CROCS inc.

Q3 2023 Investor Presentation

Forward Looking Statement

This document includes estimates, projections, and statements relating to our business plans, commitments, objectives, and expected operating results that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

These statements include, but are not limited to, statements regarding potential impacts to our business related to our supply chain challenges, cost inflation, our financial condition, brand and liquidity outlook, and expectations regarding our future revenue, margins, non-GAAP adjustments, tax rate, earnings per share, debt ratios and capital expenditures, share repurchases, the acquisition of HEYDUDE and benefits thereof, Crocs' strategy, plans, objectives, expectations (financial or otherwise) and intentions, future financial results and growth potential, statements regarding fourth quarter and full year 2023 financial outlook and future profitability, cash flows, and brand strength, anticipated product portfolio and our ability to deliver sustained, highly profitable growth and create significant shareholder value. These statements involve known and unknown risks, uncertainties, and other factors, which may cause our actual results, performance, or achievements to be materially different from any future results, performances, or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the following: our expectations regarding supply chain disruptions; the COVID-19 pandemic and related government, private sector, and individual consumer responsive actions; cost inflation; current global financial conditions, including economic impacts resulting from the COVID-19 pandemic; the effect of competition in our industry; our ability to effectively manage our future growth or declines in revenues; changing consumer preferences; our ability to maintain and expand revenues and gross margin; our ability to accurately forecast consumer demand for our products; our ability to successfully implement our strategic plans; our ability to develop and sell new products; our ability to obtain and protect intellectual property rights; the effect of potential adverse currency exchange rate fluctuations and other international operating risks; and other factors described in our most recent Annual Report on Form 10-K under the heading "Risk Factors" and our subsequent filings with the Securities and Exchange Commission. Readers are encouraged to review that section and all other disclosures appearing in our filings with the Securities and Exchange Commission.

All information in this document speaks only as of November 2, 2023. We do not undertake any obligation to update publicly any forward-looking statements, whether as a result of the receipt of new information, future events, or otherwise, except as required by applicable law.

Contents

Q3 Highlights

"We delivered a strong third quarter, exceeding the high-end of our guidance, led by double-digit revenue growth in our Crocs Brand supported by healthy full-price selling and industry-leading operating margins. Both our brands gained share during the back-to-school season. During the quarter, we took decisive action around HEYDUDE to accelerate our marketplace management strategy to ensure long-term brand health. As such, we are adjusting our full-year outlook to reflect this shift."

– Andrew Rees, CEO

Q3 2023 Highlights

- Revenues of $1,046M, +6% CC[1]
  - Crocs Brand revenues of $799M, +11% CC[1]
    - Asia revenues up +29% CC[1]; China >+90% CC
    - North America revenues +8% CC[1] driven by newer products such as Echo, Mega Crush
    - DTC comparable sales growth +15%
  - HEYDUDE Brand revenues of $247M, (9)% CC[1]
    - DTC growth of +15% CC[1]
    - Digital growth of +6% CC[1]
- Adjusted operating margin of 28.3%[2], +40 bps YoY
- Adjusted diluted EPS +9% to $3.25 per share[2]
- Debt paydown of $90M; Repurchased $150M of shares
- Gross leverage was 1.7x at quarter end

CROCS inc.

1. Revenue growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.
2. See reconciliation to GAAP equivalents in Appendix.

Diversifying the Crocs Clog Silhouette

Echo

Mega

Siren

Importance of Sandals to the Crocs Brand

- Sandals are a key strategic pillar in $30B global category
- Revenues +6% YoY on top of nearly 20% growth in 2022; +35% TTM
- Additional entry point for the Crocs Brand
- Crocs Brand sandal consideration is on par with that of clogs
- We expect sandal revenues to be ~$400M in 2023, up from ~$310M in 2022

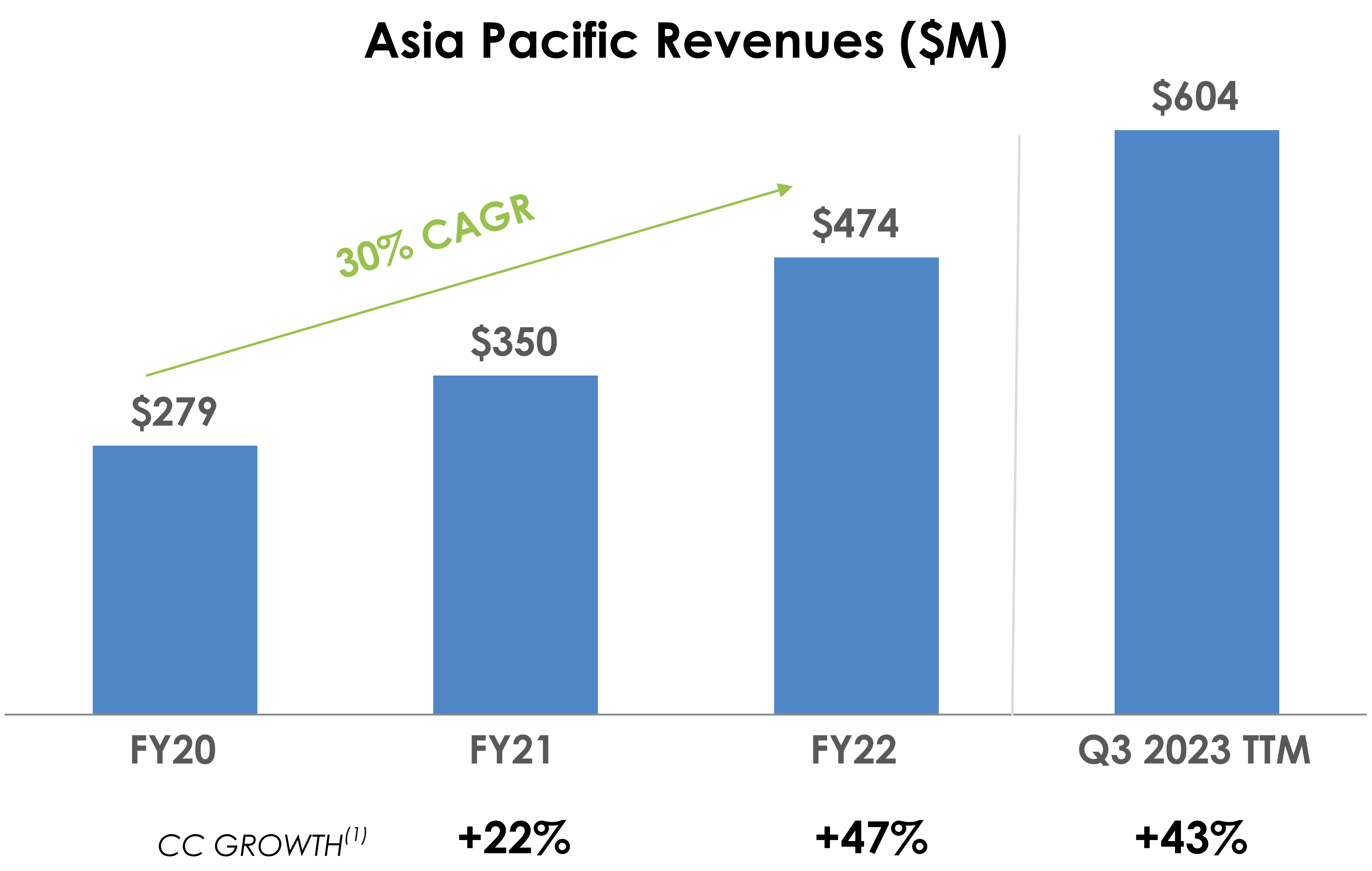
Q3 HIGHLIGHTS

Recent Crocs Product & Marketing Wins

Asia is an Important Driver of Long-Term Growth

In Asia, growth was broad-based with strong brand momentum throughout the region including Australia, China, South Korea and Southeast Asia.

China revenues grew over 90% in the third quarter.



