.5	197.7	39.3	1.8	21.7	96.7

Notes: Table Description Follows at End.

Exhibit 6 Accounting Ratios in Percent: Panel B (Lagged Assets)

	Company	CUSIP	Date	$Assets_{t-1}$	$\frac{Sales_t}{Assets_{t-1}}$	$\frac{Receivables_t}{Assets_{t-1}}$	$\frac{Inventories_t}{Assets_{t-1}}$	$\frac{Operating\ Income_t}{Assets_{t-1}}$	$\frac{Market\ Value_{EOY}}{Assets_{t-1}}$	$\frac{Backlog_t}{Assets_{t-1}}$	$\frac{Employees_t}{Assets_{t-1}}$	$\frac{Working\ Capital\ Accruals_t}{Assets_{t-1}}$	$\frac{\Delta Sales_t}{Assets_{t-1}}$
	G-III	**36237H**	**7-89**	**17.8**	**553.6**	**117.4**	**57.4**	**66.5**	**338.3**	**.**	**1.3**	**.**	**.**
Individual Comparables	Gitano	376365	12-88	.	.	.	.	.	.	.	.	.	.
	Leslie Fay	527010	12-88	305.4	223.5	36.0	35.0	20.8	57.8	64.2	1.3	4.5	33.0
	Liz Claiborne	539320	12-88	482.4	245.5	14.2	34.8	37.9	313.9	60.1	1.0	-7.6	27.1
	Mayfair	578074	12-88	20.2	287.9	45.9	52.3	28.3	149.3	51.7	1.6	31.6	126.5
	Beeba's	65476M	8-88	57.9	176.8	35.2	33.7	1.1	60.5	63.9	0.7	2.0	-9.0
	Oshkosh B'Gosh	688222	12-88	113.3	223.4	17.9	65.1	30.1	286.5	82.1	5.2	6.0	23.6
	Yes Clothing	985832	3-88	.	.	.	.	.	.	.	.	.	.
	Gitano	376365	12-89	292.5	214.0	39.8	77.7	22.9	141.6	116.8	1.5	29.5	55.2
	Leslie Fay	527010	12-89	363.0	216.6	32.3	33.4	19.9	52.6	54.3	1.2	10.3	28.5
	Liz Claiborne	539320	12-89	629.1	224.2	20.9	31.5	41.8	336.4	51.0	0.9	6.4	36.0
	Beeba's	65476M	8-89	51.1	251.6	51.0	42.4	14.2	85.3	96.5	1.1	14.0	51.2
	Oshkosh B'Gosh	688222	12-89	139.1	226.6	16.6	64.2	48.1	430.0	56.8	4.5	18.1	44.6
	Yes Clothing	985832	3-89	6.2	649.1	142.6	44.5	89.2	461.5	128.8	1.7	113.7	190.5
Wide Comparables	Mean	23 Firms	88	192.5	206.1	24.5	35.7	13.3	169.1	57.1	2.5	2.1	28.4
	Median		88	34.0	223.4	18.2	34.8	15.5	141.8	63.9	1.6	4.4	15.7
	Stddev		88	392.1	109.8	19.0	23.0	20.3	149.7	35.2	2.2	17.3	76.9
	Mean	24 Firms	89	260.9	307.9	41.1	48.7	6.1	370.2	71.7	2.7	20.5	112.4
	Median		89	42.0	225.4	28.2	45.8	19.0	138.7	54.3	1.9	10.3	44.6
	Stddev		89	483.1	313.2	40.1	31.7	114.6	544.7	62.9	2.4	82.2	297.5
	Mean	47 Firms	88+89	227.5	258.1	33.0	42.3	9.6	276.3	64.9	2.6	11.3	71.3
	Median		88+89	38.3	223.5	26.4	42.4	16.8	141.6	56.8	1.7	7.8	25.0
	Stddev		88+89	437.5	239.7	32.3	28.2	82.3	419.0	51.6	2.3	59.5	221.1

Notes: Table Description Follows at End.

