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<<Erinn Murphy, Analyst, Piper Sandler>>

My name is Erinn Murphy and it is my privilege to introduce the Crocs management team with us today. On camera we have CEO, Andrew Rees; CFO, Anne Mehlman; and VP of Corporate Finance and IR, Corinne Lin.

As many of you know, Crocs has been a name we've followed at Piper Sandler for many years, since the IPO and it has been on an incredible journey since its inception, but most notably over the last few years. In 2021 the company grew 67% and is closing the year with a 30% EBIT margin. In our nation renowned teen survey, it is now the number sixth preferred footwear brand among all Gen Z.

And most recently in December, just to close out the year Crocs purchased, Hey Dude, a complimentary footwear brand in the comfort space that, I think, has been one of the best kept secrets. Best kept secrets in the footwear community. It is a brand that is encroaching $400 – excuse me, $580 million this year, and has generated over $200 million in EBIDA. And also, a fun fact it is now the number sixth preferred brand among Gen Z in our team survey.

So, with that let me turn the presentation over to Andrew Rees and we will start with our presentation. I think we're actually just looking at things worth dealing with a little bit of technical difficultly. I guess, operator, if you can share the slides that would be great. Thank you. And Andrew, over to you.

<<Andrew Rees, Chief Executive Officer and Director>>

Thank you, Erinn. Appreciate the introduction. So hopefully the slides will come up here in a second. But maybe I'll just get started. So, as we – okay, so somebody tell me if the slides have come up, I'm going to go to another screen. So, I can see them.

<<Erinn Murphy, Analyst, Piper Sandler>>

Okay.

<<Andrew Rees, Chief Executive Officer and Director>>

Okay, so obviously got kind of forward-looking statements. I'll let everybody review that at their leisure.

I'm going to move to Slide 4 which is really an out outline of what an incredible year we had in 2021. So, at Crocs we had an amazing year last year. We grew our business by 67%

and achieved approximately $2.3 billion in terms of sales. Our profitability was best-in-class at almost 30% EBIT margins. And we purchased a $1 billion of shares.

If you remember back in September, we held an Investor Day and really outlined a pathway where we could achieve $5 billion in growth. And I would say from a Crocs perspective, we remain on track to that, we remain fully committed to that in terms of our growth trajectory and ambition for the Crocs brand.

But in addition to all of that late in the year, we were also able to sign a definitive purchase agreement to purchase HEYDUDE. I think a really incredible brand that adds to our brand portfolio. It adds another high growth, highly profitable brand to the Crocs portfolio. We expect this acquisition based on what we paid and the financial performance of the company to be immediately accretive to both our revenue growth, and our operating margins and EPS. And the combination Crocs and HEYDUDE go forward, I think, as an incredibly powerful combination that will be highly profitable, highly cash generative and generate significant shareholder value in the future. So really an incredible year for Crocs in 2021.

If we go to the next slide, I just want to sort of to ground ourselves in the Crocs business, right? So, 67% growth, almost 30% operating margins. In addition, we repurchased the $1 billion worth of shares during the year. So high growth, highly profitable, and very strong returns to shareholders.

If we move to the next slide, this is what we outlined in our investor presentation. So, obviously having achieved $2.3 billion in 2021, we're well on the way to our growth ambition. We're anticipating high teen 17% compound annual growth rate for the Crocs brand. And I want to really emphasize, we see the two brands as synergistic, but independent and we're not purchasing HEYDUDE to achieve this $5 billion, HEYDUDE is an opportunity for our company to grow beyond this. So, this is very much our commitment for the Crocs brand.

And the next slide will just kind of recap how we think we can grow the Crocs brand. And I think that we talked about this at length in our investor presentation, but I think it's worth reflecting back on for a moment because you will also see later, this is some of the very similar growth strategies that will also apply to, HEYDUDE.

Digital is incredibly important. Crocs is a digitally led company. Our digital channel continues to grow very strongly. We're very highly penetrated, 37% penetrated digital in 2021 that will grow in the future. Sandals represents an important growth vehicle. The Clog has been a big driver of our growth, particularly here in the United States, but also overseas. Sandals is a much bigger market than the than the Clog silhouette. And we're confident that we can grow in sandals.