1. Revenue dollars in millions. Revenue growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.

Crocs Brand China Update

Feng Chen Wang

Crocs x GOODBAI

Zhou Yutong

Crocs has a passionate fan base with ~60M uses of the hashtag 洞门, meaning "clogs followers" on RED

小红书

Big Brand Day

Siren Clog sold out in first day as height resonated with consumers

HEYDUDE Back-To-School Product Highlights

Wally Sox Micro
Black

Wendy Funk Mono
Electric Pink

Sirocco Sneaker

Recent HEYDUDE Marketing Wins

Key Stats

Brand awareness up to 32% from 18% in 5 months[1]

HEYDUDE ranked #7 favorite footwear brand[2]

Mindshare up ~3x

In underpenetrated markets[2]

HEY DUDE | DUDE PERFECT

Back to Campus

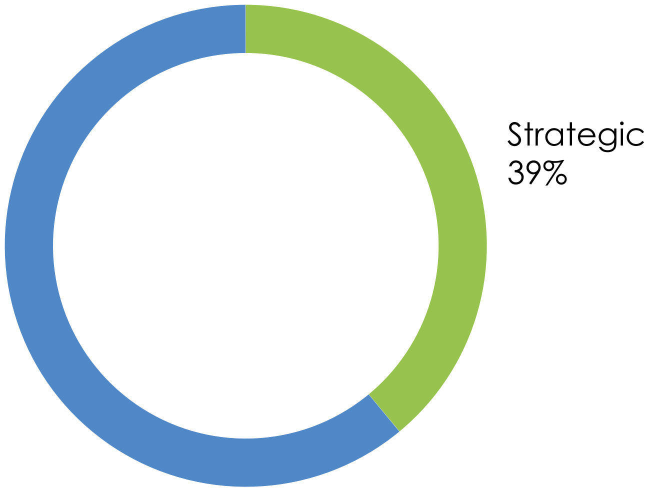
1. Per Internal Brand Health Tracker Studies performed in April and September 2023
2. Piper Sandler Fall 2023 "Taking Stock With Teens" survey

Q3 HIGHLIGHTS

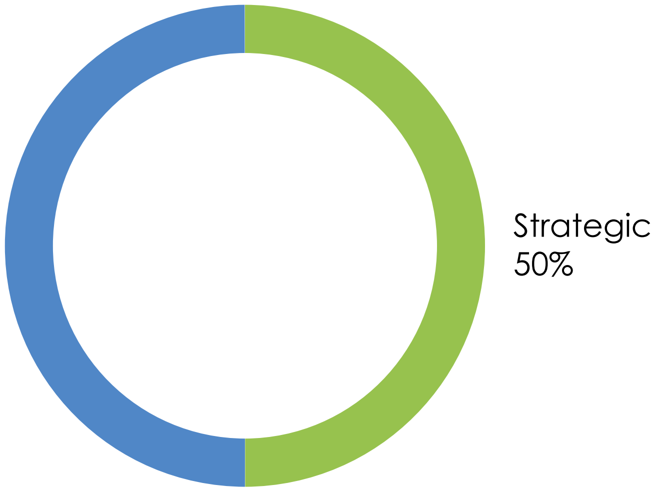
Strategic Wholesale Account Update

Wholesale Sales Mix

Q3 2022



Q3 2023



+28%

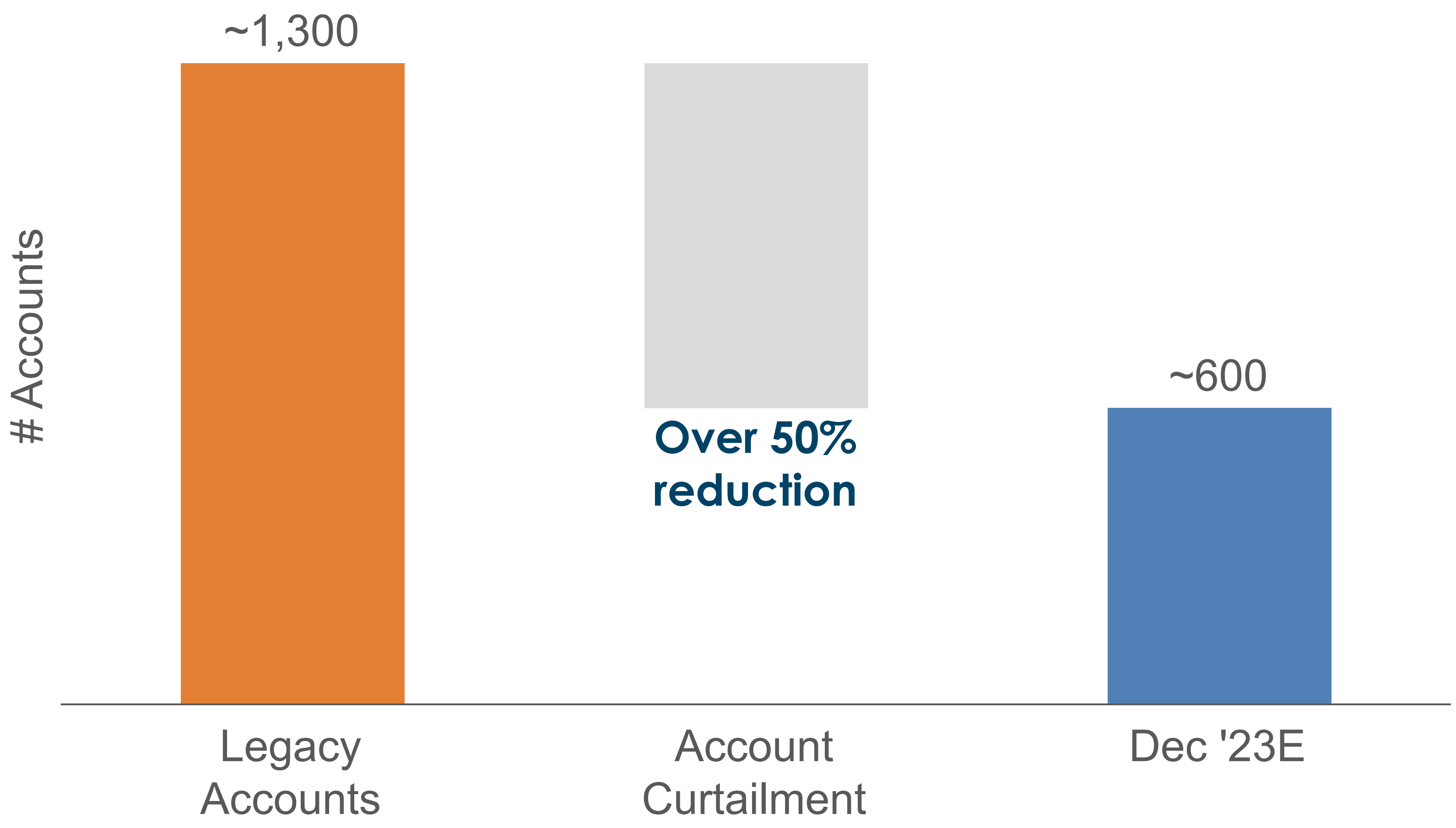
YoY strategic account sell-out[1]

1. Sell-out revenue for wholesale based on SPS and excludes gray market sales

Progress of Account Rationalization

Expect cleaner account base to begin 2024 having:

- **Curtailed over 50% of non-strategic accounts in 2023**
- **Pulled-back on digital rights for accounts that fall outside of our strategic alliance accounts**



Q3 Financial Review

Q3 2023 Financial Highlights

	Q3	B/(W) vs. PY
Revenues ($M)	$1,046	+6%[1]
Gross Margin	55.6%	+70 bp
Adjusted Gross Margin[2]	57.4%	+230 bp
Adjusted SG&A as % of Revenue[2]	29.1%	(190) bp
Operating Margin	26.2%	(60) bp
Adjusted Operating Margin[2]	28.3%	+40 bp
Diluted EPS	$2.87	+6%
Adjusted Diluted EPS[2]	$3.25	+9%

1. Revenue growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.
2. See reconciliation to GAAP equivalents in Appendix.