Exhibit 6 Accounting Ratios in Percent: Panel C (Current Sales)

	Company	CUSIP	Date	$Sales_t$	$\frac{Assets_t}{Sales_t}$	$\frac{Receivables_t}{Sales_t}$	$\frac{Inventories_t}{Sales_t}$	$\frac{Operating\ Income_t}{Sales_t}$	$\frac{Market\ Value_{EOY}}{Sales_t}$	$\frac{Backlog_t}{Sales_t}$	$\frac{Employees_t}{Sales_t}$	$\frac{Working\ Capital\ Accruals_t}{Sales_t}$	$\frac{\Delta Sales_t}{Sales_t}$
	G-III	**36237H**	**7-89**	**98.8**	**38.6**	**21.2**	**10.4**	**12.0**	**61.1**	**NM**	**0.2**	**11.8**	**49.3**
Individual Comparables	Gitano	376365	12-88	464.5	63.0	13.8	32.7	11.2	62.9	39.7	0.9	.	.
	Leslie Fay	527010	12-88	682.7	53.2	16.1	15.7	9.3	25.9	28.7	0.6	2.0	14.7
	Liz Claiborne	539320	12-88	1,184.2	53.1	5.8	14.2	15.5	127.8	24.5	0.4	-3.1	11.1
	Mayfair	578074	12-88	58.1	41.3	15.9	18.2	9.8	51.9	18.0	0.6	11.0	43.9
	Beeba's	65476M	8-88	102.4	49.9	19.9	19.0	0.6	34.2	36.1	0.4	1.1	-5.1
	Oshkosh B'Gosh	688222	12-88	253.0	55.0	8.0	29.2	13.5	128.3	36.8	2.3	2.7	10.6
	Yes Clothing	985832	3-88	28.5	21.8	5.4	13.9	9.9	.	.	.	.	.
	Gitano	376365	12-89	625.9	70.4	18.6	36.3	10.7	66.2	54.6	0.7	13.8	25.8
	Leslie Fay	527010	12-89	786.3	49.3	14.9	15.4	9.2	24.3	25.1	0.5	4.8	13.2
	Liz Claiborne	539320	12-89	1,410.7	60.2	9.3	14.0	18.6	150.0	22.8	0.4	2.9	16.1
	Beeba's	65476M	8-89	128.6	40.3	20.3	16.8	5.7	33.9	38.3	0.4	5.6	20.3
	Oshkosh B'Gosh	688222	12-89	315.1	51.8	7.3	28.4	21.2	189.8	25.1	2.0	8.0	19.7
	Yes Clothing	985832	3-89	40.3	31.7	22.0	6.9	13.7	71.1	19.9	0.3	17.5	29.3
Wide Comparables	Mean	28 Firms	88	259.1	76.8	16.2	21.5	-14.9	88.4	28.6	1.8	1.0	4.3
	Median		88	53.2	54.3	14.5	17.0	9.1	63.5	28.7	1.0	2.0	10.8
	Stddev		88	376.2	70.3	12.4	18.5	116.9	68.1	16.0	2.6	14.7	36.9
	Mean	24 Firms	89	338.8	70.8	15.2	22.4	2.9	128.7	28.1	1.2	6.4	18.9
	Median		89	79.3	53.3	14.6	16.9	9.2	72.5	25.1	1.0	5.3	17.9
	Stddev		89	464.6	45.6	8.6	21.3	30.5	128.3	20.0	0.8	15.7	28.8
	Mean	52 Firms	88+89	295.9	74.0	15.8	22.0	-6.7	109.0	28.4	1.5	3.6	11.8
	Median		88+89	64.4	54.1	14.6	16.9	9.2	71.1	25.1	1.0	3.3	13.8
	Stddev		88+89	417.0	59.7	10.8	19.6	88.0	104.2	17.8	1.9	15.3	33.5

Notes: Table Description Follows at End.

