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<<Sam Poser, Analyst, Williams Trading LLC>>

Good morning everybody. My name is Sam Poser. I'm Equity Analyst with Williams Trading. I'm here to introduce the Crocs management team. Crocs has done an excellent job over the last few years of resetting the brand and improving the way that the brands are managed from some time ago. This, in my view, is not a fad. It is just an improvement in the way they manage the brands primarily Crocs, but also with the HEYDUDE acquisition. They're managing that exceptionally well and have further opportunities in the U.S. and what appears to be significant opportunities in international markets.

With that, we have Andrew Rees, the CEO; and Anne Mehlman, the CFO here, and I'm happy to hand it over to Andrew and thanks very much.

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

Thank you, Sam.

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

Thank you.

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

Thank you so much, Sam. Appreciate the introduction. Good morning everybody. Excited to be here and talk to you a little bit more about Crocs and the two incredible brands we have. We're incredibly lucky as a management team. We manage two incredible brands that have significant growth potential. We think there is incredibly well positioned relative trend to the consumer trends, and we're excited to tell you a little bit more about them. So, forward-looking statements, so I'll take that as read. So in terms of a business update, I wanted to give you a little bit of visibility into 2022. We had an exceptional year during 2022. We expect total company revenues to be $3.55 billion for the full year of 2022, which is a 53% total company growth rate.

The Crocs brand will grow 15%, which in constant currency is 19% growth, so a really strong performance for Crocs. The HEYDUDE brand, which you remember we purchased in February of this year, was when we closed that transaction. They'll do a little over $890 million this year. So that on a pro forma basis. So if you include the stub period before we owned it, so the full year revenues is pretty close to $1 billion and about 70% growth over the prior year. So we're really thrilled with the HEYDUDE acquisition. And from a profitability perspective, we're not going to give you a lot of incremental information around profitability today. We're obviously still in year end in closing the books, but we can confidently say that our full year profitability

will be around 27%. So as a company, we're exceptionally profitable. We generate very high levels of profitability and cash flow.

The HEYDUDE acquisition, we've been thrilled with that. It's been a lot of work as I'm sure many of you can appreciate in terms of integrating that company into the Crocs Company. But it continues to outperform in terms of its growth, in terms of its consumer resonance and in terms of our perspectives on where we think it can go in the future. If you remember when we first bought the company, we indicated we think we thought sort of 2022 revenues were between $700 million and $750 million, and now we're at $1 billion. So it's clearly exceeding our expectations when we took it onboard. In conjunction with all of that, cash flow has been incredibly strong.

So during the year, and I know many investors are concerned about the leverage we took on to purchase HEYDUDE, we've paid down of over $550 million of debt through the year, including $300 million of pay down on our term loan B just in the last quarter. So the overall cash generation capabilities as a company are driving deleveraging very quickly. So in terms of investment highlights, I really want to focus on a few things. We have a very large addressable market, right? So I think if you went back historically, you thought about just the Crocs business. And that's a smaller addressable market, right? It's a shoe that has targeted a certain set of people and a very defined silhouettes. The purchase of HEYDUDE allows us to really expand our addressable market. We look at our global addressable market as being in excess of $160 billion, so an incredibly large target to go at.

We have two iconic brands that are really well aligned with the core consumer, long-term consumer growth drivers. And we're much more diversified than we were as a company. We're diversified across two brands. We're diversified by geography. We're diversified by product silhouette. We're diversified by channel in terms of how we go to market. So we really have a various – a diversified portfolio and we have incredible levels of profitability. As I already mentioned we have a high margins, high gross margins, high profitability and very high cash flow. And you combine that I think with what we've put together over the last several years, really a best-in-class management team that has delivered consistent financial results and a very high level of the total shareholder returns.

In terms of just sort of putting Crocs in context, so Crocs, Inc., a $3.55 billion company, is really the second largest casual footwear company in the world today. In terms of the market where we play as I mentioned in those investment highlights, we – from our perspective we think about the casual footwear market about being $305 billion global footwear market. We address about half of that today, so about $160 billion in terms of total addressable market that's made up of those casual silhouettes that HEYDUDE really leans into strongly as well as sandals and as well as clogs, which is obviously the core backbone for the Crocs business.

Two brands, two iconic high growth scale brands. So the Crocs brand at $2.65 billion in terms of sales grew 19% constant currency in 2022, 15% actual growth. And HEYDUDE about $1 billion on a pro forma basis in its first full year of ownership, which grew about 70% over its pro forma period the prior year. So, really two very strong scale brands that have high level of profitability.

Our non-GAAP adjusted operating margins will be around 27%, which is best-in-class in our industry, I would say, by a very significant margin.

If we think about what's driving those incredible results, it's really the fundamentals of what the consumer is looking for from their footwear offerings. And I think both of our brands play very strongly into those. There has been a very long run trend of casualization, and I think everybody would recognize and argue that that has been accelerated by the pandemic. People are getting more casual in terms of how they dress. That's a global trend, and that's allowing companies like the brands that we have really to benefit from ongoing casualization. The consumers looking for more and more comfort, right? They're not prepared to make the sacrifices for fashion or for other reasons. They want comfort in their footwear and they expect that and it's a key purchase criteria. They're also looking for sustainability, looking for the companies and the brands that they purchase from to be doing the right things relative to their environment to in terms of sustainability.