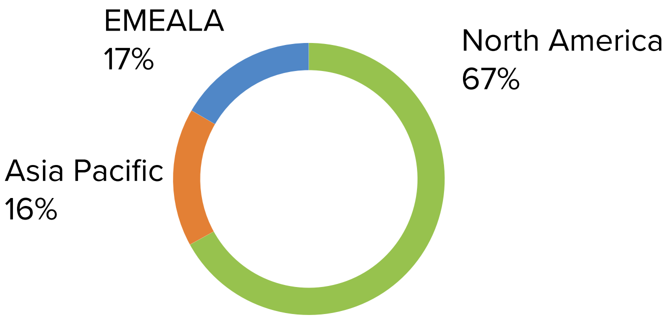
Diversified Sources of Growth

TTM Q3 2023 Revenue Breakdown

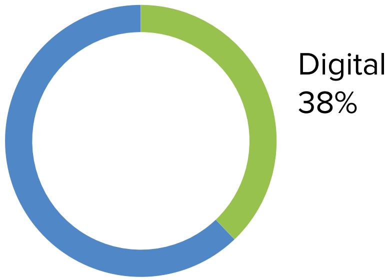
40% of Crocs Brand TTM sales were from International markets

Brand

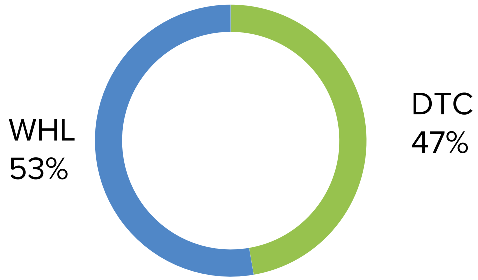
Geography



Digital Penetration[1]



Channel



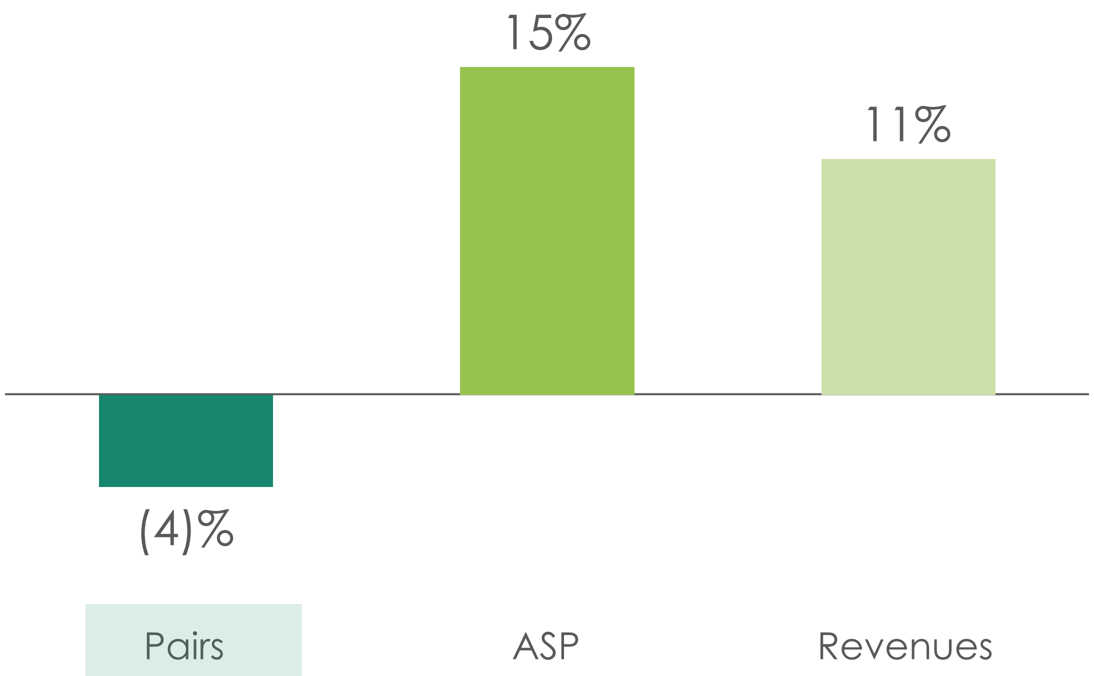
Note: Data is for trailing twelve months ended September 30, 2023

1. Digital sales include crocs.com, heydude.com, third-party marketplaces (e.g. Tmall), and e-tailers (e.g. Amazon, Zappos, Zalando).

Crocs Brand Q3 Revenue Highlights

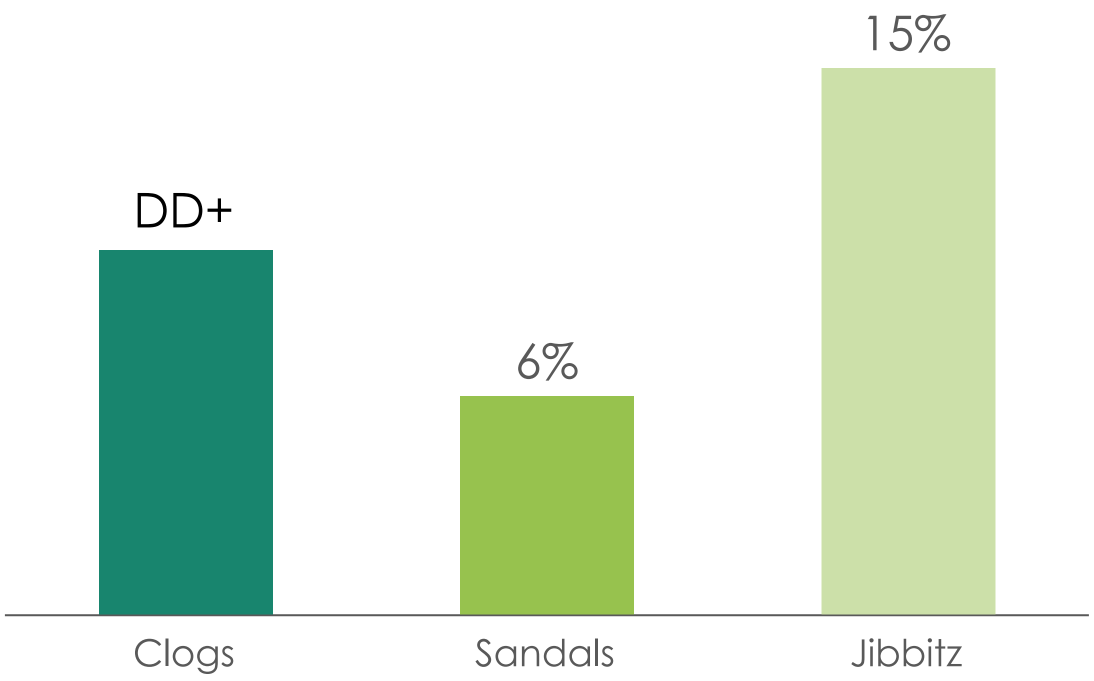
Q3 Revenues of $799M

Q3 Revenue Driver Growth Rates[1]



Decline driven largely by curtailment of significant African distributor believed to be diverting goods to the U.S. gray market.

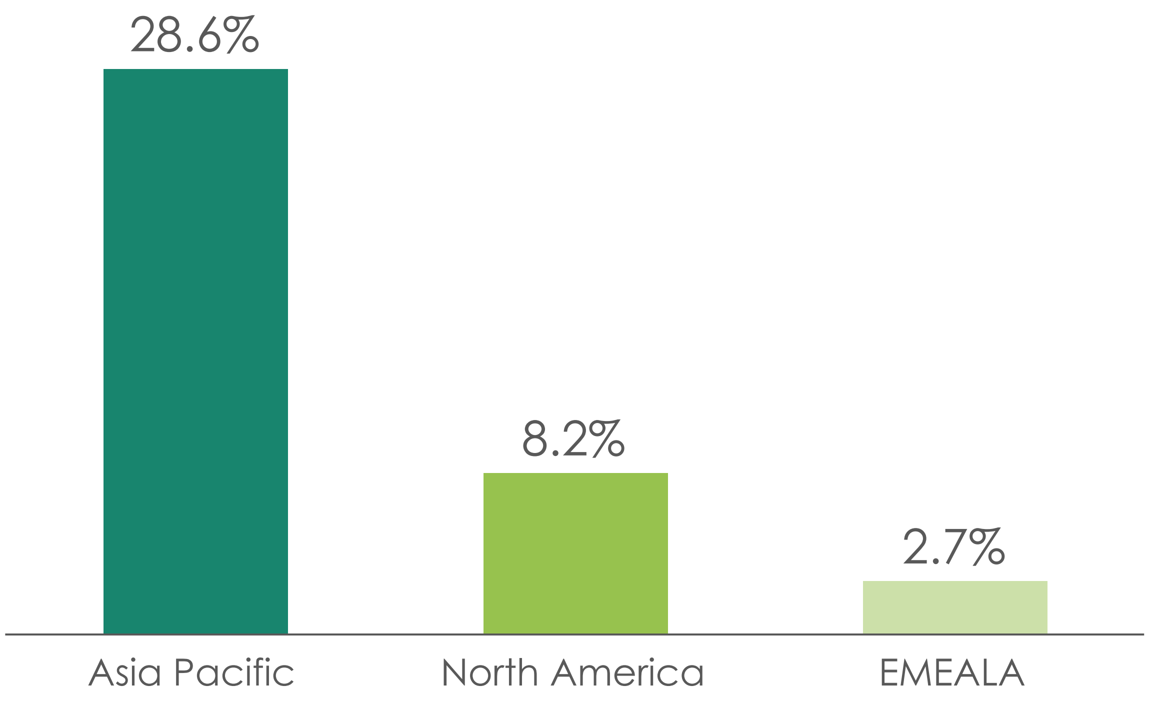
Q3 Product Growth Rates[1]