Exhibit 6 Accounting Ratios in Percent: Panel D (Market-Value Based)

	Company	CUSIP	Date	$\text{Market-Value}_{EOY}$	$\frac{\text{Sales}_t}{\text{Market-Value}_{EOY}}$	$\frac{\text{Receivables}_t}{\text{Market-Value}_{EOY}}$	$\frac{\text{Inventories}_t}{\text{Market-Value}_{EOY}}$	$\frac{\text{Operating Income}_t}{\text{Market-Value}_{EOY}}$	$\frac{\text{Assets}_t}{\text{Market-Value}_{EOY}}$	$\frac{\text{Backlog}_t}{\text{Market-Value}_{EOY}}$	$\frac{\text{Employees}_t}{\text{Market-Value}_{EOY}}$	$\frac{\text{Working Capital Accruals}_t}{\text{Market-Value}_{EOY}}$	$\frac{\Delta\text{Sales}_t}{\text{Market-Value}_{EOY}}$
	G-III Pre-Offering	**36237H**	**7-89**	**60.4**	**141.0**	**29.9**	**14.7**	**17.0**	**54.4**	**NM**	**0.4**	**13.6**	**56.6**
	G-III Post-Offering	**36237H**	**7-89**	**80.0**	**123.7**	**26.2**	**12.9**	**14.9**	**47.7**	**NM**	**0.3**	**11.9**	**49.6**
Individual Comparables	Gitano	376365	12-88	292.3	158.9	21.9	51.9	17.8	100.1	63.0	1.4	.	.
	Leslie Fay	527010	12-88	176.5	386.8	62.3	60.6	36.0	205.7	111.0	2.3	7.8	57.0
	Liz Claiborne	539320	12-88	1,514.0	78.2	4.5	11.1	12.1	41.6	19.2	0.3	-2.4	8.6
	Mayfair	578074	12-88	30.1	192.8	30.7	35.1	19.0	79.6	34.7	1.1	21.2	84.7
	Beeba's	65476M	8-88	35.1	292.0	58.2	55.6	1.8	145.7	105.5	1.1	3.3	-14.8
	Oshkosh B'Gosh	688222	12-88	324.5	78.0	6.2	22.7	10.5	42.9	28.7	1.8	2.1	8.2
	Yes Clothing	985832	3-88	.	.	.	.	.	.	.	.	.	.
	Gitano	376365	12.89	438.5	142.7	26.5	51.8	15.3	100.5	77.9	1.0	19.7	36.8
	Leslie Fay	527010	12.89	195.7	401.8	59.9	61.9	36.9	197.9	100.7	2.2	19.1	52.9
	Liz Claiborne	539320	12.89	2,204.6	64.0	6.0	9.0	11.9	38.5	14.6	0.2	1.8	10.3
	Beeba's	65476M	8.89	49.2	261.5	53.1	44.1	14.8	105.4	100.3	1.1	14.6	53.2
	Oshkosh B'Gosh	688222	12.89	601.7	52.4	3.8	14.8	11.1	27.1	13.1	1.0	4.2	10.3
	Yes Clothing	985832	3.89	30.6	131.8	29.0	9.0	18.1	41.8	26.2	0.3	23.1	38.7
Wide Comparables	Mean		88	241.7	201.4	27.3	43.6	14.2	129.1	80.2	3.3	1.8	17.8
	Median	23 Firms	88	30.1	157.4	23.0	28.1	11.7	100.1	44.7	1.8	2.2	18.4
	Stddev		88	436.1	166.2	25.1	39.5	19.8	113.3	103.7	4.5	18.9	71.0
	Mean		89	355.7	222.4	31.4	43.9	15.4	115.1	61.6	2.6	10.5	23.1
	Median	24 Firms	89	31.9	138.0	19.8	20.9	13.3	79.2	37.7	1.1	11.4	20.8
	Stddev		89	588.7	227.6	32.3	46.6	16.8	97.3	88.7	3.9	12.2	107.9
	Mean		88+89	299.9	212.1	29.4	43.7	14.8	121.9	70.6	2.9	6.2	20.6
	Median	47 Firms	88+89	30.1	140.6	21.9	22.7	12.4	97.0	37.7	1.3	4.9	19.4
	Stddev		88+89	517.3	198.0	28.8	42.8	18.1	104.5	94.9	4.2	16.2	91.6

Notes: Table Description Follows at End.

Exhibit 6 Accounting Ratios in Percent: Explanations To Panels

Data Sources: The primary data source for comparable firms is the COMPUSTAT data base. The primary data source for G-III is its IPO prospectus. November 1989 prices are obtained from the CRSP data base.