And as you know, as a company, we've made very clear representations for the Crocs brand that will be carbon neutral by 2030 and have made significant investments in terms of putting us on that trajectory. And then personalization, I think one of the most interesting things as you look at the younger consumer, they're really looking for a product that is different from everybody else, but is the same as everybody else as well, right? So if you can provide them opportunities to buy an iconic silhouette, but to personalize it specifically for them, we do that on the Crocs brand with our Jibbitz. We'll do that increasingly on the HEYDUDE side through different vehicles, but really gives the consumer an opportunity to purchase something that's uniquely for them. So we kind of see these as some of the major consumer drivers, and we think our brands are particularly well aligned to those. And these are not short-term trends, I think. I think Sam references a little bit. These are not trends that are here today, gone tomorrow. These are trends that have driven the consumer purchase criteria for a number of years now, and we think we'll continue to do so for a good number of years into the future, so here's our long term consumer trends.

So diversification particularly important as I mentioned in the investment highlights. So we're diversified between the HEYDUDE and the Crocs brands, 27% of our business now coming from HEYDUDE diversified by products. If you went back historically when we just had the Crocs brand, we were very dependent on that clog silhouettes. We think that's a wonderful silhouette and we see lots of growth in that silhouette. But being so dependent on one type of product is obviously a risk factor. We've now diversified that significantly. I'll talk a little bit more about geography in a second, but diversified by geography both here in the U.S. and international. We have a strong digital penetration, 37% across both brands in terms of digital penetration. We think that's particularly important as one of the highest growth channels.

And then in between wholesale and DTC, again diversified. We think our DTC business and ability to interact directly with our consumers is really important, but we also think our wholesale business is really important and ability to leverage other people's capital and their relationship with consumers to be able to distribute our products. So we think the combination is powerful and important together. International, I said I'd come back to this a little bit. So if we look on the Crocs side, 38% of our revenues came from outside the United States in 2022, that's

our estimate, and that was a 34% growth rate. So it's growing twice as fast as the overall brand. And if you remember back to our investor summit, we had just over a year and a half ago, we really talked about international driving, a lot of our future growth. This will be particularly important and we can really start to see that kicking in strongly.

HEYDUDE, on the other hand, is really all opportunity when we think about international. Despite being a company that was originally based in Hong Kong, 95% of its business is here in the United States with only 5% being overseas. We see that as a very significant opportunity where we can leverage the Crocs infrastructure on a global basis to distribute this product around the globe. And we will start some of those tests and trials around international distribution and how we expand that this year.

And then in terms of a track record, I'm delighted to say that we have an exceptional track record in terms of we generated about $5.6 billion of shareholder value since 2017. And that's a 54% annualized total shareholder returns. So if you've stacked that into the S&P 500, this will be the number two performing stock in the S&P 500. We're not in the S&P 500, because we're not that large, but that's where we would perform. So the performance of the company since 2017 has been exceptional.

So before I hand it over to Anne, I just want to kind of touch on a few near term catalysts. So if you think about the future, in 2023, we have significant new product introductions both on our Crocs side and also on the HEYDUDE side. I think one of the headwinds of the pandemic that we've all sort of been going through for the last several years has been, it's been really hard and difficult to drive very strong product innovation and new product introductions. You were always kind of making some trade-offs between do I do the tried and tested or do I try something new? And in a certain environment you kind of bias towards the tried and tested. So we've really put the foot on the gas relative to new product introductions, to innovations that we're bringing to the marketplace and to marketing innovation you started to see that really hit during the back half of this year that will accelerate into this year.

We expect all regions and all brands under our portfolio to grow this year. That will be led most strongly by the international markets. We'll continue to invest very strongly in marketing as we have done on the Crocs side. And we're starting to do on the – in HEYDUDE brand. But we'll have a very strong emphasis in driving that sandal business, which I think suffered from that new product introduction avoid during the pandemic. And we're very excited about what we see coming through in our sandal business with accelerated marketing.

HEYDUDE will continue to deepen its relationships with key wholesale customers. And we see significant expansion in key wholesale customers here in the United States, as well as that international growth they talked about. And we'll continue to use our cash flow to pay down debt. That will be our first priority. Anne will talk a little bit more about our investment priorities in a minute. And we see the opportunity pause that initial debt pay down to obviously, reconsider potential shareholder, sorry, share repurchases and I'll let Anne talk about that in a second.

But what I'd say is if you kind of look at this list and think about these things, it's pretty significant catalyst in terms of what's going to drive both the fundamentals of the business and also ensure that those fundamentals of the business are recognized and returned to shareholders.

So with that, let me pass this over to Anne to give you a few more important details. Thank you, Anne.