Asia, we've had a strong focus on Asia for several years now in particular China, where, I think, we have turned the corner in terms of our restructuring works that we've done there. And obviously we drive a lot of innovation through our product and also through our

marketing innovation. And I think that it's the marketing strategy that we've deployed for Crocs we think will be very applicable to HEYDUDE and drive growth in both brands.

If we move to the next slide, let me kind of tell you a little bit about HEYDUDE and why we purchased it. I think the addition of this brand to Crocs creates a globally scaled leader in branded casual footwear. We combine two brands that have significant growth potential, and it quadruples our addressable market.

So, if we look at the addressable market that we focus on today, both Clogs and sandals if we add the sort of core casual wearing occasions it quadruples our addressable market to over $160 billion. So, it gives us a much bigger market to play in. It dramatically diversifies our product portfolio from being a single brand to a multi-brand. They are already highly digitally penetrated. HEYDUDE is actually more digitally penetrated than Crocs is at about 48% digital. So, we combine the two, we have a very strong digital penetration.

It's an ideal fit with Crocs and focused on many of the same consumer trends around digital, around comfort and around sustainability. And we believe we can leverage the playbook that we've effectively executed within Crocs within HEYDUDE, whether that be innovation, whether that be focusing on our core iconic silhouette, whether that be marketing to bring new consumers to the franchise. And we think this will allow us to be, it'll be accretive immediately, both in terms of, of our EPS, but also in terms of our growth rate and our operating margins.

And we can see a pathway. Look, I think, there is a lot of exploration and learning to go on within HEYDUDE, but we can immediately see a pathway for this to be a $1 billion brand by 2024. Which if you look at sort of the global branded casual footwear arena, that's a top 10 brand on a global basis already. So, we're very excited about this acquisition and the prospects that it provides for shareholders.

We flip to the next slide. I think this is just a graphic that illustrates the scale and the combination that it drives. If you combine Crocs and HEYDUDE, prospectively for 2022 where we think we'll be with 20% growth. And where we think HEYDUDE will be with the guidance we've provided between $700 million and $750 million it would put us behind Skechers, a little ahead of Deckers depending on their growth rate next year. So, it really puts us as one of the largest scale casual footwear branded players in the world today, which, I think, is a great place to be

Addressable market, I mean, I think, this hopefully illustrates a point which I made. If you think about clogs and sandals, that's an attractive market to go at, $38 billion is an attractive market to go at. But that broader casual wearing occasion is far bigger. And I think HEYDUDE hits that head-on. So, as we look at that combination, it quadruples our addressable market. And so, it gives, I think, tremendous potential in the future.

We'11 flip to the next page. And then this is the diversification. So today, I think, one of the concerns that we hear relatively frequently as a valuable public company we have one brand and we have a core iconic silhouette, which represents 74% of our sales. And I think

that generates some concern from investors. So, as we think about the future, when we combine HEYDUDE and Crocs, we get a much better diversification in terms our silhouette. The cloud silhouette will go from 74% of sales to 59%, almost 60% of sales and we'll get immediate diversification. And then as sandals and the casual footwear business grows faster, then the clog business will get continued diversification into the future, which I think is really appealing from a risk mitigation perspective.

If we move to the next slide this is that digital penetration. So, we've got 37% digital penetration for Crocs; and 48% for HEYDUDE. Combined will be about 39%, roughly 40% in terms of digital. We fully anticipate that digital will continue to grow faster than the alternative channels, wholesale and bricks and mortar.

And in terms of fit you know, I think, the trends that HEYDUDE is leaning into and the consumer need that they are satisfying is very, very consistent with the consumer needs that Crocs is satisfying. It's all about casual, it's about comfort. In their case, I think, their comfort is also lightweight and easy on enough. It's about sustainability and providing products that are sustainable. They have a different approach to sustainability than Crocs, but I think we can augment their sustainability approach and we can also learn from it. And it's also about personalization. I think personalization is a little different in HEYDUDE, but it's also extremely relevant.

So, as we look at these trends, we know that they are relevant globally. They are significant in terms of trajectory. And I think we have two brands that are leading into these very long-term powerful trends. So, I think it's a very attractive place to be.