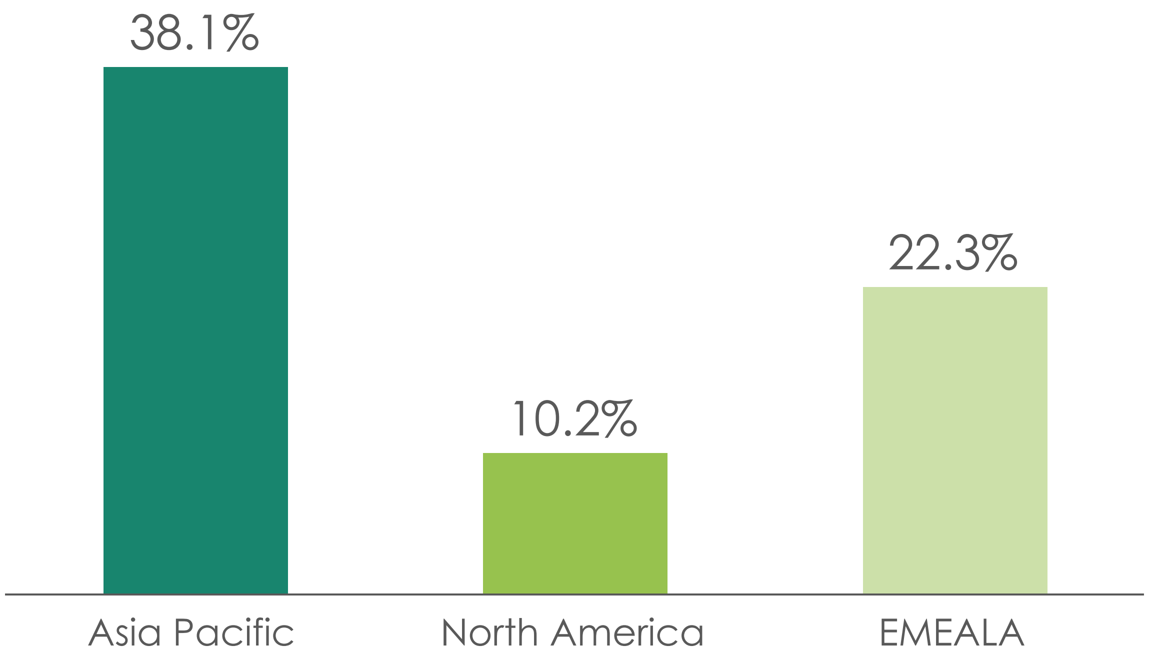
1. ASP, revenue, and product growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.

Crocs Brand Q3 Regional Revenue Highlights

Q3 Revenue Growth(1)



Q3 DTC Comparable-Sales Growth

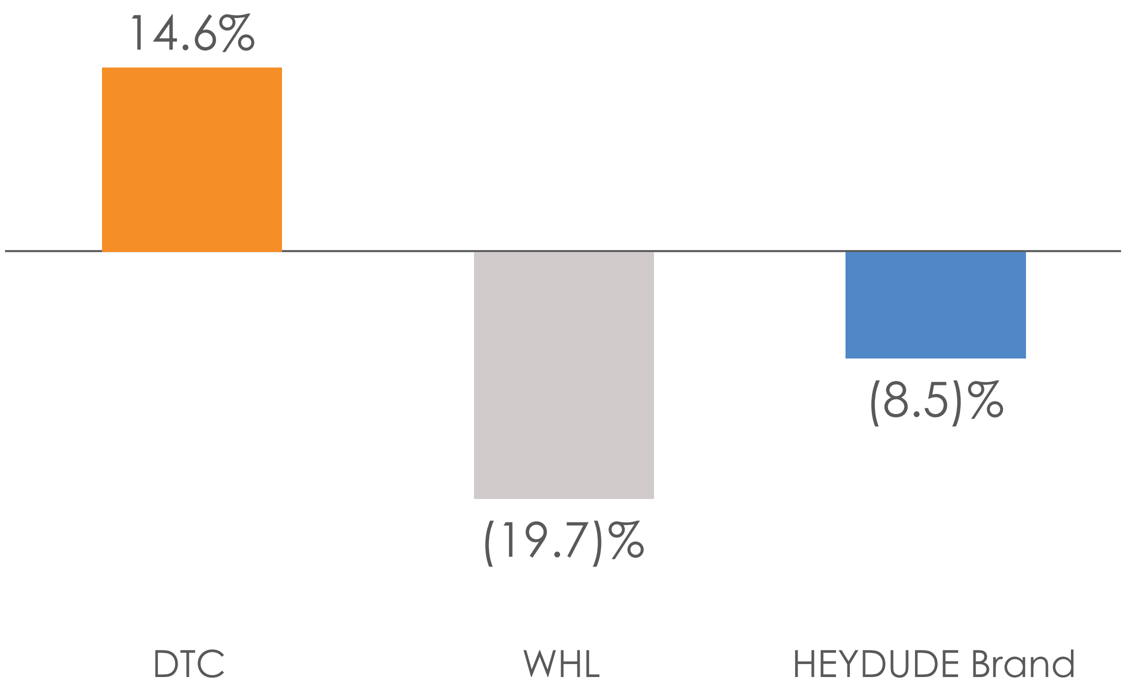


1. Revenue growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.

HEYDUDE Q3 Revenue Results

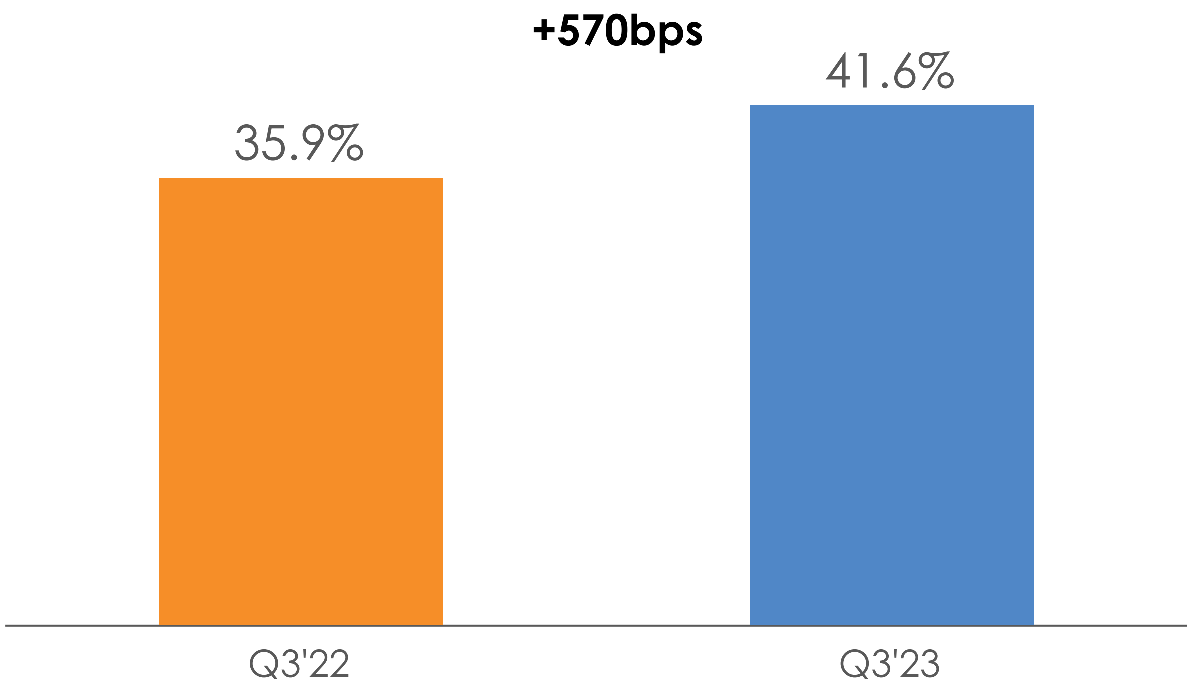
Q3 Revenues of $247M

Channel Growth vs. PY in CC[(1)]