Notation: All ratios are quoted in percent. A period denotes a missing value. The subscript t denotes the fiscal year, "EOY" denotes end of year (the last trading day in December for 1988, the last trading day in November for 1989).

Data Items: Assets, sales, and market-values in the fifth column are quoted in million dollars. G-III's pre-offering (post-offering) market-value was computed as 4.644 (6.144) million shares times \$13 per share, or \$80 (\$60.4) million dollars, i.e., based on the number of shares outstanding pre-offering (post-offering). Sales are Net Sales. Operating Income is before depreciation and amortization. *Working Capital Accruals* are defined as

$$\Delta[\text{current assets (4)} - \text{cash (1)}] - \Delta[\text{current liabilities (5)} - \text{current maturity of long-term debt (44)}]$$

Working capital accruals (WKA) for G-III are computed from data in the IPO prospectus, page F3:

	July 1988	July 1989	Oct. 1989
Current Assets	\$16.0	\$35.4	\$38.4
Current Liabilities	\$12.3	\$29.2	\$28.6
Cash	\$0.4	\$3.5	\$1.1
Current Maturities of LT Debt	\$8.2	\$20.5	\$18.8

Therefore, $WKA = (\$31.9 - \$15.6) - (\$8.7 - \$4.1) = \$11.7$. In Oct. 1989, $WKA = (\$37.3 - \$31.9) - (\$9.8 - \$8.7) = \$4.3$. G-III sales were \$98.8 million in 1989 (a change of \$48.7 million from 1988), \$53.8 million in the first quarter of fiscal year 1990. Assets were \$38.1 million as of 1989, \$41.2 million as of the first quarter of fiscal year 1990. G-III's IPO prospectus (p.19) describes its backlog as "not meaningful."

Comparables: The set of "wide comparable" firms consisted of the following firms: • Al's Formal Wear (except in lagged-assets panel B due to a non-sensical figure) • American Consumer Products • Andover Togs • Benetton • Biscayne • Brenner • Bruce • Canadian Piper • Eastco • Fruit of the Loom • Gitano • Land's End • Legends Co • Leslie Fay • Liz Claiborne • Martinez • Mayfair • Nantucket • New Retail • Beeba's • Oshkosh • Pacad • Pannill • Quicksilver • Rocky Mountain Undergarment • Wacoal • Yes. The number of firms (angled box for "wide comparables") are based on firms for which sales/{denominator} could be computed, but most other ratios have a similar number of firms. The exception is "Backlog" which is typically available for only half of these firms.

