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# Crocs, Inc. (CROX)

## Piper Sandler Growth Frontiers Conference


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# CORPORATE PARTICIPANTS

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

# OTHER PARTICIPANTS

**Anna Andreeva**
*Analyst, Piper Sandler & Co.*

# MANAGEMENT DISCUSSION SECTION

## Anna Andreeva
*Analyst, Piper Sandler & Co.*

Okay. Welcome to Piper's Consumer and Techs Conference. I'm Anna Andreeva and I cover footwear, beauty and brands here for the firm, and super excited. Next up, you have Crocs. From the management team we have CFO, Patraic Reagan. Welcome. Great to have you.

## Patraic Reagan
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

Yeah. Great to be here. Thank you.


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# QUESTION AND ANSWER SECTION

**Anna Andreeva**
*Analyst, Piper Sandler & Co.*

Q

Okay. Fantastic. So, there's been a bit of a footwear angst as of late in the industry, and certainly, a shift with some of the legacy kind of a sneaker lifestyle, sneaker players telling us that the consumer is going more towards the brown shoe, the dressy shoe, et cetera. So, definitely an interesting shift going on across this industry. Just talk about how you think your brands fit into that and potentially benefit from that.

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Yeah. So, I think what we've been seeing recently in footwear is just kind of a continuation of cyclicality that you see every few years. What I would say is it specifically means to Crocs is how we compete is really through the diversification of our product offering. So, for those of you who may not be as familiar with the story, probably when you think about Crocs, the image that comes up in your mind is our iconic Classic Clog, but really is on a note, we're so much more than that.

So, if you think about our product offering, we are the industry leader in clogs. We're the globally recognized leader. Our product is iconic and recognized throughout the world. But that's just the beginning of the story. The continuation of the story is that from a diversification perspective within clogs, we compete through many different silhouettes. For example, we have our Echo franchise, which is very much more of a streetwear kind of edgier fashion forward silhouette. We have Crocband, which is more collegiate, a little bit younger in nature.

We also, outside of clogs, compete in sandals. So, not many people know this, but we are nearly $0.5 billion a year in annual revenues in our sandal business. And we've been developing this over the last few years, but really just getting to scale in the last couple. And within that, our leading silhouettes are the Getaway, the Brooklyn, the Miami, we recently introduced the Miami silhouette which is a little bit upscale and has done really well. So, we've got clogs, we've got sandals, we also have a lot of lifestyle product, which continues our diversification story.

So, within lifestyle, we have product that helps and aids in terms of recovery from athletics called the Mellow, which has been meeting with a lot of success in the space. And this year, we had an absolute runaway hit with our Ballet flats, which was something that we were testing into as we began the year and ended up chasing throughout the year, unable to really fulfill all the demand that was in the marketplace.

And so, that's kind of a little bit of what we have in the Crocs side of the house. And then, from a HEYDUDE perspective, which is our complementary brand to Crocs, we've been doing a lot of work again from a diversification standpoint, building on the success of our Wally, Wendy icons, and moving into all things in all ways for our consumer, whether that's boating, fishing to our HEY20 franchise as well as our work franchise and our boots franchise. So, feel great about where we are. Yes. There's always some cyclicality, but we feel through the breadth and the depth of our diversification, we're well positioned within the space.

**Anna Andreeva**
*Analyst, Piper Sandler & Co.*

Q

So, part of the barricades we often hear from investors on Crocs is you had a phenomenal 1H, right, of this year, but a lot of that upside was driven by sandals and you mentioned some of the innovation. Now, that the


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seasonality is kicking in and we're here in September, the business will slow inevitably. So, how would you respond to that? Just any particular kind of areas of opportunities this fall and back-to-school that you see compared to last year? I mean, I know casual and comfy, right, is a big area that you usually lean into. So, anything you can share on that?

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Yeah. I'd say a few different things. Maybe one to address kind of the bear case, which is growth through sandals. It's interesting, for those of you who've been around the company for a while, I mean I have, because I've been in the footwear space for quite some time. The bear case traditionally for Crocs was always that we're overly reliant on one product, which is very much not the case today.

Now, as it relates maybe closer in, yes, there was growth certainly driven by sandals, which we absolutely love and we feel like could have been even larger, just from a size of consumer adoption. We left some dollars on the table. But I would say, as we kind of turn the clock now, there's a few things that are at work as we move from spring, summer into holiday, fall and winter.