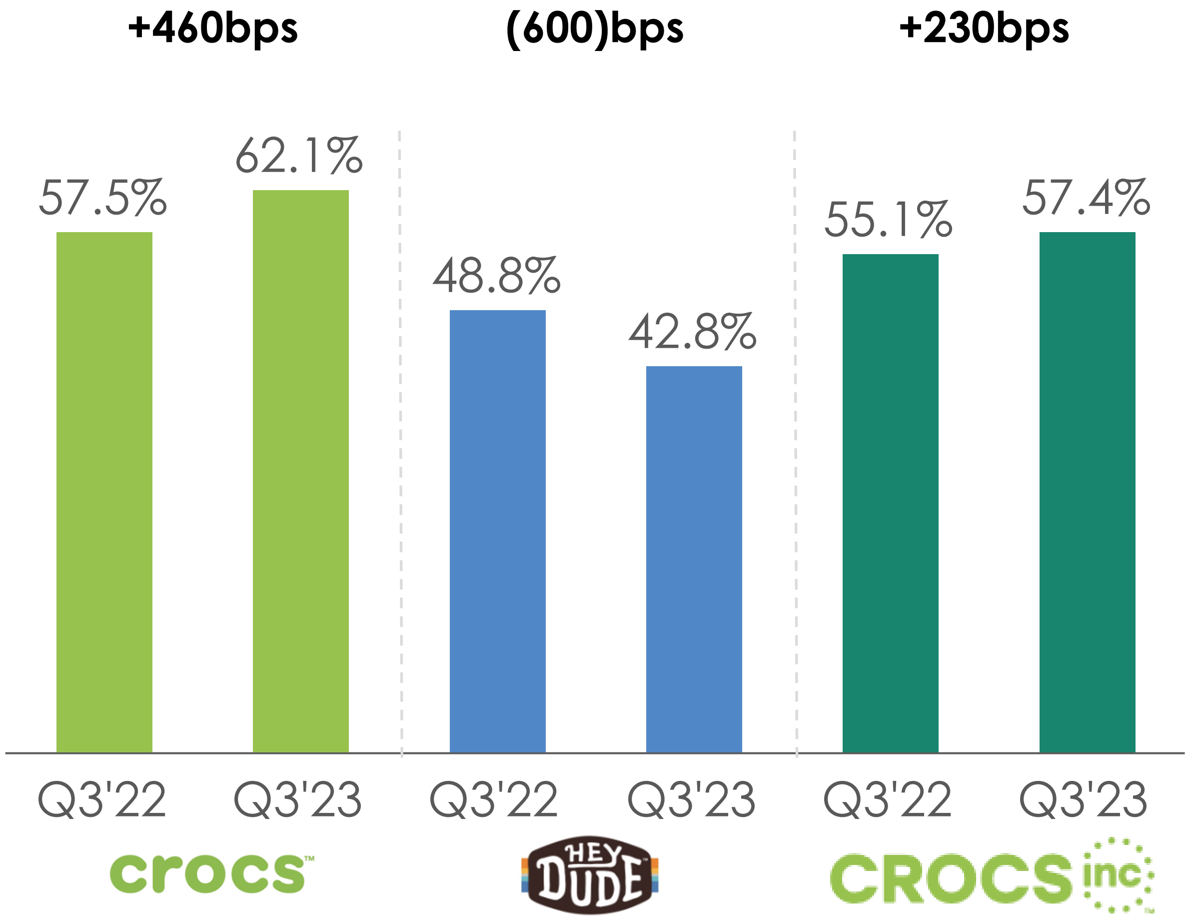
YoY Digital growth of 5.6%[(1)]

Digital Penetration



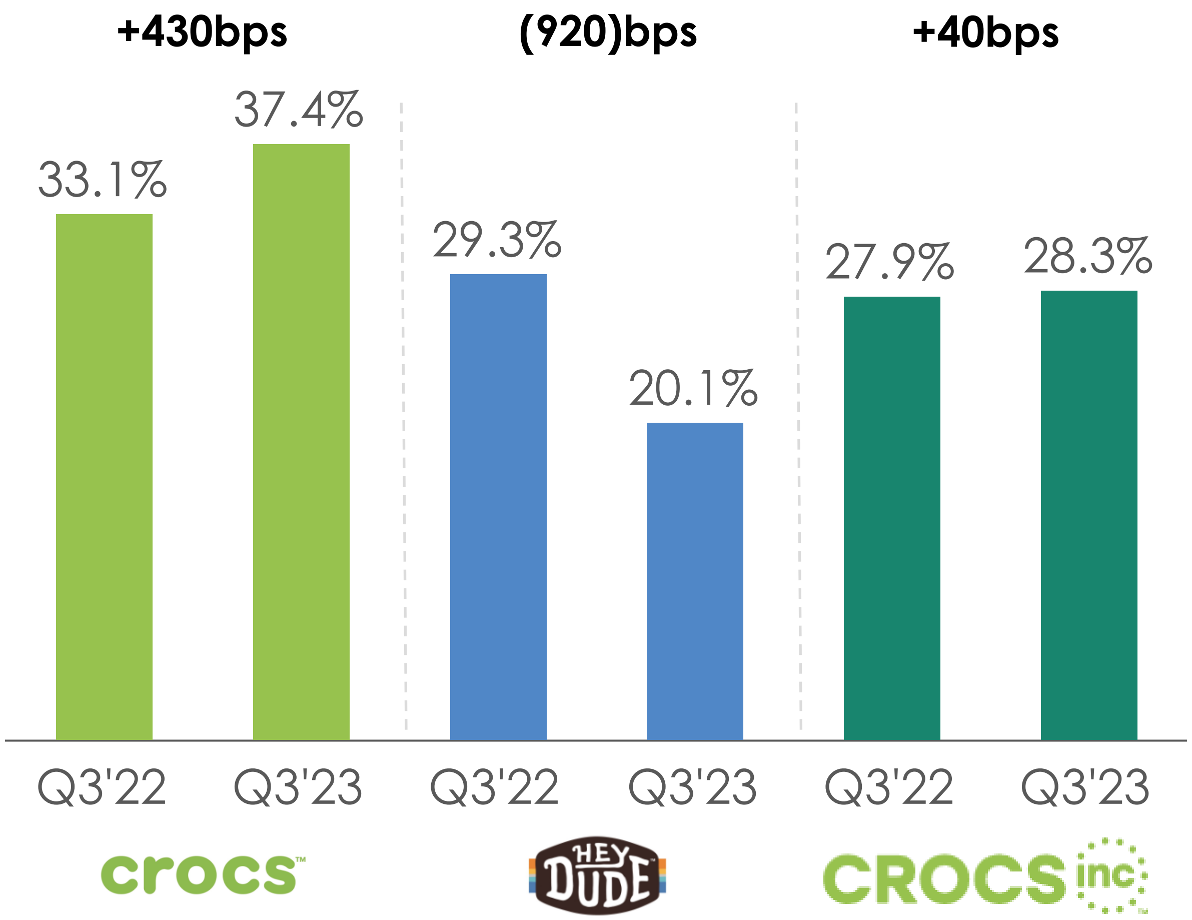
1. Growth on a constant currency basis, which is a Non-GAAP Financial Measure. See further details in Appendix.