Exhibit 7 Issuing Activity for IPOs with Less Than $50 million raised

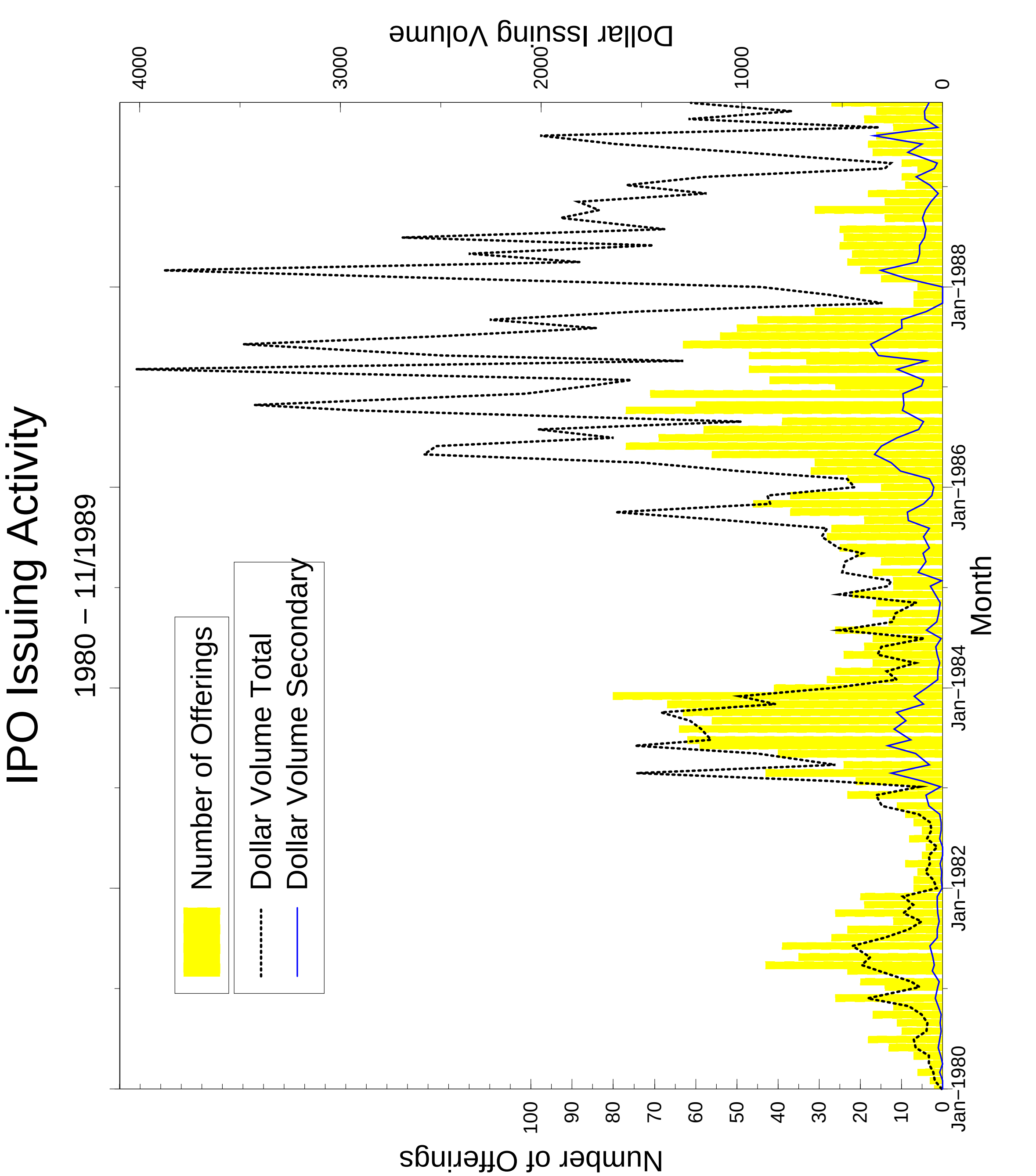