Number one is the season for sandals is no longer kind of constrained and confined just to spring/summer. The shoulder seasons are much longer. I mean, it's going to be 98 degrees here today. I'm afraid to step outside in my suit, that's for sure. But I'd say, number one that season is longer, so it gives us some ability to drive additional revenue. But I'd also say that from a seasonality standpoint, this is where our diversification strategy really kind of provides us a lot of strength.

And so, as we now turn into fall, holiday time period, as we think about some of what's becoming iconic in terms of silhouettes within our fur line clogs and our sandals – or I'm sorry, our slippers business, we've got two silhouettes we're really excited about. The first one is called the Unfurgettable, so think of about it play on words, fur-gettable, Unfurgettable, which is aligned silhouette, which is exceptionally comfortable, it's also very warm. So, really kind of plays counter to the cyclicality of – or I'm sorry, the seasonality.

And then, the Cozzzy, which is spelled with three Zs, so Cozzzy is also another cold weather silhouette. And so, as we think about that, that helps to then during the cold weather months augment where we've seen growth from a sandals business. Now, it's on the Crocs side, on the HEYDUDE side, we have what I would say a less seasonal business. Certainly, there's kind of ebbs and flows towards the year, but particularly within our boots business, in our work business, we have quite a bit of ammunition in terms of products as we go into the fall and holiday selling seasons.

**Anna Andreeva**
*Analyst, Piper Sandler & Co.*

Q

That sounds great. And you've talked about this before and you just mentioned this now, but innovation pipeline at Crocs especially, but also HEYDUDE improved, I mean, really significantly this year. Usually, that starts right internally with people changes. So, can you talk about what's changed, and durability of some of those changes? And I know as you think about marketing, bringing Terence back and elevating his position has really provided halo effect for the business. Just maybe any update on that.

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

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Yeah. So, product innovation and marketing, I would say, within those two, and I'll add a third here in a second, but from a product innovation standpoint, I mean, we are a product company, right. We are a product company. So, if we're not innovating on behalf of the consumer, then we just – we lose. And so, I think Anna, to your question, going back about 12, 18 months, probably closer to 18 now, there's kind of a refocus, I wouldn't say a change, but there was just a refocus in a heightened sense of urgency around product and product innovation. Not that it wasn't there, it was, but I think all things can be heightened. And our CEO, Andrew Rees, really kind of started to hammering home with the organization that we have to just always be on the front foot in terms of innovating on behalf of the consumer.

And so, as you saw that repositioning come through, and then when I came in last year to the role as CFO, we really kind of established that we were going to ring fence investment into the product innovation standpoint. Some of that comes through talent, some of that comes through experimentation, some of that comes through understanding when you've got some hits on your hands and how you can get into the marketplace faster. So, I think that has been number one. So, we really built the company and evolved the company now to say that is above and beyond all things ring fence from an investment standpoint, what we're doing in the product, the product innovation space.

The second one, which you're hitting on with Terence Reilly. Terence Reilly, for those of you who don't know, he's our Chief Marketing Officer. He had been at Crocs for a while, went to Stanley. So, for all you whose retirements were put off by those expensive Stanley cups that probably number about five or six or seven in your house, I know I have about seven, that was Terence. The – he's brought to the organization. He initially came back in through a more commercial role, but he was recently elevated about eight, nine months ago or so to the Chief Marketing Officer. And really, he's brought kind of the view, the visioning of what true global brand awareness is at scale.

And Terence is a masterful storyteller at heart, and what he's been able to bring in terms of focus to the Crocs brand through some of the stories that we've been doing on TikTok and some of the work that we've been doing in terms of reinvigorated ad campaigns and marketing campaigns for HEYDUDE has been amazing. He's also, if you guys haven't seen this, this is actually kind of fun. I'd encourage you to have a laugh. But he has brought a real life mascot to the Crocs brand called Niles. Niles is a crocodile. He was hatched roughly about six weeks ago.

Niles has already been to a few NFL games and now he's got over 25,000 followers. And we've been building kind of the brand and the brand affinity through a fun, playful way with Niles. And you can search on LinkedIn and YouTube, and Niles went through an employee onboarding experience, which is kind of comical. We thought he might have eaten one of our employees at one point in time. And so, we're getting and we're having a lot of fun with this. We're getting a lot of resonance from a consumer standpoint about where and how we can continue to make the brand fun, refreshed, and inviting.