Q3 Adjusted Gross Margins by Brand[1]



1. See reconciliation to GAAP equivalents in Appendix.

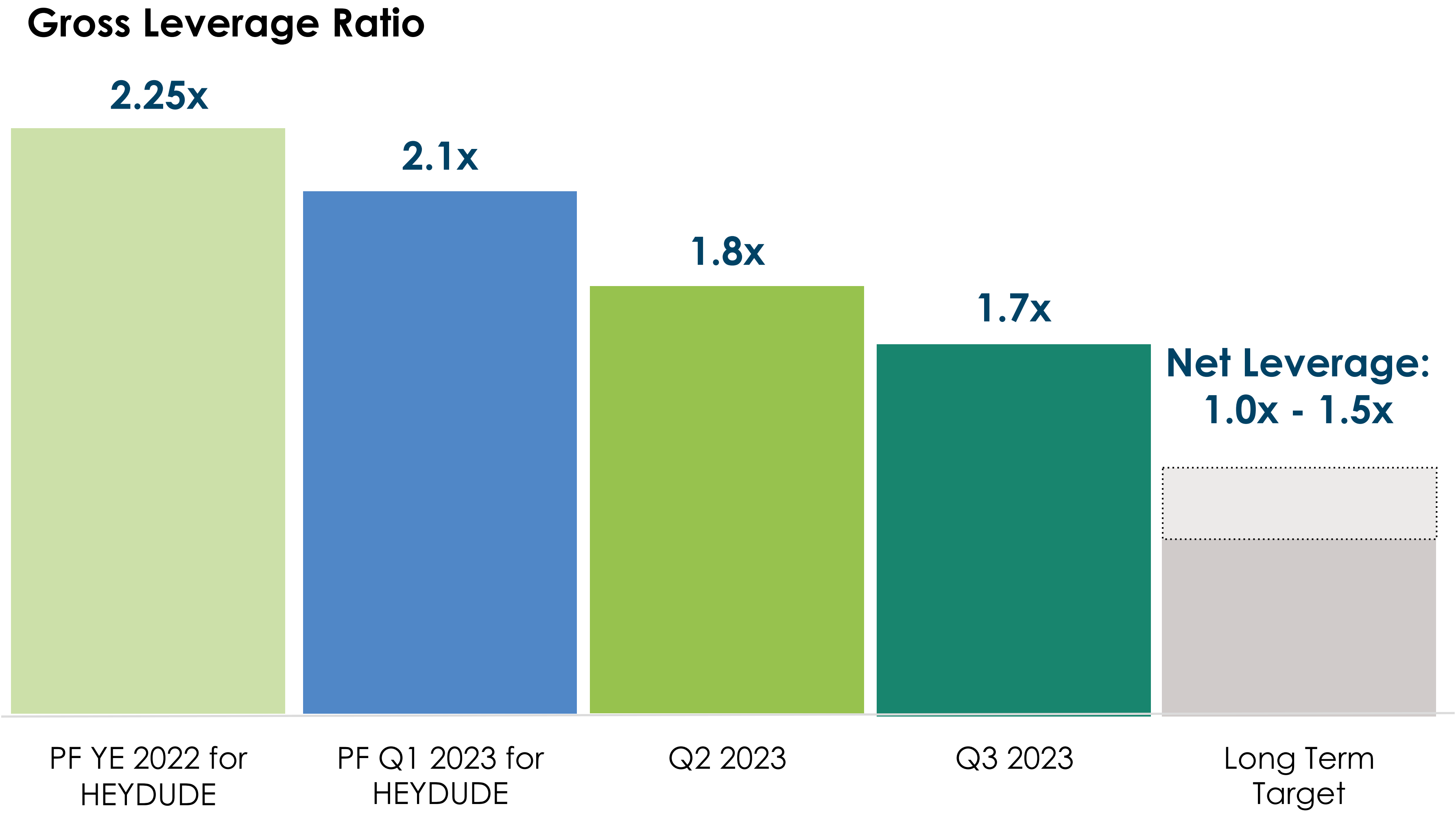
Best-in-Class Adjusted Operating Margins[1]



1. See reconciliation to GAAP equivalents in Appendix.

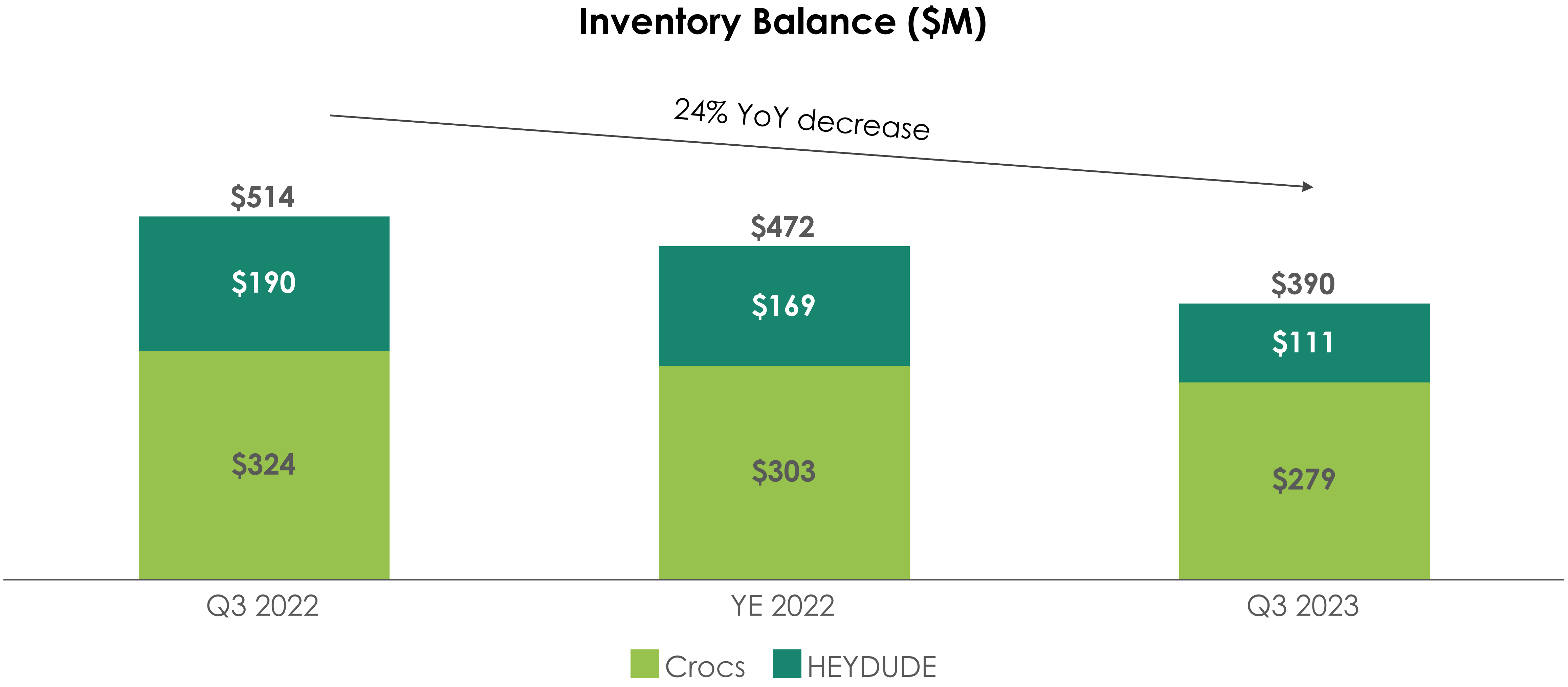
Capital Allocation

- Committed to quickly deleveraging - repaid $940M since the acquisition
- Met our goal to be below 2.0x gross leverage by mid-year 2023
- Debt paydown of $90M; Repurchased $150M of shares in Q3



1. Gross leverage ratio calculated consistent with debt covenants.

Healthy Inventory Position



FY2023E Guidance

(numbers on reported basis, unless otherwise noted)	Prior Guidance	Current Guidance	Δ
Total Revenue Growth	12.5% to 14.5% $4.0 to $4.065B	~10% to 11%[1] $3.905 to $3.940B	($95) to ($125M)
crocs **Revenue Growth**	12% to 13%	~12% to 13%	
HEYDUDE **Reported Revenue Growth** **Pro Forma Revenue Growth**[2]	14% to 18% ~3.5% to 7.5%	~4% to 6% ~(4)% to (6)%	
Adjusted Operating Margin[3,4]	~27.5%	~27.0%	(50)bps
Adjusted One Time Costs[3,4]	$35M	$60M	+$25M
Adjusted Tax Rate[3,4]	~20%	~20%	
Adjusted Diluted EPS[3,4]	$11.83 to $12.22	$11.55 and $11.85	($0.28) to ($0.37)
Capital Expenditures	$165 to $180M	$125 to $135M	($40M) to ($45M)

1. Crocs, Inc. expected FY2023 revenue growth provided of approximately 10% to 11% implies expected revenues of $3,905 million to $3,940 million at currency rates as of the end of the latest reported period.
2. Pro forma ("PF") includes HEYDUDE revenues for the period prior to acquisition close (assuming the acquisition had closed on January 1, 2022.)
3. Non-GAAP adjustments include an expected: $60 million of costs primarily related to investments in our distribution centers to support growth and an anticipated non-cash impairment for our corporate headquarters. We expect these adjustments to be fairly balanced across cost of sales and SG&A.
4. See reconciliation to GAAP equivalents in Appendix.