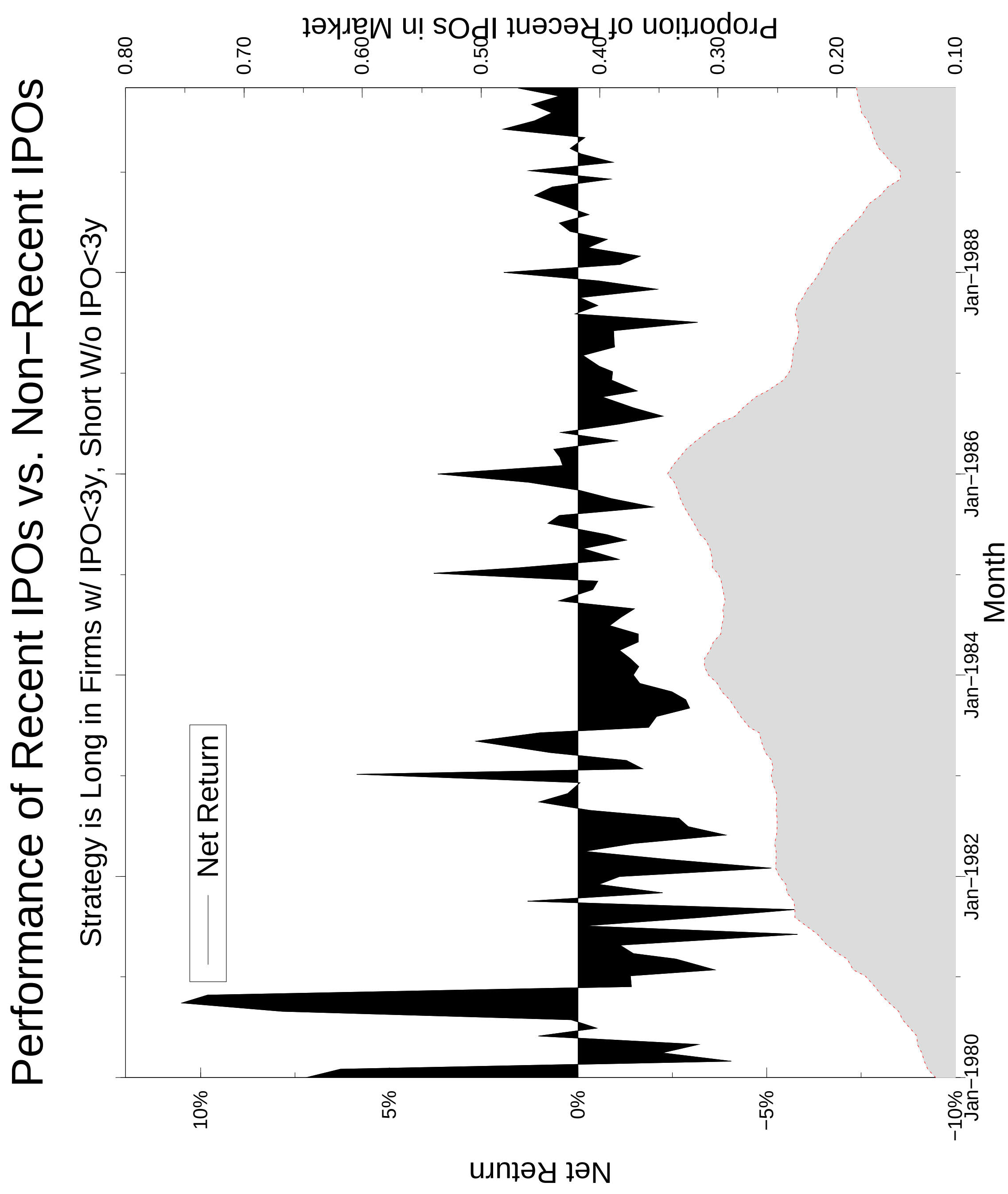
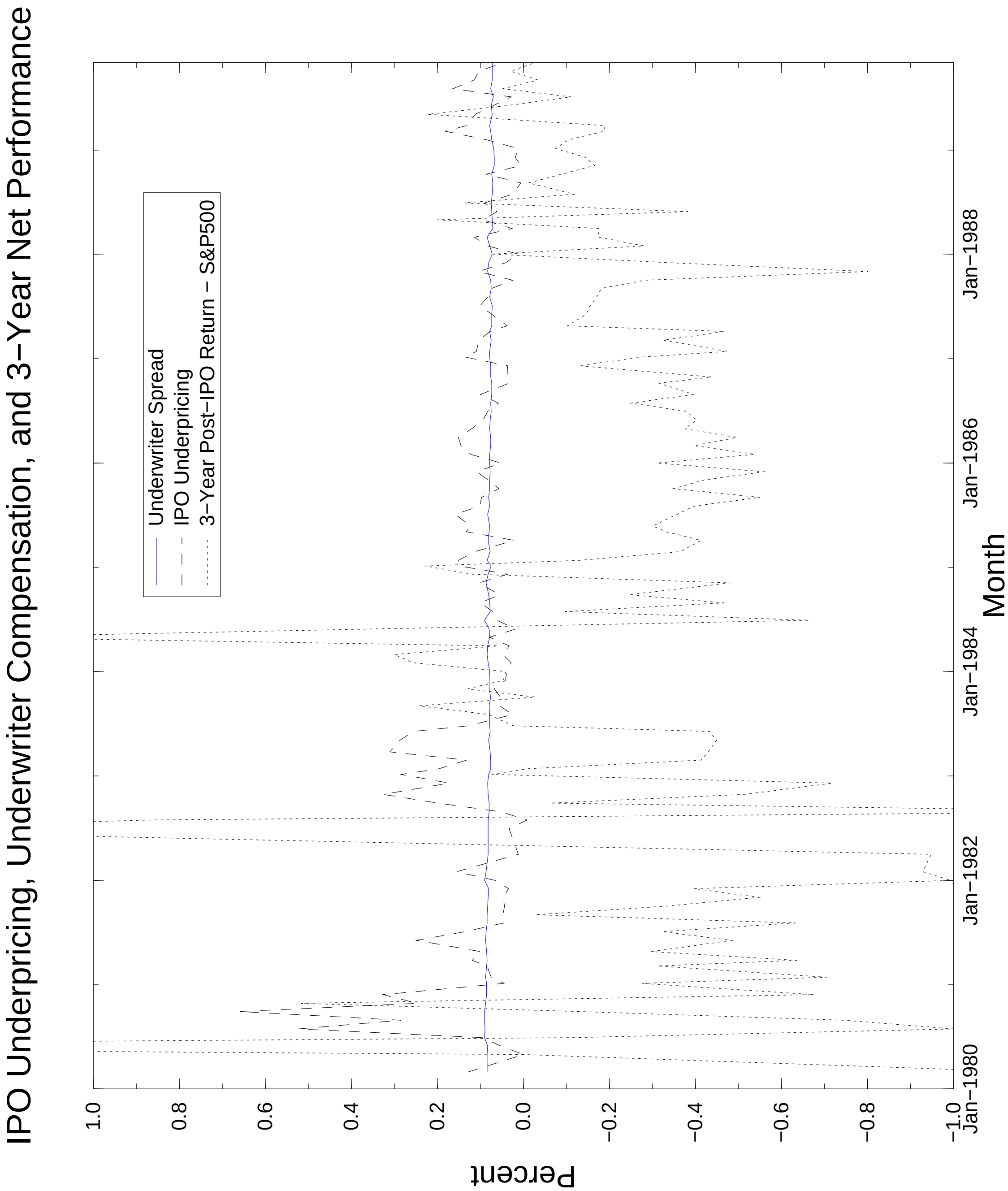