And in terms of a little bit of history on HEYDUDE, they have grown extremely quickly, right. Many of the people on this call and frankly, many of the people we have spoken to over the last couple of weeks, as we've been talking to people about this acquisition, frankly have not heard of the brand. And there is the opportunity. So, it's grown extremely quickly. These are company sales; they are almost all in the U.S. 95% of the business is here in the U.S., although the company is based in Hong Kong, based in Hong Kong because the China is their sourcing base and being close to the sourcing base allows them to be nimble, which is also I think a very attractive feature.

But you can see the trajectory has been very rapid, but the scale that it's been achieved is significant. So $580 million in sales, last year we've projected between $700 million and $750 million for this year so continued strong growth. The distribution, which I think we'll cover on the next slide is, is sorry, is, is really pretty simple. It's digital and wholesale and in terms of wholesale, I would say there is a significant opportunity for incremental penetration to traditional wholesale players. Some of their large players are a strong overlap with some of our large wholesale partners, but there are also many wholesale partners that are strategic partners of Crocs and I think would be very excited to get, HEYDUDE, into their portfolio that they're not currently penetrated into.

And I think the lack of penetration to those partners has not really been the applicability of the product and the brand to those partners. It’s likely been constraints around supply. So

as we look forward, I think we can leverage our playbook in many different dimensions. One is our marketing expertise start in the middle. I think Crocs is best-in-class in terms of its social and digital marketing and our ability to engage consumers. In the case of Crocs we've been focus on driving brand relevance. In the case of HEYDUDE it's really more about awareness. We have relatively low awareness about 20% is the – is the measured awareness that we were able to measure, and that compares to extremely high awareness for Crocs.

They have about 30% overlap with our wholesale partners. Our traditional kind of brick and mortar wholesale partners, whether they be in sporting goods, whether they be in the family footwear chain or whether they be kind of broader, more based specialty. So I think there's a significant opportunity there. And then once we have, as I would say optimized and driven success in the U.S. market we'll look to the global market. And 5% of their business is outside of the United States, 31% of our businesses outside of the United States. We have well developed capabilities and distribution in both EMEA and also in Asia. So we would – we would look to expand, HEYDUDE on a global basis. So I think the, these levers provide a very tangible and clear pathway for value creation in the future.

And we can see very quickly without much – without extensive work needing to be done. We can see very quickly a pathway to $1 billion in sales by 2024, which as I highlighted initially would put you in the top tier of global casual brands. So we'll certainly invest and Anne will talk about this scale of the investment. The HEYDUDE brand has been very, very profitable in the past. We will invest and it will be a little less profitable in the future, but it be far more sustainable. We'll invest in marketing to build brand awareness. We'll invest in digital capabilities to further accelerate the brand to further, sorry, further accelerate their digital effectiveness.

We will leverage our wholesale relationships to enhance distribution. We'll look for the global expansion and importantly we will apply our sourcing capabilities to, I would say to scale gain efficiencies and make their sourcing more robust. And I think lastly, we will look at some selective – some selective regional footprints were applicable. But I think primarily the distribution for the brand will continue to be digital and wholesale.

And then just too sort of emphasize in closing a point that I made right up front, which is our ambition for the Crocs brand on the left to go to $5 billion is not impacted by this. We believe the capabilities of the company, both financial and its management team clearly have the capability to do both and so as we look at the Crocs ambition, if we look at the shorter term, HEYDUDE ambition, and we are not making a projection beyond 2024 at this stage. You can see that those are additive in nature. So the performer business last year would've been actually $2.9 billion. I think in Anne's section, we talk about the business being combined about $3.5 billion in projected revenues for 2022. And if we think out to 2026, there's a mismatch in time period here. But our Crocs ambition at $5 billion and our 24 ambition for HEYDUDE you've got $6 billion plus in terms of total revenues.

So I think in closing Crocs had a tremendous year in 2021. We feel very confident in the trajectory of the Crocs brand. We're very excited by the acquisition of HEYDUDE. And

we see a very tangible pathway for these two brands to grow in parallel and be very synergistic to each other and have very high profitability and very high cash flow in the future.