Q4 2023E Guidance

(numbers on reported basis, unless otherwise noted)	Q4 2023E
Total Revenue Growth	(4)% to (1)%[1]
crocs **Revenue Growth**	4% to 7%
HEY DUDE **Revenue Growth**	(25)% to (20)%
Adjusted Operating Margin[2]	~21.0%
Adjusted Diluted EPS[2]	$2.05 to $2.35

1. Crocs Inc. expected revenue growth at currency rates as of the end of the latest reported period.
2. See reconciliation to GAAP equivalents in Appendix. Non-GAAP adjustments include costs primarily related to capital investments to support growth, and to be fairly balanced across COGS and SG&A.

Appendix

Non-GAAP Reconciliation

In addition to financial measures presented on the basis of accounting principles generally accepted in the United States of America ("GAAP"), we present "Non-GAAP cost of sales," "Non-GAAP gross profit," "Non-GAAP gross margin," "Non-GAAP gross margin by brand," "Non-GAAP selling, general, and administrative expenses," "Non-GAAP selling, general and administrative expenses as a percent of revenues," "Non-GAAP income from operations," "Non-GAAP operating margin," "Non-GAAP income before income taxes," "Non-GAAP income tax expense (benefit)," "Non-GAAP effective tax rate," "Non-GAAP net income," and "Non-GAAP basic and diluted net income per common share," which are non-GAAP financial measures. We also present future period guidance for "Non-GAAP operating margin," "Non-GAAP operating income," "Non-GAAP effective tax rate," and "Non-GAAP diluted earnings per share." Non-GAAP results exclude the impact of items that management believes affect the comparability or underlying business trends in our condensed consolidated financial statements in the periods presented.

We also present certain information related to our current period results of operations through "constant currency," which is a non-GAAP financial measure and should be viewed as a supplement to our results of operations and presentation of reportable segments under GAAP. Constant currency represents current period results that have been retranslated using exchange rates used in the prior year comparative period to enhance the visibility of the underlying business trends excluding the impact of foreign currency exchange rate fluctuations.

Management uses non-GAAP results to assist in comparing business trends from period to period on a consistent basis in communications with the board of directors, stockholders, analysts, and investors concerning our financial performance. We believe that these non-GAAP measures, in addition to corresponding GAAP measures, are useful to investors and other users of our condensed consolidated financial statements as an additional tool for evaluating operating performance and trends. For the three and three and nine months ended September 30, 2023, management believes it is helpful to evaluate our results excluding the impacts of various adjustments relating to special or non-recurring items. Investors should not consider these non-GAAP measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

Comparable store status, as included in the DTC comparable sales figures above, is determined on a monthly basis. Comparable store sales include the revenues of stores that have been in operation for more than twelve months. Stores in which selling square footage has changed more than 15% as a result of a remodel, expansion, or reduction are excluded until the thirteenth month in which they have comparable prior year sales. Temporarily closed stores are excluded from the comparable store sales calculation during the month of closure and in the same month in the following year. Location closures in excess of three months are excluded until the thirteenth month post re-opening. E-commerce comparable revenues are based on same site sales period over period. E-commerce sites that are temporarily offline or unable to transact or fulfill orders ("site disruption") are excluded from the comparable sales calculation during the month of site disruption and in the same month in the following year. E-commerce site disruptions in excess of three months are excluded until the thirteenth month after the site has re-opened.

Non-GAAP Reconciliation

Non-GAAP Cost of Sales, Gross Profit, and Gross Margin Reconciliation:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
	(in thousands)	
GAAP revenues	$ 1,045,717	$ 985,094
GAAP cost of sales	$ 464,081	$ 443,792
Distribution centers [1]	(18,797)	(2,316)
HEYDUDE inventory fair value step-up [2]	—	12
Inventory reserve in Russia [3]	—	1,025
Total adjustments	(18,797)	(1,279)
Non-GAAP cost of sales	$ 445,284	$ 442,513
GAAP gross profit	$ 581,636	$ 541,302
GAAP gross margin	55.6 %	54.9 %
Non-GAAP gross profit	$ 600,433	$ 542,581
Non-GAAP gross margin	57.4 %	55.1 %

[1] Represents expenses, including expansion costs, duplicate rent costs, and transitional storage costs, primarily related to our distribution centers in Dayton, Ohio and Las Vegas, Nevada.
[2] Primarily represents a prior year step-up of HEYDUDE inventory costs to fair value upon the close of the acquisition on February 17, 2022.
[3] Represents the net impact of a prior year inventory reserve expense in our EMEALA segment associated with the shutdown of our direct operations in Russia.

Non-GAAP Reconciliation (Cont'd)

Non-GAAP Gross Margin Reconciliation by Brand:

	Three Months Ended September 30,	
	2023	2022
GAAP Crocs Brand gross margin	61.9 %	57.3 %
Non-GAAP adjustments:		
Distribution centers [1]	0.2 %	0.3 %
Inventory reserve in Russia [2]	— %	(0.1)%
Non-GAAP Crocs Brand gross margin	62.1 %	57.5 %

	Three Months Ended September 30,	
	2023	2022
GAAP HEYDUDE Brand gross margin	35.6 %	48.8 %
Non-GAAP adjustments:		
Distribution centers [1]	7.2 %	— %
Non-GAAP HEYDUDE Brand gross margin	42.8 %	48.8 %

(1) Represents expenses, including expansion costs, duplicate rent costs, and transitional storage costs, primarily related to our distribution centers in Dayton, Ohio and Las Vegas, Nevada.
(2) Represents the net impact of a prior year inventory reserve expense in our EMEALA segment associated with the shutdown of our direct operations in Russia.

Non-GAAP Reconciliation (Cont'd)

Non-GAAP selling, general and administrative expenses and selling, general and administrative expenses as a percent of revenues reconciliation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
GAAP revenues	$ 1,045,717	$ 985,094	$ 3,002,250	$ 2,609,823
GAAP selling, general and administrative expenses	$ 307,784	$ 277,239	$ 852,044	$ 733,255
Information technology project discontinuation	—	—	(4,119)	—
Duplicate headquarters rent [1]	(976)	—	(3,169)	—
HEYDUDE acquisition and integration costs [2]	(545)	(6,863)	(1,961)	(33,205)
Impact of shutdown of Russia direct operations [3]	—	40	—	(5,797)
Other [4]	(1,749)	(2,300)	(7,357)	(3,502)
Total adjustments	(3,270)	(9,123)	(16,606)	(42,504)
Non-GAAP selling, general and administrative expenses [5]	$ 304,514	$ 268,116	$ 835,438	$ 690,751
GAAP selling, general and administrative expenses as a percent of revenues	29.4 %	28.1 %	28.4 %	28.1 %
Non-GAAP selling, general and administrative expenses as a percent of revenues	29.1 %	27.2 %	27.8 %	26.5 %

(1) Represents duplicate rent costs associated with our upcoming move to a new headquarters.
(2) Represents costs related to the integration of HEYDUDE in the three and nine months ended September 30, 2023 and costs related to the acquisition and integration of HEYDUDE in the three months ended September 30, 2022 and the partial period from the acquisition date of February 17, 2022 through September 30, 2022 (the "Partial Period").
(3) Represents various costs in the prior year associated with the shutdown of our direct operations in Russia, including severance and lease exit costs and penalties.
(4) Includes various restructuring costs, as well as costs associated with the implementation of a new enterprise resource planning system.
(5) Non-GAAP selling, general and administrative expenses are presented gross of tax.