Exhibit 8 Returns of Firms with Less than $1B in Market Value Plus S&P500, By Month



Note: At the beginning of each month, all firms are classified into those that did an IPO within the most recent three years ("young firms") and those that did not ("old firms"). The lower graph presents the percentage of young firms (with such recent IPOs). For example, in January 1986, about one-third of all publicly listed firms with a market value less than $1 billion had conducted their IPO within the previous three years (sometime between January 1983 and December 1985). The upper graph presents the return to a zero-investment strategy of buying an equal-weighted portfolio of young firms and shorting an equal-weighted portfolio of old firms.

Exhibit 9 IPO Spread, Underpricing, and Long-Run Performance



Note: For each issuing month, all IPOs raising no more than $50 million are grouped to compute monthly averages for the following three series: the IPO underwriter spread, the initial first-day return, and the subsequent 3-year post-IPO return performance (net of the S&P 500 performance). For initial public offerings after November 1986, the long-run return is truncated, because returns after November 1989 are not yet available.

VIII To Potential Instructors

From: Ivo Welch, http://welch.som.yale.edu/
To: Potential Instructors
Date: May 1997
Subject: G-III Case

Please notify the author (me) by email if you are planning to use this case, or if you are actually using this case. I have written a 15-page teaching note that describes how one can teach this case *in all detail* (with references to relevant academic publications). The note also includes a 4-page postscript with additional exhibits. However, I want to keep this note out of the hands of students, so I am controlling access to this teaching note quite tightly.

If you are interested to obtain this teaching note, I can either send you a hard-copy, or I can email this document in Acrobat *.pdf* format to a valid instructor email address at your request. Please provide details, such as your background and the institutions and course in which you plan to use the case.

I am planning to improve the substance of the G-III case in the next 12 months. This explains the limited time period (until December 1998) during which I permit free copying of this version for teaching purposes. (Eventually, the case will be published and command [no more than] the customary case fees.) In general, I will announce any new versions or updates of this case on http://welch.som.yale.edu, where I will also make full printable and searchable versions of the case publicly accessible in Adobe Acrobat *.pdf* format.

I hope you will find this case to be useful. Any feedback would of course be appreciated.