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

Thank you, Andrew. Good morning. As Andrew just mentioned, the – we expect significant value creation from both brands. High revenue growth, we had very high revenue growth this year from both our acquisition from HEYDUDE as well as Crocs. And that's on top of record revenue growth from the Crocs Brand last year. And this is our fifth consecutive year of revenue growth in 20 consecutive quarters from the Crocs Brand of growth, excluding one quarter in 2020. We have industry leading profitability. Our long-term operating margin guide is 26 plus percent, which is Andrew mentioned is also best-in-class in our industry. And we have exceptional cash flow generation, which has allowed us to pay $550 million down on our debt this year that we financed HEYDUDE with.

So to walk you through quick highlights from a numbers perspective. So our revenue growth approximately 53% this year, including the HEYDUDE acquisition. Our non-GAAP gross margins are approximately 55% through Q3 year-to-date, we haven't released yet for the full year. And then we are reaffirming that our operating margin guide for this year is for 2022 is approximately 27% on an adjusted basis. And our EBITDA will be approximately $1 billion. So significant amount of EBITDA that we generated in 2022. This is, as I mentioned earlier, the fifth year of the Crocs Brand revenue growth. And we are going to hit about 2.65 billion on a constant currency basis. That's 19% really driven by international. So if you think about our international business, our international business grew on a constant currency basis about 47% this year.

From a growth expected, as I mentioned, if you break that down, Asia grew 35% and within Asia is obviously our biggest opportunity of China, which is we've given about less than 5% of our overall revenue. So still a significant opportunity and even given the challenges that we had in China in 2022, we still had significant growth in AsiaPac. And then EMEALA grew, which is Europe, Middle East, Africa, and Latin America grew 32%. So again, very strong growth even amidst some disruptions in the market there and us exiting our direct Russia business.

And then our Americas business also grew on top of extremely strong growth last year in 2021, so about 6%. From a DTC standpoint in our Americas business, we had positive DTC sales growth of 12% and in the quarter showing really strong holiday demand. We grew about 13% DTC comp growth in our North America business. If you think about overall for the year, our DTC comp growth for the Crocs Brand was about 15%. And our digital penetration, which we're very proud of, was almost 40%.

When you think about HEYDUDE, has just been a really stunning performance this year, almost $1 billion over $580 million last year on a pro forma basis. And also very strong digital

penetration from the HEYDUDE side as well. So when you think about our overall splits on the Crocs Brand, we're almost, I think we're about 58% DTC or 58% wholesale. So we're very, very close from an even perspective. And then HEYDUDE has 37% digital. Overall, when we think going into 2023, we have released a guide that we expect revenues to be between $3.9 billion and $4 billion with revenue growth at current currency rates of 10% to 13%.

Moving through capital allocation priorities. So when we think first obviously investing in the business, but we still generate a lot of free cash flow even after we invest in the business. We think CapEx about approximately being 3% of revenues was our long-term guide for CapEx. Then number two is debt pay down. We paid down $550 million of debt this year, $300 million of that in Q4, so we're obviously accelerating. And then third is return of capital to shareholders. When we reach that two times or below gross leverage, we can resume our share repurchase program. We still have $1 billion share of purchase authorization outstanding from our Board.

And that our significant cash flow has allowed us to quickly deleverage. So when we bought HEYDUDE enclosed, we were at 2.9 times from a leverage basis. In Q3, we were at 2.4 and we expect to be below two times by midway through next year. And we have a track record of significant return of capital to shareholders. So $1.6 billion at an average share price of $38 has been a very successful program for us and for our shareholders. And this is really supported by strong free cash flow and us managing our working capital very, very tightly. So one of the things with our working capital is we have best-in-class inventory turns. We talk about the Crocs Brand being right around four times. We are a little bit slower than that in the beginning of the year, but as we move through and what we've seen in Q4 is we actually expect inventory to sequentially decline again from Q3 to Q4. So we feel really good about our inventory levels that support that free cash flow and overall allowed us to pay back so much on our term loan B.

So from an investment highlight perspective, just to wrap it up, we're a global leader in casual footwear. As Andrew mentioned earlier in his presentation, we're the second largest brand in the world from a global casual footwear perspective. We have two iconic high growth scale brands. So HEYDUDE is over $1 billion from a pro forma basis. For this, for 2023 expected to be Crocs is obviously grown quite nicely, so huge scale brands, but huge opportunity from an international perspective and domestically for both brands. We have diversified sources of growth across brands, categories, geographies and channels. We have a good split between our direct to consumer and wholesale business. We have high digital penetrations and we also have from a Crocs perspective 40% of our business is international, so really nice diversification across the board.

And we have industry leading margins. Our long-term operating margin guide is plus 26%. We are obviously higher than that on an adjusted basis. In 2022, we are approximately 27% is our guide. And in 2021 we are even a little bit higher than that. That includes a pretty significant investment that we made in 2022 in air freight for the Crocs Brand. And we were still able to generate 27% operating margins. And that allows us to generate a lot of free cash flow and deleverage quickly and then return capital to shareholders. And we have a best-in-class management team with the track record of delivering the exceptional TSR that we've delivered since 2017. Thank you.

<<Sam Poser, Analyst, Williams Trading LLC>>

Great. Thank you.