**Anna Andreeva**
*Analyst, Piper Sandler & Co.*

Q

Okay. That's awesome. No. Thank you for that. I'll make sure to follow Niles to add to his following. You've done a really good job on DTC side of things and have seen nice acceleration this year, despite being less promotional. North America wholesale, right, that's been more of a challenge. And last year, you were in a cleanup mode and actually exited that pretty quickly, because like you said, I mean the cleanup mode in that channel can really take quite a while and you guys did it quickly. Would you give us just the State of the Union on North America wholesale at this stage? I mean, what are you seeing in terms of appetite from the partners towards the brands, just given all of the improved innovation across the portfolio?


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**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

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Yeah. Yeah. So, I would start by saying that all of our channels of distribution are important for us. We don't try to kind of elevate one way of engaging with the consumer over the other at our heart, and part of our ethos is what we say we're delightfully democratic. And so, we aim and focus on selling to the consumer wherever he or she may be. So, we just – we want to be in their path. If they want to shop with us through famous footwear, we want to be there. If they want to shop with us through DICK'S Sporting Goods, we want to be there. So, kind of put that as just table stakes. We don't try to point the consumer in any one direction or the other.

Now, that being said is we've been really increasingly focusing on our innovation journey and our new product introduction strategy, what inevitably happens is you have more control and it's a little bit easier to bring that product to market at scale with the brand story and the brand storytelling through your own channels. And so, Anna, to your question what happens is we typically get a little bit slower uptake on the wholesale side of the business through – versus what we control internally. And so, you'll see those styles coming to market first in our stores, in our dot-com, in TikTok Shop, and with our other marketplace partners.

And then, typically, what we see and what we're starting to see and what we continue to see is then wholesale partners will then come back in and invest. They're open to buy behind those styles as they've seen a little bit more proven success out in our own channels. And so, wish it wouldn't happen that way. We'd like to be equal to all things all folks, but just I think it's just a little bit more of a cautious play, which I understand. But we view it as our responsibility to kind of prove it to the wholesale partners before they adopt.

**Anna Andreeva**
*Analyst, Piper Sandler & Co.*

Q

You've talked about those at-once orders, right, picking up for the business and understanding that overall, of course, consumers, your partners are staying very cautious, but would you say that's still continuing and at-once is becoming kind of a bigger portion of the P&L?

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Sure. Yeah. So, maybe I'll just define for those of you who might not know what at-once is. As we sell in a season to our wholesale partners, we're on what's called a sell-in model, so we secure orders in advance. Our partners get a certain discount for ordering in advance. And then, as we make our way through the season, if we have inventory, which is a big if, then we enable our partners then to buy on what's a replenishment model or an at-once model.

And so, what we have been seeing and this is – I'm glad you asked this question, because it's actually a green shoot in terms of where our business is, is that as we've seen what I discussed earlier in terms of a bit of cautiousness on our traditional wholesale partners in their open to buys on new product, what we have seen is that when they get the product, their replenishment model kicks in or their at-once model kicks in, and then they're ordering more in season. Now, that's a green shoot, because that tells us the demand is there. And then, where that kind of makes its way through then is that gives them more confidence in upcoming seasons to kind of get a little bit more robust in terms of where they're investing open to buy dollars in some of these new products.

**Anna Andreeva**
*Analyst, Piper Sandler & Co.*

Q


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No. That's great. So, green shoots, that makes sense. And just a follow-up to that. I know Classic Clog rationalization was a big part of the cleanup and sounds like that's pretty much behind us at this stage. But what do you see in terms of just the appetite towards that franchise, just knowing how important it is for the business?

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Yeah. I mean, it is our icon. So, the Classic Clog, it is our icon. It's, as I mentioned earlier, one of the most recognizable footwear silhouettes on the planet and has really made our brand what it is today. However, no longer are we just the Classic Clog company, we're much more than that, which I talked about a little bit earlier. However, that doesn't mean by any stretch of the imagination that it's not important. And so, it's also important for us to keep that franchise and that silhouette fresh. We're able to do that through our collaboration engine.