Non-GAAP Reconciliation (Cont'd)

Non-GAAP selling, general and administrative expenses as a percent of revenues reconciliation by Brand:

	Three Months Ended September 30,	
	2023	2022
GAAP Crocs Brand selling, general and administrative expenses as a percent of revenues	24.7 %	24.4 %
Non-GAAP adjustments[1]	0.1 %	— %
Non-GAAP Crocs Brand selling, general and administrative as a percent of revenues	24.6 %	24.4 %

[1] Includes various restructuring costs, as well as costs associated with the implementation of a new enterprise resource planning system.

Non-GAAP Reconciliation (Cont'd)

Non-GAAP Income from Operations and Operating Margin Reconciliation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
GAAP revenues	$ 1,045,717	$ 985,094	$ 3,002,250	$ 2,609,823
GAAP income from operations	$ 273,852	$ 264,063	$ 827,269	$ 630,704
Non-GAAP cost of sales adjustments [1]	18,797	1,279	23,664	67,334
Non-GAAP selling, general and administrative expenses adjustments [2]	3,270	9,123	16,606	42,504
Non-GAAP income from operations	$ 295,919	$ 274,465	$ 867,539	$ 740,542
GAAP operating margin	26.2 %	26.8 %	27.6 %	24.2 %
Non-GAAP operating margin	28.3 %	27.9 %	28.9 %	28.4 %

[1] See 'Non-GAAP cost of sales, gross profit, and gross margin reconciliation' above for more details.
[2] See 'Non-GAAP selling, general and administrative expenses and selling, general and administrative expenses as a percent of revenues reconciliation' above for more details.

Non-GAAP Reconciliation (Cont'd)

Non-GAAP Operating Margin Reconciliation by Brand:

	Three Months Ended September 30,	
	2023	2022
GAAP Crocs Brand operating margin	37.2 %	32.9 %
Non-GAAP costs of sales adjustments[1]	0.1 %	0.2 %
Non-GAAP SG&A adjustments[2]	0.1 %	— %
Non-GAAP Crocs Brand operating margin	37.4 %	33.1 %

	Three Months Ended September 30,	
	2023	2022
GAAP HEYDUDE Brand operating margin	12.9 %	29.3 %
Non-GAAP costs of sales adjustments[1]	7.2 %	— %
Non-GAAP SG&A adjustments	— %	— %
Non-GAAP HEYDUDE Brand operating margin	20.1 %	29.3 %

(1) See 'Non-GAAP gross margin by Brand reconciliation' above for more details.
(2) See 'Non-GAAP selling, general and administrative expenses as a percent of revenues by Brand reconciliation' above for more details.

Non-GAAP Reconciliation (Cont'd)

Non-GAAP Income Tax Expense (Benefit) and Effective Tax Rate Reconciliation:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	(in thousands)			
GAAP income from operations	$ 273,852	$ 264,063	$ 827,269	$ 630,704
GAAP income before income taxes	233,405	229,575	702,413	542,939
Non-GAAP income from operations [1]	$ 295,919	$ 274,465	$ 867,539	$ 740,542
GAAP non-operating income (expenses):				
Foreign currency losses, net	(1,770)	(393)	(1,622)	(1,115)
Interest income	506	31	1,225	219
Interest expense	(39,207)	(34,142)	(124,907)	(86,357)
Other income (expense), net	24	16	448	(512)
Non-GAAP income before income taxes	$ 255,472	$ 239,977	$ 742,683	$ 652,777
GAAP income tax expense	$ 56,380	$ 60,226	$ 163,433	$ 140,515
Tax effect of non-GAAP operating adjustments	5,462	2,751	10,076	18,789
Impact of intra-entity IP transfers [2]	(6,717)	(8,368)	(19,233)	(18,274)
Non-GAAP income tax expense	$ 55,125	$ 54,609	$ 154,276	$ 141,030
GAAP effective income tax rate	24.2 %	26.2 %	23.3 %	25.9 %
Non-GAAP effective income tax rate	21.6 %	22.8 %	20.8 %	21.6 %

[1] See 'Non-GAAP income from operations and operating margin reconciliation' above for more details.
[2] In the fourth quarter of 2020, and subsequently in the fourth quarter of 2021, we made changes to our international legal structure, including an intra-entity transfer of certain intellectual property rights, primarily to align with current and future international operations. The transfers resulted in a step-up in the tax basis of intellectual property rights and correlated increases in foreign deferred tax assets based on the fair value of the transferred intellectual property rights. This adjustment represents the current period impact of these transfers. The prior year adjustment also includes the release of the valuation allowance as a result of a tax law change.

Non-GAAP Reconciliation (Cont'd)

Non-GAAP Earnings Per Share Reconciliation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands, except per share data)			
Numerator:				
GAAP net income	$ 177,025	$ 169,349	$ 538,980	$ 402,424
Non-GAAP cost of sales adjustments [1]	18,797	1,279	23,664	67,334
Non-GAAP selling, general and administrative expenses adjustments [2]	3,270	9,123	16,606	42,504
Tax effect of non-GAAP adjustments	1,255	5,617	9,157	(515)
Non-GAAP net income	$ 200,347	$ 185,368	$ 588,407	$ 511,747
Denominator:				
GAAP weighted average common shares outstanding - basic	61,143	61,693	61,670	61,042
Plus: GAAP dilutive effect of stock options and unvested restricted stock units	472	674	610	798
GAAP weighted average common shares outstanding - diluted	61,615	62,367	62,280	61,840
GAAP net income per common share:				
Basic	$ 2.90	$ 2.75	$ 8.74	$ 6.59
Diluted	$ 2.87	$ 2.72	$ 8.65	$ 6.51
Non-GAAP net income per common share:				
Basic	$ 3.28	$ 3.00	$ 9.54	$ 8.38
Diluted	$ 3.25	$ 2.97	$ 9.45	$ 8.28

[1] See 'Non-GAAP cost of sales, gross profit, and gross margin reconciliation' above for more information.
[2] See 'Non-GAAP selling, general and administrative expenses and selling, general and administrative expenses as a percent of revenues reconciliation' above for more information.

Non-GAAP Reconciliation (Cont'd)

Reconciliation of GAAP to Non-GAAP Financial Guidance:

Full Year 2023:

	Approximately:
Non-GAAP operating margin and operating income reconciliation:	
GAAP operating margin	25.5%
Non-GAAP adjustments, primarily related to investments to support growth [1]	1.5%
Non-GAAP operating margin	27.0%
Non-GAAP effective tax rate reconciliation:	
GAAP effective tax rate	23.0%
Non-GAAP adjustments, primarily related to amortization of intellectual property [1][2]	(3.0)%
Non-GAAP effective tax rate	20.0%
Non-GAAP diluted earnings per share reconciliation:	
GAAP diluted earnings per share	$10.37 to $10.67
Non-GAAP adjustments, primarily related to investments to support growth and amortization of intellectual property [1][2]	$1.18
Non-GAAP diluted earnings per share	$11.55 to $11.85

[1] For the full year 2023, we expect to incur approximately $60 million in costs primarily related to investments to support growth and to be fairly balanced across COGS and SG&A.

[2] In the fourth quarter of 2020, and subsequently in the fourth quarter of 2021, we made changes to our international legal structure, including an intra-entity transfer of certain intellectual property rights, primarily to align with current and future international operations. This adjustment represents the amortization of the deferred tax asset related to these intellectual property rights in this period.

Non-GAAP Financial Guidance

Our forward-looking guidance for consolidated "adjusted operating margin," "adjusted diluted earnings per share", and "net leverage target" represents non-GAAP financial measures that exclude or otherwise have been adjusted for special items from our U.S. GAAP financial statements. We consider these items to be necessary adjustments for purposes of evaluating our ongoing business performance and are often considered non-recurring. Such adjustments are subjective and involve significant management judgment.

While we are able to estimate full year non-GAAP adjustments, we are unable to reconcile forward-looking adjusted measures to their nearest U.S. GAAP measure quarter-by-quarter because we are unable to predict the timing of these adjustments with a reasonable degree of certainty. By their very nature, special and other non-core items are difficult to anticipate with precision because they are generally associated with unexpected and unplanned events that impact our company and its financial results. Therefore, we are unable to provide a reconciliation of these measures for the guidance related to the fourth quarter of 2023.

CROCS inc™