So with that, let me turn it over to Anne. And I apologize for the technical difficulties at the beginning of the presentation.

<<Anne Mehlman, Executive Vice President and Chief Financial Officer>>

Thanks, Andrew.

And the good thing is we're better at generating revenue than we are at a technical stuff. So there you go. If you look at, this is actually our fourth straight year of revenue growth in 2021 and our third year of record revenue with our revenue estimates to be over $2.3 billion in 2021.

Moving to the next page; we saw double-digit growth in every region for both Q4 and the full year. Growth in Q4 came in at 42%, – approximately 42% against our implied revenue guidance of 26% to 36%. The outperformance was really driven by two factors. The first being strength in our U.S. DTC business as we continued to see strong traffic in our DTC channels with higher full price selling. And secondly more inventory availability for delivers to our wholesale customers and distributors in EMEA. As you may remember EMEA was our region that was most impacted in Q4 by the Vietnam manufacturing delays related to the shutdowns we had in 2021. But even given the supply constraints, EMEA was able to deliver double-digit growth in Q4 and finish the year with approximately 46% revenue growth, so great – really great year.

Next page. We saw higher full price selling globally as well as the price increases taken in the U.S. earlier this year enabled substantial gross margin improvement over the year. And we had stronger gross margins combined with significant leverage on SG&A even while in investing in our key initiatives, which enabled four-year operating margins of nearly 30%.

If you move on during 2021, as Andrew talked about, we were very opportunistic about taking advantage of a low interest rate environment to put some long-term fixed rate debt on our balance sheet and deploy free cash flow back into buying stock. We bought back $1 billion worth of stock. We're purchasing 8.2 million shares that really reflects the confidence that we have in our base business. And we concluded our announced $500 million ASR in the fourth quarter ending 2021 with 58.3 million shares outstanding.

Next page. In December, we announced the acquisition of HEYDUDE, as Andrew mentioned, which is another brand very high growth, high profit margins and strong free cash generation. HEYDUDE on an LTM basis had operating margins of approximately 40%. So again, best-in-class operating margins, even stronger than Crocs, but we do expect HEYDUDE to need to have some investments so we will invest in the HEYDUDE business. To put this in perspective, the HEYDUDE business, which we expect to finish

with revenues of $580 million by the end of 2021 that is bigger than the Crocs Americas business was in 2018. So it is a scale business in the U.S. market and to support this phenomenal growth and build it into a global scale brand of 1 billion plus, we plan to invest significantly in marketing, talent and infrastructure, which will take down operating margins to approximately 26 plus percent relatively in line with a long-term operating margin guidance for Crocs.

Moving to the next page, we expect HEYDUDE to be immediately accretive. We had a very attractive acquisition, multiple actually, if you do it based on backward looking it's less than 13 times. If you look at forward looking it's around 13 times. So we feel that this is a great investment for the Crocs brand and its shareholders.

We have a strong revenue outlook. So as Andrew mentioned if you take on a pro forma basis for 2022 we expect to be the combined companies to do 3.5 billion, and our long-term guidance does not change for Crocs. We add in $1 billion for HEYDUDE and we get to $6 billion plus long-term, which is very strong growth rate over 20%.

So just a few timing considerations; so we do expect the acquisition to close in the second half and we will break out HEYDUDE and Crocs separately so you'll be able to see how each brand is performing. Just one thing of note is that for the Crocs brand, the effect of the Vietnam factory closures will be most – will have the biggest impact on Q1 as well as elevated air freight expense. But we do expect the first half of the year to be roughly in line with growth rates that we guided. The Crocs brand will continue to benefit from 2021 pricing action that took. And that will – those benefits will roll-through in 8/1/22 and then we'll anniversary them in the back half of 2022.

And finally we expect significant cash flow generation and which will refuel our debt repayment that we are taking on in order to purchase the HEYDUDE Brand and we expect to be at or below 2 times leverage by 2023. And this we expect to end, we expect significant value creation from both brands, both are high revenue growth. We have industry leading profitability and exceptional free cash generation.

So thank you for your attention and interest in the Crocs story. And we will pause while they disconnect us.