And so, another thing that's maybe not super well-known about our company is, we have deep longstanding relationships with a number of global brand companies, Disney, for example. So, we do a lot of work with Disney through their Pixar franchises, you kind of think about Cars, et cetera. So, in fact, I've got – my son has got some Lightning McQueens at home right now, Monsters, Inc., Toy Story. We also work with LEGO and have a huge collaboration going on with LEGO right now in terms of reinvigorating and continuing to keep the classic top of mind. And then, appropriate for the time of year we're in, we have a deep partnership with the NFL in terms of bringing the Classic Clog to its wide growing, very diverse fan base, who many times happen to be new consumers in our file through personalization with their favorite NFL team.

**Anna Andreeva**
*Analyst, Piper Sandler & Co.*

Q

Great. No. Thank you for that. Just switching gears, HEYDUDE certainly has been some ebbs and flows since you guys acquired the business. What grade would you give HEYDUDE at this stage? You've made some interesting changes there with leadership, Rupert promoted to EVP and President, and also with marketing. So, curious how do you feel about the brand at this stage and what are you hearing from the wholesale partners as well?

**Patraic Reagan**
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Yeah. Well, maybe I'm not going to grade my two children in terms of the brands on stage. But what I would say is the strategic intent behind the HEYDUDE acquisition was right on. For years and years and years, the core criticism from an investor thesis standpoint with Crocs was kind of the like the one-hit wonder, although, it's been the one-hit wonder that's been around for two-and-a-half decades now. So, there's a lot of staying power.

HEYDUDE was kind of a forward-leaning response to that by giving us a very complementary brand that had reach into entirely different consumer base. And so, I think from a strategic standpoint, check, it was check, check, check. From an execution standpoint, and maybe this is where the grading comes in is to bring it in house could have been better. Started off pretty fast from a revenue growth standpoint, and then fell into a bit of a trap, which tends to happen, not just with acquisitions, but in retail in general is over-inventoried in the marketplace, and too much inventory coming into the marketplace.

And so, I think that was an aggressive misstep. However, the team took last year, towards last six, seven months of the year to kind of correct on that. We kind of worked through excess inventory in the marketplace with our marketplace partners, inventory that we owned. We brought back inventory that was out in distribution channels. We did that in Q3 and Q4 of last year. We knew that we had the product right on. We just had too much product in


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the marketplace. And so, we did pretty much what I would say and I've been in this business for couple decades. We did like a two-and-a-half year reset in the space of about nine months.

And so, as we went into 2026, one of our strategic and tactical imperatives was to return HEYDUDE to growth in this year. So, we were declarative back when we guided initially for the year, and we said HEYDUDE will return to growth in the second half of the year. The great thing is that we've been ahead of every milestone that we internally placed for ourselves. For Q3, we guided HEYDUDE flat to down 3%, which was an improvement over our previous two guides, and we feel really good about where we are, and we feel really good about the second half of the year. So, I think it's been a little bit of a bumpy ride, but that tends to happen in the acquisition space.

### Anna Andreeva
*Analyst, Piper Sandler & Co.*

Q

That's great. And in the last minute and change, this may take longer, but we'll try to be brief. You made the change with your large marketplace partner. We've gotten a lot of questions about that. I know you have as well. It adds a little bit of noise right to the model, but maybe talk about just the rationale for this and is this more advantageous for Crocs and why?

### Patraic Reagan
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

A

Sure. Yeah. So, we announced in our last earnings call that we had made a shift and evolution with one of our important strategic marketplace partners. To kind of give you the CliffsNotes version on this, because this is more of a War and Peace novel than CliffsNotes. The relationship, it kind of ebbed and flowed over the course of a few years to where it wasn't optimal for either one of us, it wasn't optimal for our partner, it wasn't optimal for us. And we felt like, if we could reset the relationship, we would be better together in terms of optimizing the potential.

And so, during the course of May, June, July, we had series of kind of top-to-top and working group meetings with the partner. And we arrived kind of in late-July timeframe in a space – in a place that was much better in terms of a partnership go-forward model. And so, there's really not much more to it than that. Strategically, I view it is a plus. I think we're to get farther together under this new relationship than we had in the past and we're looking forward to it.

### Anna Andreeva
*Analyst, Piper Sandler & Co.*

Okay. Well, on that, we'll pause. Thank you, again. Really terrific to have the team.

### Patraic Reagan
*Chief Financial Officer & Executive Vice President, Crocs, Inc.*

All right. Great. Thank you, Anna.


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